REFINITIV

DELTA REPORT

10-Q

NL - NL INDUSTRIES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1408
CHANGES	284
DELETIONS	532
ADDITIONS	592

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

OR

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

For the transition period from to

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

New Jersey	**13-5267260**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2620
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	NL	NYSE

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒ ☐
Non-accelerated filer	☐ ☒	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of the registrant's common stock, $.125 par value per share, outstanding on October 27, 2023 May 2, 2024 48,833,484.

Table of Contents

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

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

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2022	September 30, 2023 (unaudited)	December 31, 2023	March 31, 2024 (unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 68,868	**$ 65,837**	$ 111,522	**$ 138,257**
Restricted cash and cash equivalents	2,864	**2,916**	2,917	**2,919**
Marketable securities	70,164	**80,217**	53,149	**29,662**
Accounts and other receivables, net	17,870	**19,773**	17,101	**17,372**
Receivables from affiliates	636	**905**	628	**601**
Inventories, net	31,290	**34,282**	30,712	**27,543**
Prepaid expenses and other	2,276	**2,185**	2,235	**1,948**
Total current assets	193,968	**206,115**	218,264	**218,302**
Other assets:				
Restricted cash and cash equivalents	25,770	**26,064**	26,943	**27,072**
Note receivable from affiliate	13,200	**12,000**	10,600	**9,800**
Marketable securities	26,350	**15,882**	18,194	**20,577**
Investment in Kronos Worldwide, Inc.	292,206	**255,233**	247,582	**237,221**
Goodwill	27,156	**27,156**	27,156	**27,156**
Other assets, net	2,523	**1,812**	2,060	**3,504**
Total other assets	387,205	**338,147**	332,535	**325,330**
Property and equipment:				
Land	5,390	**5,390**	5,390	**5,390**
Buildings	23,181	**23,181**	23,239	**23,262**
Equipment	74,113	**74,486**	74,315	**74,650**
Construction in progress	722	**512**	676	**536**
	103,406	**103,569**	103,620	**103,838**
Less accumulated depreciation	74,712	**77,347**	77,757	**78,654**
Net property and equipment	28,694	**26,222**	25,863	**25,184**
Total assets	$ 609,867	**$ 570,484**	$ 576,662	**$ 568,816**

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2022	September 30, 2023 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 3,537	**$ 3,991**
Accrued litigation settlement	11,830	**11,774**
Accrued and other current liabilities	13,393	**11,710**
Accrued environmental remediation and related costs	2,627	**1,810**
Payables to affiliates	665	**736**
Total current liabilities	32,052	**30,021**
Noncurrent liabilities:		
Long-term debt from affiliate	500	**500**
Accrued environmental remediation and related costs	89,731	**89,385**
Long-term litigation settlement	27,427	**16,046**
Deferred income taxes	50,119	**42,729**
Accrued pension costs	3,012	**2,111**
Other	4,279	**3,984**
Total noncurrent liabilities	175,068	**154,755**
Equity:		
NL stockholders' equity:		
Common stock	6,101	**6,103**
Additional paid-in capital	298,598	**298,868**
Retained earnings	300,442	**280,295**
Accumulated other comprehensive loss	(222,991)	**(221,027)**
Total NL stockholders' equity	382,150	**364,239**
Noncontrolling interest in subsidiary	20,597	**21,469**
Total equity	402,747	**385,708**
Total liabilities and equity	$ 609,867	**$ 570,484**

	December 31, 2023	March 31, 2024 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 3,148	**$ 3,074**
Accrued litigation settlement	11,830	**11,887**
Accrued and other current liabilities	13,182	**7,397**
Accrued environmental remediation and related costs	1,655	**1,584**
Payables to affiliates	634	**660**
Total current liabilities	30,449	**24,602**
Noncurrent liabilities:		

Long-term debt from affiliate	500	**500**
Accrued environmental remediation and related costs	89,451	**89,363**
Long-term litigation settlement	16,122	**16,199**
Deferred income taxes	41,733	**41,439**
Accrued pension costs	1,571	**1,584**
Other	5,074	**5,045**
Total noncurrent liabilities	154,451	**154,130**
Equity:		
NL stockholders' equity:		
Preferred stock	—	**—**
Common stock	6,103	**6,103**
Additional paid-in capital	298,868	**298,868**
Retained earnings	284,462	**287,395**
Accumulated other comprehensive loss	(219,621)	**(224,240)**
Total NL stockholders' equity	369,812	**368,126**
Noncontrolling interest in subsidiary	21,950	**21,958**
Total equity	391,762	**390,084**
Total liabilities and equity	$ 576,662	**$ 568,816**

Commitments and contingencies (Notes 12 11 and 14) 13)

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended September 30,		**Nine months ended September 30,**		**Three months ended March 31,**	
	2022	**2023**	**2022**	**2023**	**2023**	**2024**
	(unaudited)				**(unaudited)**	
Net sales	$ 42,864	**$ 40,355**	$ 126,589	**$ 118,122**	$41,151	**$37,971**

Cost of sales	30,928	**27,736**	88,944	**82,526**	28,447	**28,304**
Gross margin	11,936	**12,619**	37,645	**35,596**	12,704	**9,667**
Selling, general and administrative expense	6,016	**6,074**	17,674	**17,644**	5,664	**5,952**
Corporate expense	2,704	**2,864**	8,680	**8,653**	2,843	**2,359**
Income from operations	3,216	**3,681**	11,291	**9,299**	4,197	**1,356**
Equity in earnings (losses) of Kronos Worldwide, Inc.	6,416	**(6,229)**	37,940	**(13,382)**	(4,637)	**2,476**
Other income (expense):						
Interest and dividend income	1,081	**2,344**	1,957	**6,454**	1,965	**2,551**
Marketable equity securities	(24,171)	**491**	(4,300)	**(10,468)**	(5,498)	**2,383**
Loss on pension plan termination	—	**—**	—	**(4,911)**		
Other components of net periodic pension and OPEB cost	(223)	**(382)**	(669)	**(1,098)**	(346)	**(318)**
Interest expense	(251)	**(202)**	(745)	**(600)**	(199)	**(145)**
Income (loss) before income taxes	(13,932)	**(297)**	45,474	**(14,706)**	(4,518)	**8,303**
Income tax expense (benefit)	(5,576)	**(965)**	3,564	**(6,844)**		
Income tax expense					1,421	**988**
Net income (loss)	(8,356)	**668**	41,910	**(7,862)**	(5,939)	**7,315**
Noncontrolling interest in net income of subsidiary	548	**737**	2,005	**2,031**	777	**476**
Net income (loss) attributable to NL stockholders	$ (8,904)	**$ (69)**	$ 39,905	**$ (9,893)**	$ (6,716)	**$ 6,839**
Amounts attributable to NL stockholders:						
Basic and diluted net income (loss) per share	$ (.18)	**$ —**	$ .82	**$ (.20)**	$ (.14)	**$ .14**
Weighted average shares used in the calculation of net income per share	48,816	**48,833**	48,809	**48,824**		
Weighted average shares used in the calculation of net income (loss) per share					48,816	**48,833**

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three months ended September 30, 2022	Three months ended September 30, 2023	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Three months ended March 31, 2023	Three months ended March 31, 2024
		(unaudited)			(unaudited)	
Net income (loss)	$ (8,356)	**$ 668**	$ 41,910	**$(7,862)**	$(5,939)	**$ 7,315**
Other comprehensive income (loss), net of tax:						
Currency translation	(6,233)	**(345)**	(13,394)	**(3,230)**	(1,666)	**(4,966)**
Defined benefit pension plans	828	**392**	2,557	**5,461**	393	**379**
Marketable debt securities	—	**85**	—	**(84)**	(48)	**14**
Other postretirement benefit plans	(62)	**(57)**	(193)	**(175)**	(60)	**(47)**
Total other comprehensive income (loss), net	(5,467)	**75**	(11,030)	**1,972**		
Total other comprehensive loss, net					(1,381)	**(4,620)**
Comprehensive income (loss)	(13,823)	**743**	30,880	**(5,890)**	(7,320)	**2,695**
Comprehensive income attributable to noncontrolling interest	548	**741**	2,005	**2,039**	773	**475**
Comprehensive income (loss) attributable to NL stockholders	$ (14,371)	**$ 2**	$ 28,875	**$(7,929)**	$(8,093)	**$ 2,220**

See accompanying notes to Condensed Consolidated Financial Statements.

6

[Table of Contents](#)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

	Three months ended September 30, 2022 and 2023 (unaudited)					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in subsidiary	Total equity
Balance at June 30, 2022	$ 6,101	$ 298,932	$ 339,327	$ (246,319)	$ 22,936	$ 420,977
Net income (loss)	—	—	(8,904)	—	548	(8,356)
Other comprehensive loss, net of tax	—	—	—	(5,467)	—	(5,467)
Dividends paid - $.42 per share	—	—	(20,503)	—	—	(20,503)
Dividends paid to noncontrolling interest	—	—	—	—	(3,104)	(3,104)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in subsidiary	Total equity
Balance at September 30, 2022	$ 6,101	$ 298,932	$ 309,920	$ (251,786)	$ 20,380	$ 383,547
Balance at June 30, 2023	$ 6,103	$ 298,868	$ 283,784	$ (221,098)	$ 21,117	$ 388,774
Net income (loss)	**—**	**—**	**(69)**	**—**	**737**	**668**
Other comprehensive income, net of tax	**—**	**—**	**—**	**71**	**4**	**75**
Dividends paid - $.07 per share	**—**	**—**	**(3,420)**	**—**	**—**	**(3,420)**
Dividends paid to noncontrolling interest	**—**	**—**	**—**	**—**	**(389)**	**(389)**
Balance at September 30, 2023	**$ 6,103**	**$ 298,868**	**$ 280,295**	**$ (221,027)**	**$ 21,469**	**$ 385,708**

