VALHI INC /DE/
Form 10-Q
May 10, 2013

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 March 31, 2013

Commission file number 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**87-0110150**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

5430 LBJ Freeway, Suite 1700, Dallas, Texas	**75240-2697**
(Address of principal executive offices)	**(Zip Code)**

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 (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 x **No** ¨

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 x **No** ¨

Whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

Large accelerated filer ¨	**Accelerated filer** x
Non-accelerated filer ¨	**Smaller reporting company** ¨**.**

Whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ **No** x**.**

Number of shares of the Registrant s common stock outstanding on May 3, 2013: 339,115,449.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

INDEX

Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2012	March 31, 2013 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 366.9	**$ 179.7**
Restricted cash equivalents	8.1	**6.6**
Accounts and other receivables, net	302.5	**411.2**
Inventories, net	650.3	**544.0**
Other current assets	26.0	**20.2**
Deferred income taxes	9.6	**9.6**
Total current assets	1,363.4	**1,171.3**
Other assets:		
Marketable securities	256.8	**256.7**
Investment in affiliates	126.1	**116.0**
Goodwill	379.7	**379.7**
Deferred income taxes	120.3	**168.7**
Other noncurrent assets	161.1	**165.1**
Total other assets	1,044.0	**1,086.2**
Property and equipment:		
Land	48.3	**47.3**
Buildings	280.5	**271.1**
Equipment	1,127.7	**1,096.7**
Treatment, storage and disposal facility	158.7	**158.9**
Mining properties	72.3	**60.8**
Construction in progress	40.7	**44.3**
	1,728.2	**1,679.1**
Less accumulated depreciation	965.1	**939.8**
Net property and equipment	763.1	**739.3**
Total assets	$ 3,170.5	**$ 2,996.8**

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2012	March 31, 2013 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 29.6	**$ 29.6**
Accounts payable and accrued liabilities	334.6	**340.2**
Income taxes	23.1	**31.5**
Deferred income taxes	11.2	**10.8**
Total current liabilities	398.5	**412.1**
Noncurrent liabilities:		
Long-term debt	880.5	**770.6**
Deferred income taxes	454.8	**472.4**
Accrued pension costs	202.9	**194.6**
Accrued environmental remediation and related costs	42.6	**43.6**
Accrued postretirement benefits costs	21.2	**20.8**
Other liabilities	78.3	**80.1**
Total noncurrent liabilities	1,680.3	**1,582.1**
Equity:		
Valhi stockholders equity:		
Preferred stock	667.3	**667.3**
Common stock	3.6	**3.6**
Additional paid-in capital	78.9	**78.9**
Retained earnings	75.4	**18.6**
Accumulated other comprehensive loss	(42.0)	**(61.9)**
Treasury stock	(49.6)	**(49.6)**
Total Valhi stockholders equity	733.6	**656.9**
Noncontrolling interest in subsidiaries	358.1	**345.7**
Total equity	1,091.7	**1,002.6**
Total liabilities and equity	$ 3,170.5	**$ 2,996.8**

Commitments and contingencies (Notes 13 and 16)

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended March 31, 2012	Three months ended March 31, 2013
	(unaudited)	(unaudited)
Revenues and other income:		
Net sales	$ 582.8	**$ 499.2**
Other income, net	9.6	**8.8**
Total revenues and other income	592.4	**508.0**
Costs and expenses:		
Cost of sales	322.4	**486.3**
Selling, general and administrative	78.7	**69.7**
Loss on prepayment of debt		**6.6**
Interest	13.5	**15.4**
Total costs and expenses	414.6	**578.0**
Income (loss) from continuing operations before income taxes	177.8	**(70.0)**
Income tax expense (benefit)	59.0	**(21.8)**
Income (loss) from continuing operations	118.8	**(48.2)**
Income from discontinued operations, net of tax	.7	
Net income (loss)	119.5	**(48.2)**
Noncontrolling interest in net income (loss) of subsidiaries	30.6	**(8.4)**
Net income (loss) attributable to Valhi stockholders	$ 88.9	**$ (39.8)**

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

(In millions, except per share data)