Three months ended March 31, 2023 and 2024 (unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in subsidiary	Total equity
Balance at December 31, 2022	$ 6,101	$ 298,598	$ 300,442	$ (222,991)	$ 20,597	$ 402,747
Net income (loss)	—	—	(6,716)	—	777	(5,939)
Other comprehensive loss, net of tax	—	—	—	(1,377)	(4)	(1,381)
Dividends paid - $.07 per share	—	—	(3,417)	—	—	(3,417)
Dividends paid to noncontrolling interest	—	—	—	—	(388)	(388)
Other, net	—	(346)	—	—	—	(346)
Balance at March 31, 2023	$ 6,101	$ 298,252	$ 290,309	$ (224,368)	$ 20,982	$ 391,276
Balance at December 31, 2023	$ 6,103	$ 298,868	$ 284,462	$ (219,621)	$ 21,950	$ 391,762
Net income	**—**	**—**	**6,839**	**—**	**476**	**7,315**
Other comprehensive loss, net of tax	**—**	**—**	**—**	**(4,619)**	**(1)**	**(4,620)**
Dividends paid - $.08 per share	**—**	**—**	**(3,906)**	**—**	**—**	**(3,906)**
Dividends paid to noncontrolling interest	**—**	**—**	**—**	**—**	**(467)**	**(467)**
Balance at March 31, 2024	**$ 6,103**	**$ 298,868**	**$ 287,395**	**$ (224,240)**	**$ 21,958**	**$ 390,084**

Nine months ended September 30, 2022 and 2023 (unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest in subsidiary	Total equity
Balance at December 31, 2021	$ 6,100	$ 299,775	$ 297,351	$ (240,756)	$ 22,501	$ 384,971
Net income	—	—	39,905	—	2,005	41,910
Other comprehensive loss, net of tax	—	—	—	(11,030)	—	(11,030)
Issuance of NL common stock	1	119	—	—	—	120
Dividends paid - $.56 per share	—	—	(27,336)	—	—	(27,336)
Dividends paid to noncontrolling interest	—	—	—	—	(3,916)	(3,916)
Other, net	—	(962)	—	—	(210)	(1,172)
Balance at September 30, 2022	$ 6,101	$ 298,932	$ 309,920	$ (251,786)	$ 20,380	$ 383,547
Balance at December 31, 2022	$ 6,101	$ 298,598	$ 300,442	$ (222,991)	$ 20,597	$ 402,747
Net income (loss)	**—**	**—**	**(9,893)**	**—**	**2,031**	**(7,862)**
Other comprehensive income, net of tax	**—**	**—**	**—**	**1,964**	**8**	**1,972**
Issuance of NL common stock	**2**	**98**	**—**	**—**	**—**	**100**

Dividends paid - $.21 per share	—	—	(10,254)	—	—	(10,254)
Dividends paid to noncontrolling interest	—	—	—	—	(1,167)	(1,167)
Other, net	—	172	—	—	—	172
Balance at September 30, 2023	$ 6,103	$ 298,868	$ 280,295	$ (221,027)	$ 21,469	$ 385,708

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine months ended September 30,		Three months ended March 31,	
	2022	2023	2023	2024
	(unaudited)		(unaudited)	
Cash flows from operating activities:				
Net income (loss)	$ 41,910	$ (7,862)	$ (5,939)	$ 7,315
Depreciation and amortization	2,962	2,996	1,010	926
Deferred income taxes	3,336	(7,100)	1,362	931
Equity in (earnings) losses of Kronos Worldwide, Inc.	(37,940)	13,382	4,637	(2,476)
Dividends received from Kronos Worldwide, Inc.	20,074	20,075	6,692	6,692
Marketable equity securities	4,300	10,468	5,498	(2,383)
Loss on pension plan termination	—	4,911		
Benefit plan expense greater (less) than cash funding	(127)	70		
Benefit plan expense less than cash funding			330	346
Noncash interest income	—	(2,833)	(800)	(492)
Noncash interest expense	722	563	187	133
Other, net	(8)	235	(8)	(19)
Change in assets and liabilities:				
Accounts and other receivables, net	(3,599)	(1,908)	(845)	(267)
Inventories, net	(7,846)	(3,199)	1,012	3,107
Prepaid expenses and other	(34)	103	172	286
Accounts payable and accrued liabilities	(10,552)	(13,183)	(4,498)	(5,688)
Income taxes	(22)	(17)		
Accounts with affiliates	(33)	403	(253)	54
Accrued environmental remediation and related costs	(398)	(1,163)	(836)	(160)
Other noncurrent assets and liabilities, net	(12)	(475)	(443)	(1,561)

Net cash provided by operating activities	12,733	**15,466**	7,278	**6,744**
Cash flows from investing activities:				
Capital expenditures	(3,008)	**(564)**	(270)	**(305)**
Marketable securities:				
Purchases	—	**(61,366)**	(32,824)	**—**
Proceeds from maturities	—	**54,000**	8,000	**24,000**
Note receivable from affiliate:				
Collections	21,100	**21,900**	7,800	**6,000**
Loans	(17,100)	**(20,700)**	(6,800)	**(5,200)**
Other, net	281	**—**		
Net cash provided by (used in) investing activities	1,273	**(6,730)**	(24,094)	**24,495**
Cash flows from financing activities:				
Dividends paid	(27,336)	**(10,254)**	(3,417)	**(3,906)**
Subsidiary treasury stock acquired	(1,744)	**—**		
Dividends paid to noncontrolling interests in subsidiary	(3,916)	**(1,167)**	(388)	**(467)**
Other, net	(14)	**—**		
Net cash used in financing activities	(33,010)	**(11,421)**	(3,805)	**(4,373)**
Cash and cash equivalents and restricted cash and cash equivalents - net change from:				
Operating, investing and financing activities	(19,004)	**(2,685)**	(20,621)	**26,866**
Balance at beginning of year	175,242	**97,502**	97,502	**141,382**
Balance at end of period	$ 156,238	**$ 94,817**	$ 76,881	**$ 168,248**
Supplemental disclosures - cash paid (received) for:				
Interest	$ 23	**$ 37**	$ 12	**$ 13**
Income taxes, net	281	**(473)**	171	**(128)**

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 March 31, 2024

(unaudited)

Note 1 – Organization and basis of presentation:

Organization – At September 30, 2023 March 31, 2024, Valhi, Inc. (NYSE: VHI) held approximately 83% of our outstanding common stock and a wholly-owned subsidiary of Contran Corporation held approximately 91% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and various family trusts established for the benefit of Ms. Simmons, Thomas C. Mr. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons, Mr. Connelly or Mr. Connelly, Connelly's sister, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly or his sister serves as trustee, he the trustee is required to vote the shares of Contran voting stock held by such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at September 30, 2023 March 31, 2024 Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi and us.

Basis of presentation – Consolidated in this Quarterly Report are the results of our majority-owned subsidiary, CompX International Inc. We also own approximately 31% of Kronos Worldwide, Inc. (Kronos). CompX (NYSE American: CIX) and Kronos (NYSE: KRO) 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 in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 that we filed with the SEC on March 8, 2023 March 6, 2024 (the "2022 "2023 Annual Report"). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2022 December 31, 2023 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2022 December 31, 2023) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our results of operations for the interim periods period ended September 30, 2023 March 31, 2024 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2022 2023 Consolidated Financial Statements contained in our 2022 2023 Annual Report.

Unless otherwise indicated, references in this report to "NL," "we," "us" or "our" refer to NL Industries, Inc. and its subsidiaries and affiliate, Kronos, taken as a whole.

Note 2 – Accounts and other receivables, net:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024
	(In thousands)			
			(In thousands)	
Trade receivables - CompX	$ 17,910	**$ 19,805**	$ 17,131	**$ 17,399**
Other receivables	30	**38**	40	**43**
Allowance for doubtful accounts	(70)	**(70)**	(70)	**(70)**
Total	$ 17,870	**$ 19,773**	$ 17,101	**$ 17,372**

Table of Contents

Note 3 – Inventories, net:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024

	(In thousands)		(In thousands)	
Raw materials	$ 6,245	**$ 5,573**	$ 5,738	**$ 4,986**
Work in process	19,983	**23,038**	19,042	**17,715**
Finished products	5,062	**5,671**	5,932	**4,842**
Total	$ 31,290	**$ 34,282**	$ 30,712	**$ 27,543**

Note 4 – Marketable securities:

Our marketable securities consist of investments in debt and equity securities. Our current marketable securities are debt securities invested in U.S. government treasuries and are classified as available-for-sale. The fair value of our marketable debt securities are determined using Level 2 inputs because although these securities are traded, in many cases the market is not active and the period-end valuation is generally based on the last trade of the period, which may be several days prior to the end of the period. We accumulate unrealized gains and losses on marketable debt securities as part of accumulated other comprehensive income (loss), net of related deferred income taxes.

Our noncurrent marketable securities are equity securities and consist of our investment in the publicly-traded shares of our immediate parent company Valhi, Inc. Our shares of Valhi common stock are accounted for as available-for-sale securities, which are carried at fair value using quoted market prices in active markets and represent a Level 1 input within the fair value hierarchy, as defined by ASC Topic 820, *Fair Value Measurements and Disclosures*. We record any unrealized gains or losses on the securities in other income (expense), net on our Condensed Consolidated Statements of Operations.

	Fair value measurement level	Market value	Cost or amortized cost	Unrealized gain (loss), net
			(In thousands)	
December 31, 2022				
Current assets				
Fixed income securities	2	$ 70,164	$ 70,226	(62)
Noncurrent assets				
Valhi common stock	1	$ 26,350	$ 24,347	$ 2,003
September 30, 2023				
Current assets				
Fixed income securities	2	**$ 80,217**	**$ 80,425**	**$ (208)**
Noncurrent assets				
Valhi common stock	1	**$ 15,882**	**$ 24,347**	**$ (8,465)**

	Fair value measurement level	Market value	Cost or amortized cost	Unrealized loss, net
			(In thousands)	
December 31, 2023				
Current assets - Fixed income securities	2	$ 53,149	$ 53,181	(32)
Noncurrent assets - Valhi common stock	1	$ 18,194	$ 24,347	$ (6,153)
March 31, 2024				

Current assets - Fixed income securities	2	$ 29,662	$ 29,676	$ (14)
Noncurrent assets - Valhi common stock	1	$ 20,577	$ 24,347	$ (3,770)

At December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024, we held approximately 1.2 million shares of common stock of our immediate parent company, Valhi, Inc. At December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024, the quoted per share market price of Valhi common stock was $22.00 $15.19 and $13.26, $17.18, respectively.