	Three months ended March 31, 2012	Three months ended March 31, 2013
Amounts attributable to Valhi stockholders:		
Income (loss) from continuing operations	$ 88.4	**$ (39.8)**
Income from discontinued operations	.5	
Net income (loss) attributable to Valhi stockholders	$ 88.9	**$ (39.8)**
Basic and diluted net income (loss) per share:		
Income (loss) from continuing operations	$ .26	**$ (.12)**
Income from discontinued operations		
Net income (loss) per share	$ .26	**$ (.12)**
Cash dividends per share	$ .042	**$ .05**
Basic and diluted weighted average shares outstanding	342.0	**342.0**

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended March 31,	
	2012	2013
	(unaudited)	
Net income (loss)	$ 119.5	**$ (48.2)**
Other comprehensive income (loss), net of tax:		
Currency translation	18.3	**(28.1)**
Marketable securities	(11.1)	**6.4**
Defined benefit pension plans	2.0	**2.7**
Other postretirement benefit plans	(.3)	**(.2)**
Total other comprehensive income (loss), net	8.9	**(19.2)**
Comprehensive income (loss)	128.4	**(67.4)**
Comprehensive income (loss) attributable to noncontrolling interest	29.4	**(7.7)**
Comprehensive income (loss) attributable to Valhi stockholders	$ 99.0	**$ (59.7)**

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three months ended March 31, 2012 (unaudited)	2013
Cash flows from operating activities:		
Net income (loss)	$ 119.5	**$ (48.2)**
Depreciation and amortization	15.7	**18.6**
Loss on prepayment of debt		**6.6**
Benefit plan expense greater (less) than cash funding requirements:		
Defined benefit pension expense	.1	**1.3**
Other postretirement benefit expense	(.5)	**(.4)**
Deferred income taxes	25.2	**(34.9)**
Net distributions from (contributions to) $Ti0_2$ manufacturing joint venture, net	(18.8)	**9.8**
Other, net		**2.8**
Change in assets and liabilities:		
Accounts and other receivables, net	(163.4)	**(89.4)**
Inventories, net	(126.1)	**92.4**
Accounts payable and accrued liabilities	(8.0)	**29.2**
Accounts with affiliates	29.0	**(45.4)**
Income taxes	11.6	**16.4**
Other, net	1.3	**6.9**
Net cash used in operating activities	(114.4)	**(34.3)**
Cash flows from investing activities:		
Capital expenditures	(34.6)	**(20.2)**
Capitalized permit costs	(.9)	**(.2)**
Purchases of marketable securities	(.5)	**(3.8)**
Proceeds from:		
Disposal of mutual funds	21.1	
Disposal of other marketable securities	2.8	**4.0**
Disposal of assets held for sale		**1.6**
Collection of note receivable		**1.8**
Change in restricted cash equivalents, net	(2.3)	**.8**
Other, net	2.1	**(.3)**
Net cash used in investing activities	(12.3)	**(16.3)**

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Three months ended March 31, 2012	Three months ended March 31, 2013
	(unaudited)	
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 108.5	**$ 214.8**
Principal payments	(2.1)	**(327.9)**
Valhi cash dividends paid	(14.1)	**(17.0)**
Distributions to noncontrolling interest in subsidiaries	(4.7)	**(4.7)**
Other, net		**.2**
Net cash provided by (used in) financing activities	87.6	**(134.6)**
Cash and cash equivalents net change from:		
Operating, investing and financing activities	(39.1)	**(185.2)**
Effect of exchange rate on cash	.4	**(2.0)**
Cash and cash equivalents at beginning of period	96.4	**366.9**
Cash and cash equivalents at end of period	$ 57.7	**$ 179.7**
Supplemental disclosures:		
Cash paid (received) for:		
Interest, net of capitalized interest (including call premium paid)	$ 7.4	**$ 14.9**
Income taxes, net	23.9	**(1.6)**
Noncash investing activities:		
Accrual for capital expenditures	6.1	**4.4**
Accrual for capitalized permit costs	3.5	**.1**

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Three months ended March 31, 2013

(In millions)

	Valhi Stockholders Equity							
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Non-controlling interest	Total equity
Balance at December 31, 2012	$ 667.3	$ 3.6	$ 78.9	$ 75.4	$ (42.0)	$ (49.6)	$ 358.1	$ 1,091.7
Net loss				(39.8)			(8.4)	(48.2)
Other comprehensive income (loss), net					(19.9)		.7	(19.2)
Cash dividends				(17.0)			(4.7)	(21.7)
Balance at March 31, 2013	$ 667.3	$ 3.6	$ 78.9	$ 18.6	$ (61.9)	$ (49.6)	$ 345.7	$ 1,002.6

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(unaudited)

Note 1 Organization and basis of presentation:

Organization We are majority owned by Contran Corporation and one of its subsidiaries, which own approximately 93% of our outstanding common stock at March 31, 2013. Substantially all of Contran s outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (for which Mr. Simmons is the sole trustee) or is held directly by Mr. Simmons or other persons or entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control Contran and us.

Basis of Presentation Consolidated in this Quarterly Report are the results of our majority-owned and wholly-owned subsidiaries, including NL Industries, Inc., Kronos Worldwide, Inc., CompX International Inc., Tremont LLC and Waste Control Specialists LLC (WCS). Kronos (NYSE: KRO), NL (NYSE: NL), and CompX (NYSE MKT: CIX) each file periodic reports with the Securities and Exchange Commission (SEC).

The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 that we filed with the SEC on March 15, 2013 (the 2012 Annual Report). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2012 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2012) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our results of operations for the interim period ended March 31, 2013 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2012 Consolidated Financial Statements contained in our 2012 Annual Report.

In May 2012, we implemented a 3-for-1 split of our common stock. We have adjusted all share and per-share disclosures for the first quarter 2012 period to give effect to the stock split.

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

Table of Contents

Note 2 Business segment information:

Business segment	Entity	% controlled at March 31, 2013
Chemicals	Kronos	80%
Component products	CompX	87%
Waste management	WCS	100%

Our control of Kronos includes 50% we hold directly and 30% held directly by NL. We own 83% of NL. Our control of CompX is through NL. At March 31, 2013 we had an aggregate of 12.0 million shares of our Kronos common stock pledged as collateral for certain debt obligations of Contran. We receive a fee from Contran for pledging these Kronos shares, determined by a formula based on the market value of the shares pledged.

	Three months ended March 31,	
	2012	2013
	(In millions)	
Net sales:		
Chemicals	$ 561.3	**$ 463.6**
Component products	20.4	**21.5**
Waste management	1.1	**14.1**
Total net sales	$ 582.8	**$ 499.2**
Cost of sales:		
Chemicals	$ 300.4	**$ 460.3**
Component products	14.4	**15.5**
Waste management	7.6	**10.5**
Total cost of sales	$ 322.4	**$ 486.3**
Gross margin:		
Chemicals	$ 260.9	**$ 3.3**
Component products	6.0	**6.0**
Waste management	(6.5)	**3.6**
Total gross margin	$ 260.4	**$ 12.9**
Operating income (loss):		
Chemicals	$ 211.3	**$ (45.1)**
Component products	1.6	**1.5**
Waste management	(9.6)	**(1.6)**
Total operating income (loss)	203.3	**(45.2)**
Equity in earnings of investee	.1	**(.3)**
General corporate items:		
Securities earnings	7.1	**6.6**
Insurance recoveries	1.1	**.6**
Loss on prepayment of debt		**(6.6)**
General expenses, net	(20.3)	**(9.7)**
Interest expense	(13.5)	**(15.4)**

Income(loss) from continuing operations before income taxes	$ 177.8	**$ (70.0)**

Table of Contents

Segment results we report may differ from amounts separately reported by our various subsidiaries and affiliates due to purchase accounting adjustments and related amortization or differences in the way we define operating income. Intersegment sales are not material.

Note 3 Discontinued operations:

On December 28, 2012, CompX completed the sale of its furniture components operations to a competitor of that business. Please refer to Note 3 to our 2012 Annual Report for a complete description of the transaction.