The Valhi common stock we own is subject to restrictions on resale pursuant to certain provisions of the SEC Rule 144. In addition, as a majority-owned subsidiary of Valhi, we cannot vote our shares of Valhi common stock under Delaware General Corporation Law, but we receive dividends from Valhi on these shares, when declared and paid.

Note 5 – Investment in Kronos Worldwide, Inc.:

At December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024, we owned approximately 35.2 million shares of Kronos common stock. At September 30, 2023 March 31, 2024, the quoted market price of Kronos' common stock was $7.75 $11.80 per share, or an aggregate market value of $272.9 million $415.6 million. At December 31, 2022 December 31, 2023, the quoted market price was $9.40 $9.94 per share, or an aggregate market value of $331.1 million $350.1 million.

Table of Contents

The change in the carrying value of our investment in Kronos during the first nine three months of 2023 2024 is summarized below.

	Amount (In millions)	Amount (In millions)
Balance at the beginning of the period	$ 292.2	$ 247.6
Equity in losses of Kronos	(13.4)	
Equity in earnings of Kronos		2.5
Dividends received from Kronos	(20.1)	(6.7)
Equity in Kronos' other comprehensive income (loss):		
Currency translation	(4.3)	(6.3)
Defined benefit pension plans	.7	.1
Other	.1	
Balance at the end of the period	$ 255.2	$ 237.2

Selected financial information of Kronos is summarized below:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024
	(In millions)		(In millions)	

Current assets	$ 1,242.2	**$ 999.7**	$ 1,117.4	**$ 984.7**
Property and equipment, net	484.5	**476.7**	482.9	**461.6**
Investment in TiO_2 joint venture	112.9	**115.7**	111.0	**108.7**
Other noncurrent assets	94.8	**123.8**	126.7	**124.4**
Total assets	$ 1,934.4	**$ 1,715.9**	$ 1,838.0	**$ 1,679.4**
Current liabilities	$ 326.7	**$ 256.2**	$ 370.8	**$ 267.9**
Long-term debt	424.1	**422.5**	440.9	**426.9**
Accrued pension costs	128.6	**122.3**	150.0	**143.6**
Other noncurrent liabilities	97.8	**81.7**	68.0	**66.6**
Stockholders' equity	957.2	**833.2**	808.3	**774.4**
Total liabilities and stockholders' equity	$ 1,934.4	**$ 1,715.9**	$ 1,838.0	**$ 1,679.4**

	Three months ended September 30,		**Nine months ended September 30,**		**Three months ended March 31,**	
	2022	**2023**	**2022**	**2023**	**2023**	**2024**
	(In millions)				**(In millions)**	
Net sales	$ 459.6	**$ 396.9**	$ 1,587.8	**$1,266.4**	$426.3	**$478.8**
Cost of sales	375.6	**362.5**	1,234.0	**1,157.1**	395.5	**407.3**
Income (loss) from operations	30.8	**(25.3)**	179.3	**(50.3)**	(18.3)	**19.5**
Income tax expense (benefit)	1.2	**(8.7)**	34.3	**(19.7)**	(6.9)	**3.5**
Net income (loss)	21.0	**(20.4)**	124.4	**(43.8)**	(15.2)	**8.1**

Table of Contents

Note 6 – Other assets, net:

	December 31, 2022	September 30, 2023
	(In thousands)	
Pension asset	$ 1,105	$ —
Other	1,418	1,812
Total	$ 2,523	$ 1,812

See Note 11 regarding the termination and buy-out of our United Kingdom (U.K.) pension plan.

Note 7 – Accrued and other current liabilities:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024
	(In thousands)			
			(In thousands)	
Employee benefits	$ 11,023	$ 9,271	$ 11,290	$ 5,447
Other	2,370	2,439	1,892	1,950
Total	$ 13,393	$ 11,710	$ 13,182	$ 7,397

Table of Contents

Note 8 7 – Long-term debt:

During the first nine three months of 2023, 2024, our wholly-owned subsidiary, NLKW Holding, LLC had no borrowings or repayments under its $50 million secured revolving credit facility with Valhi. At September 30, 2023 March 31, 2024, $.5 million was outstanding and $49.5 million was available for future borrowing under this facility. Outstanding borrowings bear interest at the prime rate plus 1.875% per annum, and the average interest rate as of and for the nine three months ended September 30, 2023 was 9.97%. The interest rate under this facility as of September 30, 2023 March 31, 2024 was 10.38%. We are in compliance with all covenants at September 30, 2023 March 31, 2024.

Note 9 8 – Other noncurrent liabilities:

	December 31, 2022	September 30, 2023	December 31, 2023	March 31, 2024

	(In thousands)		(In thousands)	
Reserve for uncertain tax positions	$ 2,714	**$ 2,543**	$ 3,707	**$ 3,707**
OPEB	637	**595**	524	**746**
Insurance claims and expenses	625	**571**	579	**535**
Other	303	**275**	264	**57**
Total	$ 4,279	**$ 3,984**	$ 5,074	**$ 5,045**

Note 10 9 – Revenue recognition:

The following table disaggregates our net sales by reporting unit, which are the categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2022	2023	2022	2023	2023	2024
	(In thousands)				(In thousands)	
Net sales:						
Security Products	$ 28,493	**$ 31,376**	$ 86,911	**$ 84,390**	$27,342	**$29,887**
Marine Components	14,371	**8,979**	39,678	**33,732**	13,809	**8,084**
Total	$ 42,864	**$ 40,355**	$ 126,589	**$118,122**	$41,151	**$37,971**

Note 10 – Employee benefit plans:

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

	Three months ended March 31,	
	2023	2024
	(In thousands)	
Interest cost	$ 450	**$ 365**
Expected return on plan assets	(414)	**(335)**
Recognized actuarial losses	358	**333**
Total	$ 394	**$ 363**

We currently expect our 2024 contributions to our defined benefit pension plans to be approximately $1.0 million.

Table of Contents

Note 11 – Employee benefit plans:

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

	Three months ended September 30, 2022	Three months ended September 30, 2023	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	(In thousands)			
Interest cost	$ 297	**$ 393**	$ 891	**$ 1,255**
Expected return on plan assets	(392)	**(321)**	(1,176)	**(1,087)**
Recognized actuarial losses	373	**358**	1,119	**1,074**
Total	$ 278	**$ 430**	$ 834	**$ 1,242**

We currently expect our 2023 contributions to our defined benefit pension plans to be approximately $1.2 million.

We previously maintained a defined benefit pension plan in the U.K. related to a former disposed U.K. business unit. In accordance with applicable U.K. pension regulations, we entered into an agreement in March 2021 for the bulk annuity purchase, or “buy-in”, with a specialist insurer of defined benefit pension plans. Following the buy-in, individual policies replaced the bulk annuity policy in a “buy-out” which was completed as of May 1, 2023. The buy-out was completed with existing plan funds. At the completion of the buy-out, the assets and liabilities of the U.K. pension plan were removed from our Consolidated Financial Statements and a non-cash pension plan termination loss of $4.9 million was recognized in the second quarter of 2023.

Note 12 11 – Income taxes:

	Three months ended September 30, 2022	Three months ended September 30, 2023	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Three months ended March 31, 2023	Three months ended March 31, 2024
	(In thousands)				(In thousands)	
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 21%	$ (2,926)	**$ (62)**	$ 9,550	**$(3,088)**	$ (949)	**$ 1,744**
Rate differences on equity in losses of Kronos, net of dividends	(2,712)	**(1,037)**	(6,075)	**(3,878)**		
Rate differences on equity in earnings (losses) of Kronos, net of dividends					2,305	(782)
U.S. state income taxes and other, net	62	**134**	89	**122**	65	26
Income tax expense (benefit)	$ (5,576)	**$ (965)**	$ 3,564	**$(6,844)**		
Income tax expense					$1,421	**$** 988
Comprehensive provision (benefit) for income taxes allocable to:						
Net income (loss)	$ (5,576)	**$ (965)**	$ 3,564	**$(6,844)**	$1,421	**$** 988
Additional paid-in capital	—	—	125	**18**	(92)	—
Other comprehensive income (loss):						

Currency translation	(1,657)	**(92)**	(3,560)	**(906)**	(443)	(1,320)
Pension plans	219	**104**	679	**503**	104	101
Other	(18)	**6**	(52)	**(78)**	(34)	(8)
Total	$ (7,032)	**$ (947)**	$ 756	**$(7,307)**	$ 956	**$ (239)**

In accordance with GAAP, we recognize deferred income taxes on our undistributed equity in earnings (losses) of Kronos. Because we and Kronos are part of the same U.S. federal income tax group, any dividends we receive from Kronos are nontaxable to us. Accordingly, we do not recognize and we are not required to pay income taxes on dividends from Kronos. We received aggregate dividends from Kronos of $20.1 million $6.7 million in each of the first nine months quarters of 2022 2023 and 2023. 2024. The amounts shown in the above table of our income tax rate reconciliation for rate differences on equity in earnings (losses) of Kronos, net of dividends, represent the income tax benefit associated with the nontaxable dividends we received from Kronos compared to the amount of deferred income taxes we recognized on our equity in earnings (losses) of Kronos.

Table of Contents

Note 13 12 – Stockholders' equity:

Accumulated other comprehensive loss - Changes in accumulated other comprehensive loss attributable to NL stockholders, including amounts resulting from our investment in Kronos Worldwide (see Note 5), are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2022	**2023**	**2022**	**2023**	**2023**	**2024**
	(In thousands)				(In thousands)	
Accumulated other comprehensive loss, (net of tax and noncontrolling interest):						
Currency translation:						
Balance at beginning of period	$ (178,396)	**$ (181,076)**	$ (171,235)	**$(178,191)**	$(178,191)	**$(177,119)**
Other comprehensive loss	(6,233)	**(345)**	(13,394)	**(3,230)**	(1,666)	**(4,966)**
Balance at end of period	$ (184,629)	**$ (181,421)**	$ (184,629)	**$(181,421)**	$(179,857)	**$(182,085)**
Defined benefit pension plans:						
Balance at beginning of period	$ (66,739)	**$ (38,788)**	$ (68,468)	**$ (43,857)**	$ (43,857)	**$ (41,373)**
Other comprehensive income -						
Amortization of prior service cost and net losses included in net periodic pension cost	828	**392**	2,557	**1,319**	393	**379**
Plan settlement	—	**—**	—	**4,142**		
Balance at end of period	$ (65,911)	**$ (38,396)**	$ (65,911)	**$ (38,396)**	$ (43,464)	**$ (40,994)**
OPEB plans:						
Balance at beginning of period	$ (1,184)	**$ (1,011)**	$ (1,053)	**$ (893)**	$ (893)	**$ (1,114)**
Other comprehensive loss -						

Amortization of net gain included in net periodic OPEB cost	(62)	**(57)**	(193)	**(175)**	(60)	**(47)**
Balance at end of period	$ (1,246)	**$ (1,068)**	$ (1,246)	**$ (1,068)**	$ (953)	**$ (1,161)**
Marketable debt securities:						
Balance at beginning of period	$ —	**$ (223)**	$ —	**$ (50)**	$ (50)	**$ (15)**
Other comprehensive income (loss) - unrealized gain (loss) arising during the period	—	**81**	—	**(92)**	(44)	**15**
Balance at end of period	$ —	**$ (142)**	$ —	**$ (142)**	$ (94)	**$ —**
Total accumulated other comprehensive loss:						
Balance at beginning of period	$ (246,319)	**$ (221,098)**	$ (240,756)	**$ (222,991)**	$ (222,991)	**$ (219,621)**
Other comprehensive income (loss)	(5,467)	**71**	(11,030)	**1,964**		
Other comprehensive loss					(1,377)	**(4,619)**
Balance at end of period	$ (251,786)	**$ (221,027)**	$ (251,786)	**$ (221,027)**	$ (224,368)	**$ (224,240)**

See Note 11 10 for amounts related to our defined benefit pension plans.

***Other* – During the second quarter of 2022, we purchased 2,000 shares of our common stock from Kronos for a nominal amount in a private transaction that was approved in advance by our independent directors. We cancelled these treasury shares and allocated their cost to common stock at par value and additional paid-in capital.**

During the second quarter of 2022, CompX acquired 78,900 shares of its Class A common stock for an aggregate amount of approximately $1.7 million under prior repurchase authorizations. Of these shares, 70,000 shares were purchased in a market transaction, and 8,900 shares were purchased from two of its affiliates in two separate private transactions that were also approved in advance by CompX's independent directors. At September 30, 2023, 523,647 shares were available for purchase under CompX's prior repurchase authorizations.

Note 14 13 – Commitments and contingencies:

General

We are involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our current and former businesses. At least quarterly our management discusses and evaluates the status of any pending litigation or claim to which we are a party or which has been asserted against us. The factors considered in such evaluation include, among other things, the nature of such pending cases and claims, the status of such pending cases and claims, the advice of legal counsel and our experience in similar cases and claims (if any). Based on such evaluation, we make a determination as to whether we believe (i) it is probable a loss has been incurred, and if so, if the amount of such loss (or a range of loss) is reasonably estimable, or (ii) it is reasonably possible but not probable a loss has been incurred, and if so, if the amount of such loss (or a range of loss) is reasonably estimable, or (iii) the probability a loss has been incurred is remote.

Lead pigment litigation

Our former operations included the manufacture of lead pigments for use in paint and lead-based paint. We, other former manufacturers of lead pigments for use in paint and lead-based paint (together, the "former pigment manufacturers"), and the Lead Industries Association (LIA), which discontinued business operations in 2002, have been named as defendants in various legal proceedings seeking damages for personal injury, property damage and governmental expenditures allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of states, counties, cities or their public housing authorities and school districts, and certain others have been asserted as class actions. These lawsuits seek recovery under a variety of theories, including public and private nuisance, negligent product design, negligent failure to warn, strict liability, breach of warranty, conspiracy/concert of action, aiding and abetting, enterprise liability, market share or risk contribution liability, intentional tort, fraud and misrepresentation, violations of state consumer protection statutes, supplier negligence and similar claims.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and health concerns associated with the use of lead-based paints, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. To the extent the plaintiffs seek compensatory or punitive damages in these actions, such damages are generally unspecified. In some cases, the damages are unspecified pursuant to the requirements of applicable state law. A number of cases are inactive or have been dismissed or withdrawn. Most of the remaining cases are in various pre-trial stages. Some are on appeal following dismissal or summary judgment rulings or a trial verdict in favor of either the defendants or the plaintiffs.

We believe we have substantial defenses to these actions, are without merit, and we intend to continue to deny all allegations of wrongdoing and liability and to defend against all actions vigorously. We do not believe it is probable we have incurred any liability with respect to pending lead pigment litigation cases to which we are a party, and with respect to all such lead pigment litigation cases to which we are a party, we believe liability to us that may result, if any, in this regard cannot be reasonably estimated, because:

- we have never settled any of the market share, intentional tort, fraud, nuisance, supplier negligence, breach of warranty, conspiracy, misrepresentation, aiding and abetting, enterprise liability, or statutory cases (other than the Santa Clara case discussed below),
- no final, non-appealable adverse judgments have ever been entered against us, and
- we have never ultimately been found liable with respect to any such litigation matters, including over 100 cases over a thirty-year period for which we were previously a party and for which we have been dismissed without any finding of liability.

Accordingly, we have not accrued any amounts for any of the pending lead pigment and lead-based paint litigation cases filed by or on behalf of states, counties, cities or their public housing authorities and school districts, or those asserted as class actions. In addition, we have determined that liability to us which may result, if any, cannot be reasonably estimated at this time because there is no prior history of a loss of this nature on which an estimate could be made and there is no substantive information available upon which an estimate could be based.

In the terms of the *County of Santa Clara v. Atlantic Richfield Company, et al.* (Superior Court of the State of California, County of Santa Clara, Case No. 1-00-CV-788657) global settlement agreement, we have two annual installment payments remaining ($12.0 million for the next installment due in September 2024 and $16.7 million for the final installment) installment due in September 2025). Our final installment will be made with funds already on deposit at the court, which are included in noncurrent restricted cash on our Condensed Consolidated Balance Sheets, that are committed to the settlement, including all accrued interest at the date of payment, with any remaining balance to be paid by us (and any amounts on deposit in excess of the final payment would be returned to us). See Note 16 to our 2022 2023 Annual Report.

New cases may continue to be filed against us. We do not know if we will incur liability in the future in respect to any of the pending or possible litigation in view of the inherent uncertainties involved in court and jury rulings. In the future, if new information regarding such matters becomes available to us (such as a final, non-appealable adverse verdict against us or otherwise ultimately being found liable with respect to such matters), at that time we would consider such information in evaluating any remaining cases then-pending against us as to whether it might then have become probable we have incurred liability with respect to these matters, and whether such liability, if any, could have become reasonably estimable. The resolution of any of these cases could result in the recognition of a loss contingency accrual that could have a material adverse impact on our net income for the interim or annual period during which such liability is recognized and a material adverse impact on our consolidated financial condition and liquidity.

Table of Contents

Environmental matters and litigation

Our operations are governed by various environmental laws and regulations. Certain of our businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws and regulations. As with other companies engaged in similar businesses, certain of our past and current operations and products have the potential to cause environmental or other damage. We have implemented and continue to implement various policies and programs in an effort to minimize these risks. Our policy is to maintain compliance with applicable environmental laws and regulations at all of our plants and to strive to improve environmental performance. From time to time, we may be subject to environmental regulatory enforcement under U.S. statutes, the resolution of which typically involves the establishment of compliance programs. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies, could adversely affect our production, handling, use, storage, transportation, sale or disposal of such substances. We believe all of our facilities are in substantial compliance with applicable environmental laws.

Certain properties and facilities used in our former operations, including divested primary and secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or investigations arising under federal and state environmental laws and common law. Additionally, in connection with past operating practices, we are currently involved as a defendant, potentially responsible party (PRP) or both, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act (CERCLA), and similar state laws in various governmental and private actions associated with waste disposal sites, mining locations, and facilities that we or our predecessors, our subsidiaries or their predecessors currently or previously owned, operated or used, certain of which are on the United States Environmental Protection Agency's (EPA) Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage and/or damages for injury to natural resources. Certain of these proceedings involve claims for substantial amounts. Although we may be jointly and severally liable for these costs, in most cases we are only one of a number of PRPs who may also be jointly and severally liable, and among whom costs may be shared or allocated. In addition, we are occasionally named as a party in a number of personal injury lawsuits filed in various jurisdictions alleging claims related to environmental conditions alleged to have resulted from our operations.

Obligations associated with environmental remediation and related matters are difficult to assess and estimate for numerous reasons including the:

- complexity and differing interpretations of governmental regulations,
- number of PRPs and their ability or willingness to fund such allocation of costs,
- financial capabilities of the PRPs and the allocation of costs among them,
- solvency of other PRPs,
- multiplicity of possible solutions,
- number of years of investigatory, remedial and monitoring activity required,
- uncertainty over the extent, if any, to which our former operations might have contributed to the conditions allegedly giving rise to such personal injury, property damage, natural resource and related claims, and
- number of years between former operations and notice of claims and lack of information and documents about the former operations.

In addition, the imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of costs among PRPs, solvency of other PRPs, the results of future testing and analysis undertaken with respect to certain sites or a determination that we are potentially responsible for the release of hazardous substances at other sites, could cause our expenditures to exceed our current estimates. Actual costs could exceed accrued

Table of Contents

amounts or the upper end of the range for sites for which estimates have been made, and costs may be incurred for sites where no estimates presently can be made. Further, additional environmental and related matters may arise in the future. If we were to incur any future liability, this could have a material adverse effect on our consolidated financial statements, results of operations and liquidity.