Selected financial data for the operations of the disposed furniture components business is presented below:

	Three months ended March 31,2012 (In millions)	
Income statement:		
Net sales	$	15.1
Operating income	$	1.3
Income from discontinued operations:		
Income before taxes	$	1.3
Income tax expense		.6
Income from discontinued operations, net of tax		.7
Noncontrolling interest in income from discontinued operations		.2
Total discontinued operations, net of tax and noncontrolling interest	$	.5

In accordance with generally accepted accounting principles, the assets and liabilities relating to the furniture components reporting unit were eliminated from the 2012 Consolidated Balance Sheet at the date of sale. We have reclassified our March 31, 2012 Consolidated Statement of Operations to reflect the disposed operations as discontinued operations. We have not reclassified our March 31, 2012 Consolidated Statement of Cash Flows to reflect discontinued operations.

In conjunction with the sale of CompX s furniture components reporting unit, the buyer was not interested in retaining certain undeveloped land located in Taiwan owned by CompX s Taiwanese Furniture Component subsidiary. We had no additional use for the undeveloped land in Taiwan and therefore expected the land to be sold to a third party with CompX receiving the net proceeds. Based on the legal form of how we completed the disposal transaction, our interest in such land was represented by a $3.0 million promissory note receivable at December 31, 2012, issued to CompX by its former Taiwanese subsidiary which retained legal ownership in the land to facilitate the future sale of the land to a third party. The proceeds from a future sale of the land were required to be used to settle the note receivable. During the first quarter of 2013, an agreement was entered into with a third party to sell the land for $3.0 million, $1.8 million of which was received during the first quarter with the remaining $1.2 million received in April 2013. Such note receivable is classified as part of other current assets in our Consolidated Balance Sheet at December 31, 2012 and March 31, 2013.

Table of Contents

Note 4 Marketable securities:

	Market value	Cost basis (In millions)	Unrealized gains, net
December 31, 2012:			
Current assets:	$ .9	$ .9	$
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$ 250.0	$ 250.0	$
Other	6.8	6.7	.1
Total	$ 256.8	$ 256.7	$ .1
March 31, 2013:			
Current assets	**$ .9**	**$ .9**	**$**
Noncurrent assets:			
The Amalgamated Sugar Company LLC	**$ 250.0**	**$ 250.0**	**$**
Other	**6.7**	**6.6**	**.1**
Total	**$ 256.7**	**$ 256.6**	**$ .1**

All of our marketable securities are accounted for as available-for-sale, which are carried at fair value, with any unrealized gains or losses recognized through accumulated other comprehensive income. Our marketable securities are carried at fair value using quoted market prices, primarily Level 1 inputs as defined by Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, except for our investment in The Amalgamated Sugar Company LLC (Amalgamated). Our current marketable securities are included with other current assets on our Condensed Consolidated Balance Sheets. Our investment in Amalgamated is measured using significant unobservable inputs, which are Level 3 inputs. Please refer to Note 4 in our 2012 Annual Report for a complete description of the valuation methodology for our investment in Amalgamated. There have been no changes to the carrying value of this investment during the periods presented. See Note 17.

Note 5 Accounts and other receivables, net:

	December 31, 2012	March 31, 2013
	(In millions)	
Trade accounts receivable:		
Kronos	$ 229.7	**$ 303.9**
CompX	8.7	**9.7**
WCS	4.8	**8.4**
VAT and other receivables	42.2	**43.1**
Refundable income taxes	18.3	**10.9**
Receivable from affiliates:		
LPC		**35.4**
Contran income taxes, net	.3	**1.2**
Allowance for doubtful accounts	(1.5)	**(1.4)**
Total	$ 302.5	**$ 411.2**

- 14 -

Table of Contents

Note 6 Inventories, net:

	December 31, 2012	March 31, 2013
	(In millions)	
Raw materials:		
Chemicals	$ 151.5	**$ 90.5**
Component products	3.3	**3.7**
Total raw materials	154.8	**94.2**
Work in process:		
Chemicals	27.3	**27.6**
Component products	5.9	**6.1**
Total in-process products	33.2	**33.7**
Finished products:		
Chemicals	395.6	**348.4**
Component products	2.1	**2.2**
Total finished products	397.7	**350.6**
Supplies (chemicals)	64.6	**65.5**
Total	$ 650.3	**$ 544.0**

Note 7 Other noncurrent assets:

	December 31, 2012	March 31, 2013
	(In millions)	
Investment in affiliates:		
TiO_2 manufacturing joint venture, Louisiana Pigment Company, L.P. (LPC)	$ 109.9	**$ 100.1**
Other	16.2	**15.9**
Total	$ 126.1	**$ 116.0**
Other assets:		
Waste disposal site operating permits, net	$ 65.7	**$ 64.3**
Restricted cash	20.9	**21.3**
Deferred financing costs	7.0	**3.9**
IBNR receivables	6.7	**6.8**
Capital lease deposit	6.2	**6.2**
Pension asset	5.1	**4.7**
Assets held for sale	2.6	**1.0**
Other	46.9	**56.9**
Total	$ 161.1	**$ 165.1**

Table of Contents

In the fourth quarter of 2012, CompX entered into an agreement to sell one of its facilities classified as an asset held for sale. The transaction closed during the first quarter of 2013. The net proceeds from the sale of $1.6 million approximated the carrying value of the assets as of the date of the sale.

Note 8 Accounts payable and accrued liabilities:

	December 31, 2012	March 31, 2013
	(In millions)	
Accounts payable	$ 169.6	**$ 186.9**
Payable to affiliates:		
Contran income taxes, net	2.6	
Contran trade items	26.8	**26.3**
LPC	23.4	**16.1**
Employee benefits	38.5	**34.3**
Accrued sales discounts and rebates	14.9	**11.8**
Environmental remediation and related costs	7.6	**6.9**
Deferred income	5.4	**5.7**
Reserve for uncertain tax positions	3.0	**3.0**
Other	42.8	**49.2**
Total	$ 334.6	$ 340.2

Note 9 Other noncurrent liabilities:

	December 31, 2012	March 31, 2013
	(In millions)	
Reserve for uncertain tax positions	$ 29.4	**$ 31.2**
Asset retirement obligations	23.8	**24.2**
Insurance claims and expenses	9.7	**9.7**
Employee benefits	11.3	**10.8**
Deferred income	1.0	**1.0**
Other	3.1	**3.2**
Total	$ 78.3	**$ 80.1**

Table of Contents

Note 10 Long-term debt:

	December 31, 2012	March 31, 2013
	(In millions)	
Valhi:		
Snake River Sugar Company	$ 250.0	**$ 250.0**
Contran credit facility	157.6	**149.0**
Total Valhi debt	407.6	**399.0**
Subsidiary debt:		
Kronos:		
Note payable to Contran		**185.0**
Term loan	384.5	**98.6**
Revolving European credit facility	13.2	**12.8**
CompX:		
Promissory note payable to Timet Finance Management Company	18.5	**18.2**
WCS:		
Financing capital lease	69.9	**69.6**
6% promissory notes	7.2	**7.2**
Other	9.2	**9.8**
Total subsidiary debt	502.5	**401.2**
Total debt	910.1	**800.2**
Less current maturities	29.6	**29.6**
Total long-term debt	$ 880.5	**$ 770.6**

Valhi *Contran credit facility* During the first three months of 2013, we had net repayments of $8.6 million under our Contran credit facility. The average interest rate on the existing balance as of and for the three months ended March 31, 2013 was 4.25%. At March 31, 2013, the equivalent of $76.0 million was available for borrowing under this facility.

Kronos *Term loan* In February 2013, Kronos voluntarily prepaid an aggregate $290 million principal amount of our term loan. We recognized a non-cash pre-tax interest charge of $6.6 million related to this prepayment consisting of the write-off of the unamortized original issue discount costs and deferred financing costs associated with such prepayment. Funds for such prepayment were provided by $100 million of Kronos cash on hand as well as borrowings of $190 million under a new loan from Contran as described below. As a result of this prepayment, the remaining $100 million principal amount of the term loan is not repayable until final maturity of the term loan in June 2018. The average interest rate on these borrowings as of and for the three months ended March 31, 2013 was 7% and 6.6%, respectively. The carrying amount of the term loan includes unamortized original issue discount of $1.4 million at March 31, 2013. It is possible Kronos might borrow additional amounts from Contran in the future to voluntarily prepay the remaining $100 million principal amount outstanding under the term loan.