We record liabilities related to environmental remediation and related matters (including costs associated with damages for personal injury or property damage and/or damages for injury to natural resources) when estimated future expenditures are probable and reasonably estimable. We adjust such accruals as further information becomes available to us or as circumstances change. Unless the amounts and timing of such estimated future expenditures are fixed and reasonably determinable, we generally do not discount estimated

Table of Contents

future expenditures to their present value due to the uncertainty of the timing of the payout. We recognize recoveries of costs from other parties, if any, as assets when their receipt is deemed probable.

We do not know and cannot estimate the exact time frame over which we will make payments for our accrued environmental and related costs. The timing of payments depends upon a number of factors, including but not limited to the timing of the actual remediation process; which in turn depends on factors outside of our control. At each balance sheet date, we estimate the amount of our accrued environmental and related costs which we expect to pay within the next twelve months, and we classify this estimate as a current liability. We classify the remaining accrued environmental costs as a noncurrent liability.

Changes in the accrued environmental remediation and related costs during the first nine three months of 2023 2024 are as follows:

		Amount (In thousands)		Amount (In thousands)
Balance at the beginning of the period	$	92,358	$	91,106
Additions charged to expense, net		368		170
Payments, net		(1,531)		(329)
Balance at the end of the period	$	91,195	$	90,947
Amounts recognized in the Condensed Consolidated Balance Sheet at the end of the period:				
Amounts recognized in the Condensed Consolidated Balance Sheet at the end of the period:				
Current liability	$	1,810	$	1,584
Noncurrent liability		89,385		89,363
Balance at the end of the period	$	91,195	$	90,947

On a quarterly basis, we evaluate the potential range of our liability for environmental remediation and related costs at sites where we have been named as a PRP or defendant, including sites for which our wholly-owned environmental management subsidiary, NL Environmental Management Services, Inc. (EMS), has contractually assumed our obligations. At September 30, 2023 March 31, 2024, we had accrued approximately $91 million related to approximately 32 33 sites associated with remediation and related matters we believe are at the present time and/or in their current phase reasonably estimable. The upper end of the range of reasonably possible costs to us for remediation and related matters for which we believe it is possible to estimate costs is approximately $118 million, including the amount currently accrued. These accruals have not been discounted to present value.

We believe it is not reasonably possible to estimate the range of costs for certain sites. At September 30, 2023 March 31, 2024, there were approximately five sites for which we are not currently able to reasonably estimate a range of costs. For these sites, generally the investigation is in the early stages, and we are unable to determine whether or not we actually had any association with the site, the nature of our responsibility, if any, for the contamination at the site, if any, and the extent of contamination at and cost to remediate the site. The timing and availability of information on these sites is dependent on events outside of our control, such as when the party alleging liability provides information to us. At certain of these previously inactive sites, we have received general and special notices of liability from the EPA and/or state agencies alleging that we, sometimes with other PRPs, are liable for past and future costs of remediating environmental contamination allegedly caused by former operations. These notifications may assert that we, along with any other alleged PRPs, are liable for past and/or future clean-up costs. As further information becomes available to us for any of these sites, which would allow us to estimate a range of costs, we would at that time adjust our accruals. Any such adjustment could result in the recognition of an accrual that would have a material effect on our consolidated financial statements, results of operations and liquidity.

Insurance coverage claims

We are involved in certain legal proceedings with a number of our former insurance carriers regarding the nature and extent of the carriers' obligations to us under insurance policies with respect to certain lead pigment and asbestos lawsuits. The issue of whether insurance

coverage for defense costs or indemnity or both will be found to exist for our lead pigment and asbestos litigation depends upon a variety of factors and we cannot assure you that such insurance coverage will be available.

We have agreements with certain of our former insurance carriers pursuant to which the carriers reimburse us for a portion of our future lead pigment litigation defense costs, and one such carrier reimburses us for a portion of our future litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. While we continue to seek additional insurance recoveries, we do not know if we will be successful in obtaining reimbursement for either defense costs or indemnity. Accordingly, we recognize insurance recoveries in income only when receipt of the recovery is probable and we are able to reasonably estimate the amount of the recovery.

For a complete discussion of certain litigation involving us and certain of our former insurance carriers, refer to our 2022 2023 Annual Report.

Other litigation

In addition to the litigation described above, we and our affiliates are also involved in various other environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to present and former businesses. In certain cases, we have insurance coverage for these items, although we do not expect additional material insurance coverage for environmental matters. We currently believe the disposition of all of these various other claims and disputes (including asbestos-related claims), individually and in the aggregate, should not have a material adverse effect on our consolidated financial position, results of operations or liquidity beyond the accruals already provided.

Note 15 14 – Financial instruments:

See Note 4 for information on how we determine fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure:

	December 31, 2022		September 30, 2023		December 31, 2023		March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)							

									(In thousands)			
Cash, cash equivalents and restricted cash	$	97,502	$	97,502	**$**	**94,817**	**$**	**94,817**	$141,382	$141,382	**$168,248**	**$168,248**

Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value.

Note 15 - Recent Accounting Pronouncements:

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The ASU requires public companies to disclose significant segment expenses and other segment items on an annual and interim basis. The ASU also mandates public companies to provide all annual segment disclosures currently required annually in interim periods. Public companies will also be required to disclose the title and position of the chief operating decision maker (CODM) and explain how the CODM uses the reported measure of segment profit or loss in assessing segment performance and allocation of resources. The ASU is effective for us beginning with our 2024 Annual Report, and for interim reporting, in the first quarter of 2025, with retrospective application required. We are in the process of evaluating the additional disclosure requirements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The ASU requires additional annual disclosure and disaggregation for the rate reconciliation, income taxes paid and income tax expense by federal, state and foreign tax jurisdictions. In addition, the standard increases the disclosure requirements for items included in the rate reconciliation that meet a quantitative threshold. The ASU is effective for us beginning with our 2025 Annual Report. The ASU may be applied prospectively; however, entities have the option to apply it retrospectively. We are in the process of evaluating the additional disclosure requirements.

Table of Contents

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

RESULTS OF OPERATIONS:

Business overview

We are primarily a holding company. We operate in the component products industry through our majority-owned subsidiary, CompX International Inc. We also own a non-controlling interest in Kronos Worldwide, Inc. Both CompX (NYSE American: CIX) and Kronos (NYSE: KRO) file periodic reports with the Securities and Exchange Commission (SEC).

CompX is a leading manufacturer of engineered components utilized in a variety of applications and industries. Through its Security Products operations, CompX manufactures mechanical and electronic cabinet locks and other locking mechanisms used in postal, recreational transportation, office and institutional furniture, cabinetry, tool storage and healthcare applications. CompX also manufactures wake enhancement systems, stainless steel exhaust systems, gauges, throttle controls, trim tabs and related hardware and accessories for the recreational marine and other industries through its Marine Components operations.

We account for our approximate 31% non-controlling interest in Kronos by the equity method. Kronos is a leading global producer and marketer of value-added titanium dioxide pigments (TiO_2). TiO_2 is used for a variety of manufacturing applications including paints, plastics, paper and other industrial and specialty products.

Forward-looking information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. Statements in this report including, but not limited to, statements found in Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that represent our management's beliefs and assumptions based on currently available information. In some cases you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe the expectations reflected in forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause our actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC including, but are not limited to, the following:

- Future supply and demand for our products products;
- The extent of the dependence of certain of our businesses on certain market sectors sectors;
- The cyclicality of our businesses (such as Kronos' TiO_2 operations);
- Customer and producer inventory levels levels;
- Unexpected or earlier-than-expected industry capacity expansion (such as the TiO_2 industry);
- Changes in raw material and other operating costs (such as energy, ore, zinc, aluminum, steel and brass costs) and our ability to pass those costs on to our customers or offset them with reductions in other operating costs costs;
- Changes in the availability of raw materials (such as ore);
- General global economic and political conditions that harm the worldwide economy, disrupt our supply chain, increase material and energy costs or reduce demand or perceived demand for Kronos' TiO_2 and our products or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises such as COVID-19) crises);
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks, certain regional and world events or economic conditions and public health crises such as COVID-19) crises);
- Competitive products and substitute products
- Price and product competition from low-cost manufacturing sources (such as China) Technology related disruptions (including, but not limited to, cyber-attacks; software implementation, upgrades, or improvements; technology processing failures; or other events) related to our technology infrastructure that could impact

Table of Contents

our ability to continue operations, or at key vendors which could impact our supply chain, or at key customers which could impact their operations and cause them to curtail or pause orders;

- Competitive products and substitute products;
- Price and product competition from low-cost manufacturing sources (such as China);
- Customer and competitor strategies strategies;
- Potential consolidation of Kronos' competitors competitors;
- Potential consolidation of Kronos' customers customers;
- The impact of pricing and production decisions decisions;
- Competitive technology positions positions;
- Our ability to protect or defend intellectual property rights rights;
- Potential difficulties in integrating future acquisitions acquisitions;
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems systems;
- The introduction of trade barriers or trade disputes disputes;

- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar and between the euro and the Norwegian krone), or possible disruptions to our business resulting from uncertainties associated with the euro or other currencies currencies;
- Decisions to sell operating assets other than in the ordinary course of business business;
- Kronos' ability to renew or refinance credit facilities facilities;
- Increases in interest rates rates;
- Our ability to maintain sufficient liquidity liquidity;
- The timing and amounts of insurance recoveries recoveries;
- The ability of our subsidiaries or affiliates to pay us dividends dividends;
- Uncertainties associated with CompX's development of new products and product features features;
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform reform;
- Our ability to utilize income tax attributes or changes in income tax rates related to such attributes, the benefits of which may or may not have been recognized under the more-likely-than-not recognition criteria criteria;
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities or new developments regarding environmental remediation or decommissioning obligations at sites related to our former operations);
- Government laws and regulations and possible changes therein (such as changes in government regulations which might impose various obligations on former manufacturers of lead pigment and lead-based paint, including us, with respect to asserted health concerns associated with the use of such products), including new environmental health, and safety, sustainability or other regulations (such as those seeking to limit or classify TiO_2 or its use);
- The ultimate resolution of pending litigation (such as our lead pigment and environmental matters); and
- Possible Pending or possible future litigation. litigation or other actions.

Should one or more of these risks materialize (or if the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those currently forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

Table of Contents

Results of operations

Net income (loss) overview

Quarter ended September 30, 2023 March 31, 2024 compared to the quarter ended September 30, 2022 March 31, 2023

Our net loss income attributable to NL stockholders was $.1 million, $6.8 million, or nil $.14 per share, in the third first quarter of 2023 2024 compared to a net loss attributable to NL stockholders of $8.9 million $6.7 million, or $.18 $.14 per share, in the third first quarter of 2022. 2023. As more fully described below, the decrease increase in our net loss earnings attributable to NL stockholders from 2022 2023 to 2023 2024 is primarily due to the net effects of:

- an unrealized gain in the relative value of marketable equity securities of $.4 million $2.4 million in 2023 2024 compared to an unrealized loss of $24.2 million $5.5 million in 2022; 2023;
- equity in losses earnings of Kronos in 2024 of $6.2 million in 2023 $2.5 million compared to equity in earnings losses of $6.4 million $4.6 million in 2022; 2023;
- higher lower income from operations attributable to CompX of $6.6 million $3.7 million in 2023 2024 compared to $6.0 million $7.0 million in 2022; 2023; and
- higher interest and dividend income of $2.4 million $2.6 million in 2023 2024 compared to $1.1 million $2.0 million in 2022. 2023.

Our 2022 net income per share attributable to NL in the first three months of 2024 includes a loss of $.01 per share due to Kronos' recognition of an aggregate charge related to a write-off of deferred financing costs.

Our net loss per share attributable to NL stockholders for the first three months of 2023 includes income of $.01 per share net due to Kronos' recognition of tax, a pre-tax insurance settlement gain related to Kronos' a business interruption insurance claim arising from Hurricane Laura in 2020.

Our net loss attributable to NL stockholders was $9.9 million, or $.20 per share, in the first nine months of 2023 compared to net income attributable to NL stockholders of $39.9 million, or $.82 per share, in the first nine months of 2022. As more fully described below, the decrease in our earnings attributable to NL stockholders from 2022 to 2023 is primarily due to:

- equity in losses of Kronos of $13.4 million in 2023 compared to equity in earnings of $37.9 million in 2022;
- an unrealized loss in the relative value of marketable equity securities of $10.5 million in 2023 compared to an unrealized loss of $4.3 million in 2022;
- a non-cash loss on the termination of our U.K. pension plan of $4.9 million in 2023;
- higher interest and dividend income of $6.5 million in 2023 compared to $2.0 million in 2022; and
- lower income from operations attributable to CompX of $18.0 million in 2023 compared to $20.0 million in 2022.

Our 2023 net loss per share attributable to NL stockholders includes:

- a loss of $.08 per share, net of tax, due to the termination of our U.K. pension plan, and
- income of $.01 per share, net of tax, due to Kronos' recognition of a pre-tax insurance settlement gain related to a business interruption insurance claim arising from Hurricane Laura in 2020.

Our 2022 net income per share attributable to NL stockholders includes income of $.01 per share, net of tax, related to Kronos' business interruption insurance claim arising from Hurricane Laura in 2020.

Table of Contents

Income from operations

The following table shows the components of our income from operations.

	Three months ended September 30,		%	Nine months ended September 30,		%	Three months ended March 31,		%
	2022	2023	Change	2022	2023	Change	2023	2024	Change
	(In millions)			(In millions)			(In millions)		
CompX	$ 6.0	**$ 6.6**	11 %	$ 20.0	**$18.0**	(10)%	$ 7.0	**$ 3.7**	(47)%
Corporate expense	(2.8)	**(2.9)**	6	(8.7)	**(8.7)**	—	(2.8)	**(2.4)**	(17)
Income from operations	$ 3.2	**$ 3.7**	14	$ 11.3	**$ 9.3**	(18)	$ 4.2	**$ 1.3**	(68)

CompX is our component products business and corporate expense relates to NL. Each of these items is further discussed below.

The following table shows the components of our income (loss) before income taxes exclusive of our income from operations.

	Three months ended September 30,	%	Nine months ended September 30,	%

	2022	2023	Change	2022	2023	Change
	(In millions)			(In millions)		
Equity in earnings (losses) of Kronos	$ 6.4	**$ (6.2)**	(197)%	$ 37.9	**$ (13.4)**	(135)%
Marketable equity securities unrealized gain (loss)	(24.2)	**.4**	(102)	(4.3)	**(10.5)**	143
Loss on pension plan termination	—	**—**	—	—	**(4.9)**	n.m.
Other components of net periodic pension and OPEB cost	(.2)	**(.4)**	71	(.7)	**(1.1)**	64
Interest and dividend income	1.1	**2.4**	117	2.0	**6.5**	230
Interest expense	(.2)	**(.2)**	(20)	(.7)	**(.6)**	(19)

n.m. not meaningful

CompX International Inc.

In the third quarter of 2023 CompX's income from operations increased to $6.6 million compared to $6.0 million in the third quarter of 2022 due to higher Security Products sales and improved gross margin percentages at both reporting units, partially offset by lower Marine Components sales. Income from operations for the first nine months of 2023 decreased to $18.0 million compared to $20.0

	Three months ended March 31, 2023	2024	% Change
	(In millions)		
Equity in earnings (losses) of Kronos	$ (4.6)	**$ 2.5**	153 %
Marketable equity securities unrealized gain (loss)	(5.5)	**2.4**	143
Other components of net periodic pension and OPEB cost	(.4)	**(.3)**	(8)
Interest and dividend income	2.0	**2.6**	30
Interest expense	(.2)	**(.2)**	(27)

Table of Contents

million CompX International Inc.

In the first quarter of 2024 CompX's income from operations decreased to $3.7 million compared to $7.0 million in the first nine months quarter of 2022 2023. The decrease in income from operations in the first quarter of 2024 compared to 2023 is primarily due to lower Marine Components sales and to a lesser extent, lower Security Products sales somewhat offset by an improvement in Marine Components gross margin percentage. margin.

	Three months ended September 30, 2022	2023	% Change	Nine months ended September 30, 2022	2023	% Change	Three months ended March 31, 2023	2024	% Change
	(In millions)			(In millions)			(In millions)		
Net sales	$ 42.9	**$ 40.3**	(6)%	$ 126.6	**$ 118.1**	(7)%	$41.2	**$38.0**	(8)%
Cost of sales	30.9	**27.7**	(10)	88.9	**82.5**	(7)	28.5	**28.3**	(1)

Gross margin	12.0	**12.6**	6	37.7	**35.6**	(5)	12.7	**9.7**	(24)
Operating costs and expenses	6.0	**6.0**	1	17.7	**17.6**	—	5.7	**6.0**	5
Income from operations	$ 6.0	**$ 6.6**	11	$ 20.0	**$ 18.0**	(10)	$ 7.0	**$ 3.7**	(47)
Percentage of net sales:									
Cost of sales	72 %	**69 %**		70 %	**70 %**		69 %	**75 %**	
Gross margin	28	**31**		30	**30**		31	**25**	
Operating costs and expenses	14	**15**		14	**15**		14	**16**	
Income from operations	14	**16**		16	**15**		17	**10**	

Net sales – Net sales decreased $2.6 million and $8.5 million in the third quarter and $3.2 million in the first nine months quarter of 2023, respectively, 2024 compared to the same periods period in 2022 2023 due to lower Marine Components sales primarily to the towboat market, partially offset by higher Security Products sales in to the third quarter of 2023. government security market. See discussion of reporting units below.

Cost of sales and gross margin – Cost of sales as a percentage of sales decreased 3% increased 6% in the third first quarter and was relatively flat for the first nine months of 2023, 2024 compared to the same periods period in 2022. 2023. As a result, gross margin as a percentage of sales increased in decreased over the third quarter of 2023 and remained relatively consistent for the first nine months of 2023. same period. Gross margin percentage increased decreased in the third first quarter of 2024 compared to the same period in 2022 2023 primarily due to higher lower gross margin percentages at both Security Products and Marine Components during the quarter. and Security Products. See discussion of reporting units below.

Operating costs and expenses – Operating costs and expenses consist primarily of sales and administrative-related personnel costs, sales commissions and advertising expenses directly related to product sales and administrative costs relating to business unit and corporate management activities, as well as any gains and losses on property and equipment. Operating costs and expenses for the third first quarter and for the first nine months of 2023 were comparable 2024 increased $.3 million compared to the same periods period in 2022. 2023 primarily due to higher employee salaries and benefits at Security Products. Operating costs and expenses as a percentage of net sales increased for the third first quarter and the first nine months of 2023 2024 due to the increased operating costs and expenses mentioned above and decreased coverage of operating costs and expenses as a result of lower sales.

Income from operations – As a percentage of net sales, income from operations for the third first quarter and first nine months of 2024 decreased compared to the same periods period of 2022 were 2023 and was primarily impacted by the factors impacting sales, cost of sales, gross margin and operating costs. costs and expenses. See discussion of reporting units below.

Table of Contents

Results by reporting unit

The key performance indicator for CompX's reporting units is the level of their income from operations (see discussion below). Reporting unit results exclude CompX corporate expenses.