Table of Contents

Note payable to Contran As discussed above, in February 2013 Kronos entered into a promissory note with Contran that allows it to borrow up to $290 million. This new loan from Contran contains terms and conditions similar to the terms and conditions of the term loan, except that the loan from Contran is unsecured and contains no financial maintenance covenant. The independent members of Kronos board of directors approved the terms and conditions of the loan from Contran. The note requires quarterly principal payments of $5.0 million which commenced in March 2013, with any remaining outstanding principal due by June 2018. Voluntary principal prepayments are permitted at any time without penalty. The note bears interest at LIBOR (with LIBOR no less than 1%) plus 4.125%, or the base rate (as defined in the agreement) plus 5.125%. Kronos is required to use the base rate method until such time as both (1) the term loan discussed above has been fully repaid and (2) the European credit facility has been amended on terms satisfactory to Contran, at which time we would have the option to use either the base rate or LIBOR rate methods. The average interest rate on these borrowings as of and for the period from issuance to March 31, 2013 was 7.375%.

Revolving European credit facility - During the first three months of 2013, Kronos had no borrowings or repayments under our European credit facility. The average interest rate on the existing balance as of and for the three months ended March 31, 2013 was 2.03% and 2.01%, respectively. At March 31, 2013, the equivalent of $140.5 million was available for borrowing under this facility.

Revolving North American credit facility Kronos had no borrowings or repayments under its North American credit facility for the three months ended March 31, 2013. At March 31, 2013 there were no outstanding borrowings under this revolving facility and approximately $125 million was available for borrowing.

Canada At March 31, 2013, an aggregate of Cdn. $7.5 million letters of credit were outstanding under Kronos Canadian subsidiary s loan agreement with the Bank of Montreal which exists solely for the issuance of up to Cdn. $10.0 million in letters of credit.

In January 2013, Kronos borrowed Cdn. $1.8 million (USD $1.8 million) under its Canadian subsidiary s agreement with an economic development agency of the Province of Quebec, Canada which was recorded net of Cdn. $.5 million (USD $.5 million) imputed interest.

CompX The average interest rate on the promissory note payable as of and for the three-month period ended March 31, 2013 was 1.3%.

Restrictions and other Certain of the credit facilities with unrelated, third-party lenders described above require the respective borrowers to maintain minimum levels of equity, require the maintenance of certain financial ratios, limit dividends and additional indebtedness and contain other provisions and restrictive covenants customary in lending transactions of this type. We are in compliance with all of our debt covenants at March 31, 2013.

Table of Contents

Note 11 Employee benefit plans:

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

	Three months ended March 31,	
	2012	2013
	(In millions)	
Service cost	$ 2.6	**$ 3.3**
Interest cost	6.4	**6.1**
Expected return on plan assets	(5.5)	**(6.1)**
Amortization of unrecognized:		
Prior service cost	.4	**.4**
Net transition obligations	.1	**.1**
Actuarial losses	2.3	**3.4**
Total	$ 6.3	**$ 7.2**

Other postretirement benefits The components of our net periodic other postretirement benefit cost are presented in the table below.

	Three months ended March 31,	
	2012	2013
	(In millions)	
Service cost	$ .1	**$ .1**
Interest cost	.2	**.2**
Amortization of prior service credit	(.5)	**(.5)**
Total	$ (.2)	**$ (.2)**

Contributions We expect to contribute the equivalent of $28.5 million and $1.6 million, respectively, to all of our defined benefit pension plans and other postretirement benefit plans during 2013.

Note 12 Other income, net:

	Three months ended March 31,	
	2012	2013
	(In millions)	
Securities earnings:		
Dividends and interest	$ 7.1	**$ 6.5**
Securities transactions, net		**.1**
Total	7.1	**6.6**
Equity in earnings of investee	.1	**(.3)**
Currency transactions, net	.1	**1.7**
Insurance recoveries	1.1	**.6**
Other, net	1.2	**.2**

Total	$ 9.6	**$ 8.8**

Table of Contents

Insurance recoveries reflect, in part, amounts we received from certain of our former insurance carriers and relate to the recovery of prior lead pigment and asbestos litigation defense costs incurred by NL.

Note 13 Income taxes:

	Three months ended March 31,
	2012