Table of Contents

	Three months ended September 30,		%	Nine months ended September 30,		%	Three months ended March 31,		%
	2022	2023	Change	2022	2023	Change	2023	2024	Change

	(In millions)			(In millions)			(In millions)		
Security Products:									
Net sales	$ 28.5	**$ 31.4**	10 %	$ 86.9	**$84.4**	(3)%	$27.4	**$29.9**	9 %
Cost of sales	20.2	**21.4**	5	59.6	**58.5**	(2)	18.9	**21.1**	12
Gross margin	8.3	**10.0**	22	27.3	**25.9**	(5)	8.5	**8.8**	4
Operating costs and expenses	3.4	**3.5**	6	9.7	**9.9**	3	3.1	**3.3**	8
Operating income	$ 4.9	**$ 6.5**	32	$ 17.6	**$16.0**	(9)	$ 5.4	**$ 5.5**	1
Gross margin	29 %	**32 %**		31 %	**31 %**		31 %	**29 %**	
Operating income margin	17	**21**		20	**19**		20	**18**	

Security Products – Security Products net sales increased 10%9% in the thirdfirst quarter of 20232024 compared to the same period in 2022. Relativelast year primarily due to prior year, third quarter$1.8 million higher sales were $3.9 million higher to the government security market, partially offset by $.6 million lower sales to the office furniture market and $.4 million lower sales to the gas station security market. Security Products net sales decreased 3% in the first nine months of 2023 compared to the same period in 2022. Relative to prior year, sales for the first nine months were $1.4 million lower to the office furniture market, $1.1 million lower to the government security market, $.5 million lower to the gas station security market and $.4 million lower to the healthcare market, partially offset by $1.2 million higher sales to distributors.

Gross margin as a percentage of net sales increaseddecreased for the thirdfirst quarter of 20232024 compared to the same period in 20222023 primarily due to increased sales volumes and lowerthe relative changes in fixed costs allocated to cost of sales percentage asduring the quarter. Additionally, a result of lower raw materials, shippingless favorable customer and overtime costs. Operating income as a percentage of net sales increasedproduct mix in the thirdfirst quarter of 2023 compared to the same period in 2022 due to the factors impacting2024 negatively impacted gross margin, partially offset by increased operating costs and expenses, including higher employee salaries and benefits of $.2 million. Gross margin as a percentage of net sales forover the first nine months of 2023 was relatively flat compared to the same period in 2022 primarily due to effects of lower sales and decreased coverage of fixed costs as a result of lower sales, partially offset by the favorable increase in gross margin during the third quarter as discussed above.comparable period. Operating income as a percentage of net sales decreased in the first nine monthsquarter of 20232024 compared to the same period in 20222023 due to the factors impacting gross margin, as well as increased operating costs and expenses, including higher employee salaries and benefits of $.2 million noted above.million.

	Three months ended September 30,		%	Nine months ended September 30,		%	Three months ended March 31,		%
	2022	**2023**	**Change**	**2022**	**2023**	**Change**	**2023**	**2024**	**Change**
	(In millions)			(In millions)			(In millions)		
Marine Components:									
Net sales	$ 14.4	**$ 8.9**	(38)%	$ 39.7	**$ 33.7**	(15)%	$13.8	**$8.1**	(41)%
Cost of sales	10.7	**6.3**	(40)	29.3	**24.0**	(18)	9.6	**7.2**	(25)
Gross margin	3.7	**2.6**	(30)	10.4	**9.7**	(7)	4.2	**.9**	(79)

Operating costs and expenses	1.0	**.9**	(7)	2.9	**2.7**	(6)	.9	**.9**	(6)
Operating income	$ 2.7	**$ 1.7**	(38)	$ 7.5	**$ 7.0**	(7)	$ 3.3	**$ —**	(99)
Gross margin	26 %	**29 %**		26 %	**29 %**		31 %	**11 %**	
Operating income margin	19	**19**		19	**21**		24	**—**	

Marine Components – Marine Components net sales decreased 38% 41% in the third first quarter of 2023 2024 compared to the same period last year primarily due to the decline in 2022. sales to the towboat market. Relative to prior year, third the first quarter of 2023, sales were $4.8 million $4.3 million lower to the towboat market, and $.5 $.7 million lower to the industrial market, $.3 million lower to the engine builder market partially offset by $.4 million higher sales to the center console boat market. Marine Components net sales decreased 15% in the first nine months of 2023 compared to the same period in 2022. Relative to prior year, sales for the first nine months were $7.7 million lower to the towboat market and $.8 $.3 million lower to the engine builder market, partially offset by $1.4 million higher sales to the industrial market, $.6 million higher sales to marine dealers and distributors and $.4 million higher sales to the center console boat market.

distributors. Gross margin as a percentage of net sales increased decreased in the third first quarter and for the first nine months of 2023 2024 compared to the same period in 2022 last year primarily due to lower raw material costs (primarily stainless steel higher cost inventory produced during the fourth quarter of 2023 and aluminum), lower shipping rates and lower labor costs from reduced employee overtime sold in the first quarter of 2024. Marine Components inventory produced during the fourth quarter of 2023 had a higher carrying value due to lower sales, partially offset by decreased coverage of fixed costs higher production cost per unit as a result of lower sales. Higher production volumes. Additionally, gross margin in the first quarter and operating income margin were unfavorably impacted by decreased coverage of 2023 also favorably impacted the nine-month comparative period. Operating income as a percentage of net sales in the third quarter of 2023 was comparable to the same period in 2022. Operating income as a percentage of net

24

Table of Contents

sales increased in the first nine months of 2023 compared to the same period in 2022 due to the factors impacting gross margin as well as reduced production costs, operating costs and expenses including on lower employee related administrative expenses of $.2 million. sales.

Outlook – During the third first quarter CompX benefited of 2024, CompX's Security Products reporting unit benefitted from increased sales of mechanical locks to a customer in the government security market while demand in many of the other markets its Security Products reporting unit it serves remained sluggish. were relatively flat compared to the same period of 2023. At CompX's Marine Components reporting unit, softening demand experienced the decline in sales to the towboat market as a result of the contraction in the recreational marine industry that began late in the first half quarter of the year continued in the third quarter, primarily due 2023 has continued. CompX is focused on aligning its resources with current demand levels and particularly at Marine Components, it is adjusting inventory levels, operating expenses and labor resources to continued weakness in the towboat market. Labor markets have largely become favorable in each of the regions CompX operates, and align with current demand while also preserving its ability to respond quickly when demand increases. Generally, raw material prices have either stabilized, or, in the case of certain commodity raw materials, started to decline slightly. CompX's supply chains are stable and transportation and logistical delays are minimal, and the long lead times related to certain electronic and specialty components it previously experienced have begun to ease. minimal. CompX has adjusted its labor force and production rates at its facilities order patterns in response to reflect the stability of its raw material supplies and near-term demand levels. supplies.

23

Table of Contents

CompX expects its Security Products reporting unit sales in 2024 will continue be lower than 2023 as the sluggishness it has experienced across a variety of the markets Security Products serves has continued through the first quarter of 2024 with customers continuing to express uncertainty regarding sustained consumer demand levels. In addition, CompX does not expect 2024 sales to benefit from increased sales the pilot project to the a government security market for the remainder of the year. CompX is in close contact with its key customers and believes reduced order rates will continue through the end of the year in many of the other Security Products markets. Overall, CompX expects the improved gross margins experienced by Security Products during the third quarter will continue customer it completed largely in the fourth quarter of 2023. After implementing aggressive price increases over the last several years to maintain operating margins, CompX expects only modest price increases in 2024. Overall, CompX expects Security Products gross margin will be comparable to 2023, although it expects operating income as raw material a percentage of sales to decline due to its limited pricing power along with reduced coverage of selling, general and administrative costs have stabilized and higher cost inventory has worked its way through cost as a result of lower expected sales. CompX expects its Marine Components reporting unit net sales for the remainder full year of the year will continue 2024 to be challenged lower as compared to 2022, particularly 2023 because it believes demand in the towboat market as will further decline. The recreational marine demand industry faces strong headwinds due to higher interest rates and broader market weakness. Several original equipment boat manufacturers, including certain of CompX's Marine Components customers, have publicly announced reductions to reduced production schedules for the remainder of 2023. CompX has been able to somewhat offset the towboat market sales declines with increased sales to industrial customers, but it does not expect increases in sales to the industrial market will fully offset weakened towboat demand. 2024. Overall, CompX expects Marine Components gross margin as a percentage of net sales for the full year of 2023 2024 to be slightly favorable lower than 2023 due to 2022 primarily lower coverage of fixed overhead as a result of lower raw material costs. Despite increased sales to the government security market and higher gross margin percentage at both reporting units, due to broader market reduced demand, CompX expects to report slightly lower consolidated expected sales, and operating income in as a percentage of net sales will similarly be lower as a result of reduced coverage of selling, general and administrative expenses due to lower expected sales. CompX ended 2023 compared to 2022. CompX is focused on managing with elevated inventory levels to align with anticipated near-term demand. With balances at its Marine Components reporting unit as a result of increased orders of certain raw materials due to previously long lead times coupled with the rapidly changing towboat demand which created a misalignment of its raw materials with near term demand. CompX made significant progress in aligning Marine Components inventory balances with current demand in the first quarter of 2024 and other components more readily available, CompX believes it will expects this alignment to be able to achieve additional operating efficiencies during the remainder of the year although the extent and impact of such efficiencies is not yet known. complete by mid-year 2024.

CompX's expectations for its operations and the markets it serves are based on a number of factors outside its control. As noted above, CompX has experienced some global and domestic supply chain challenges, and any future impacts on its operations will depend on, among other things, any future disruption in its operations or its suppliers' operations, the impact of economic conditions and geopolitical events on demand for its products or its customers' and suppliers' operations, all of which remain uncertain and cannot be predicted.

General corporate and other items

Corporate expense – Corporate expenses of $2.9 million were $2.4 million in the third first quarter of 2024, $.4 million lower than in the first quarter of 2023 were comparable primarily due to the third quarter of 2022. $.7 million lower litigation and related costs in 2024 somewhat offset by $.2 million higher environmental remediation and related costs. Included in corporate expense in the third first quarter of 2022 2023 and 2023 2024 are:

- litigation fees and related costs of $1.2 million $.7 million in 2023 2024 compared to $.9 million $1.4 million in 2022, 2023, and
- environmental remediation and related costs of $.3 $.2 million in 2023 2024 compared to a benefit of $.1 million nil in 2022.

Corporate expenses of $8.7 million in the first nine months of 2023 were comparable to the first nine months of 2022. Included in corporate expense in the first nine months of 2022 and 2023 are:

- litigation fees and related costs of $3.7 million in 2023 compared to $2.7 million in 2022, and
- environmental remediation and related costs of $.4 million in each of 2023 and 2022. 2023.

The level of our litigation fees and related costs varies from period to period depending upon, among other things, the number of cases in which we are currently involved, the nature of such cases and the current stage of such cases (e.g. discovery, pre-trial motions, trial or appeal, if applicable). See Note 14 13 to our Condensed Consolidated Financial Statements. If our current expectations regarding the number of cases in which we expect to be involved during 2023 2024 or the nature of such cases were to change, our corporate expenses could be higher than we currently estimate.

Obligations for environmental remediation costs are difficult to assess and estimate and it is possible that actual costs for environmental remediation will exceed accrued amounts or that costs will be incurred in the future for sites in which we cannot currently estimate our liability. If these events were to occur in 2023, 2024, our corporate expenses would be higher than we currently estimate. In

Table of Contents

addition, we adjust our environmental accruals as further information becomes available to us or as circumstances change. Such further information or changed circumstances could result in an increase in our accrued environmental costs. See Note 14 13 to our Condensed Consolidated Financial

Statements.

Overall, we currently expect that our net general corporate expenses in 2023 2024 will be higher than 2022 primarily due comparable to higher expected litigation fees and related costs. 2023.

Interest and dividend income – Interest and dividend income increased in the third first quarter and for the first nine months of 2023 2024 compared to the same periods period of 2022 2023 primarily due to higher average interest rates and increased investment balances, somewhat offset by lower average balances on CompX's revolving promissory notes note receivable from Valhi. See Note 4 to our Condensed Consolidated Financial Statements.

Marketable equity securities – We recognized an unrealized gain of $.4 million on the change in value of our marketable equity securities in the third quarter of 2023 compared to an unrealized loss of $24.2 million in the third quarter of 2022. We recognized an unrealized loss of $10.5 million $2.4 million on the change in value of our marketable equity securities in the first nine months quarter of 2023 2024 compared to an unrealized loss of $4.3 million $5.5 million in the first nine months quarter of 2022. 2023. See Note 4 to our Condensed Consolidated Financial Statements.

Income tax expense – We recognized an income tax benefit expense of $.9 million in the third quarter of 2023 compared to an income tax benefit of $5.5 million in the third quarter of 2022 and an income tax benefit of $6.8 million $1.0 million in the first nine months quarter of 2023 2024 compared to income tax expense of $3.6 million $1.4 million in the first nine months quarter of 2022. 2023. In accordance with GAAP, we recognize deferred income taxes on our undistributed equity in earnings of Kronos. Because we and Kronos are part of the same U.S. federal income tax group, any dividends we receive

Table of Contents

from Kronos are nontaxable to us. Accordingly, we do not recognize and we are not required to pay income taxes on dividends from Kronos. Therefore, our full-year effective income tax rate will generally be lower than the U.S. federal statutory income tax rate in years during which we receive dividends from Kronos and recognize equity in earnings of Kronos. Conversely, our effective income tax rate will generally be higher than the U.S. federal statutory income tax rate in years during which we receive dividends from Kronos and recognize equity in losses of Kronos. During interim periods, our effective income tax rate may not necessarily correspond to the foregoing due to the application of accounting for income taxes in interim periods which requires us to base our effective rate on full year projections. We received dividends from Kronos of $20.1 million $6.7 million in each of the first nine months quarters of 2022 2023 and 2023. 2024.

Our effective tax rate attributable to our equity in earnings of Kronos, including the effect of the nontaxable dividends we received from Kronos, was 5% a negative effective tax rate of 10.6% in the first nine three months of 2022 2024 compared to 50% a negative effective rate of 28.7% in the first nine three months of 2023. The increase change in our effective rate from 2022 2023 to 2023 2024 is primarily attributable to Kronos' anticipated lower higher full year earnings in 2023 2024 as compared to 2022. 2023. See Note 12 11 to our Condensed Consolidated Financial Statements for more information about our 2023 2024 income tax items, including a tabular reconciliation of our statutory tax expense to our actual expense.

Noncontrolling interest – Noncontrolling interest in net income of CompX increased decreased during the third first quarter and the first nine months of 2023 2024 compared to the same prior year periods. period. The noncontrolling interest we recognize in each period is directly related to the level of earnings at CompX for the period.

Equity in earnings (losses) of Kronos Worldwide, Inc.

	Three months ended March 31, 2023	Three months ended March 31, 2024	% Change
	(In millions)		
Net sales	$ 426.3	**$ 478.8**	12 %
Cost of sales	395.5	**407.3**	3
Gross margin	$ 30.8	**$ 71.5**	
Income (loss) from operations	$ (18.3)	**$ 19.5**	207 %
Interest and dividend income	2.0	**1.3**	

Marketable equity securities unrealized gain (loss)		(.7)		**.3**		
Other components of net periodic pension and OPEB cost		(.9)		**(.3)**		
Interest expense		(4.2)		**(9.2)**		
Income (loss) before income taxes		(22.1)		**11.6**		
Income tax expense (benefit)		(6.9)		**3.5**		
Net income (loss)	$	(15.2)	**$**	**8.1**		
Percentage of net sales:						
Cost of sales		93 %		**85 %**		
Income (loss) from operations		(4)		**4**		
Equity in earnings (losses) of Kronos Worldwide, Inc.	$	(4.6)	**$**	**2.5**		
TiO_2 operating statistics:						
Sales volumes*		102		**130**		28 %
Production volumes*		105		**121**		15
Change in TiO_2 net sales:						
TiO2 sales volumes						28 %
TiO_2 product pricing						(11)
TiO_2 product mix/other						(6)
Changes in currency exchange rates						1
Total						12 %

* Thousands of metric tons

Table of Contents

Equity in earnings (losses) of Kronos Worldwide, Inc.

	Three months ended September 30, 2022	2023	% Change	Nine months ended September 30, 2022	2023	% Change
	(In millions)			(In millions)		
Net sales	$ 459.6	**$ 396.9**	(14)%	$ 1,587.8	**$ 1,266.4**	(20)%
Cost of sales	375.6	**362.5**	(3)	1,234.0	**1,157.1**	(6)
Gross margin	$ 84.0	**$ 34.4**		$ 353.8	**$ 109.3**	
Income (loss) from operations	$ 30.8	**$ (25.3)**	(182)%	$ 179.3	**$ (50.3)**	(128)%
Interest and dividend income	1.4	**1.5**		2.1	**5.0**	
Marketable equity securities unrealized gain (loss)	(2.9)	**—**		(.5)	**(1.3)**	
Other components of net periodic pension and OPEB cost	(2.9)	**(1.0)**		(9.2)	**(4.1)**	
Interest expense	(4.2)	**(4.3)**		(13.0)	**(12.8)**	
Income (loss) before income taxes	22.2	**(29.1)**		158.7	**(63.5)**	
Income tax expense (benefit)	1.2	**(8.7)**		34.3	**(19.7)**	
Net income (loss)	$ 21.0	**$ (20.4)**		$ 124.4	**$ (43.8)**	

Percentage of net sales:						
Cost of sales	82 %	**91 %**		78 %	**91 %**	
Income (loss) from operations	7	**(6)**		11	**(4)**	
Equity in earnings (losses) of Kronos Worldwide, Inc.	$ 6.4	**$ (6.2)**		$ 37.9	**$ (13.4)**	
TiO_2 operating statistics:						
Sales volumes*	113	**107**	(6)%	399	**313**	(22)%
Production volumes*	131	**102**	(22)	401	**296**	(26)
Change in TiO_2 net sales:						
TiO2 sales volumes			(6)%			(22)%
TiO_2 product pricing			(8)			(2)
TiO_2 product mix/other			(3)			4
Changes in currency exchange rates			3			—
Total			(14)%			(20)%

* Thousands of metric tons

Kronos' key performance indicators are its TiO_2 average selling prices, its level of TiO_2 sales and production volumes and the cost of its third-party feedstock. TiO_2 selling prices generally follow industry trends and prices will increase or decrease generally as a result of competitive market pressures.

Current industry conditions

Kronos and the TiO_2 industry are experiencing experienced an extended period of significantly reduced demand across all major markets which is was reflected in its sales volumes in both the third quarter and first nine months of 2023. Demand first began to fall in the third quarter of 2022 and although there has been some stabilization at this reduced level, throughout 2023. Although overall demand remains below average historical levels. While levels, demand has improved in the first quarter of 2024 in all major markets. Kronos started 2023 2024 with average TiO_2 selling prices 16% higher 13% lower than at the beginning of 2022, this extended period of reduced demand has put downward pressure on 2023 and its average TiO_2 selling prices and, as a result, prices declined 9% 2% during the first nine months quarter of 2023. 2024. Kronos' average TiO_2 selling prices in the first nine three months of 2023 2024 were 2% 11% lower than the average prices during the first nine three months of 2022. 2023.

Kronos began curtailing production in the third quarter of 2022 at certain of its European facilities due to decreased demand and increased production costs. Thus far during 2023, Kronos has continued operating its production facilities at reduced rates to align

production with expected customer demand. As a result, Kronos operated its production facilities at 71% 76% of practical capacity utilization in the first nine three months of 2023 compared in response to 96% decreased demand and higher production costs. As a result of increased demand experienced in the fourth quarter of 2023 and first quarter of 2024, along with more favorable production costs, Kronos began increasing its production rates during the first quarter of 2024 resulting in 87% of practical capacity utilization in the first nine three months of 2022. 2024.

The following table shows Excluding the effect of changes in currency exchange rates, Kronos' capacity utilization rates during 2022 and 2023.

	Production Capacity Utilization Rates	
	2022	**2023**
First Quarter	100%	76%
Second Quarter	95%	64%
Third Quarter	93%	73%

Due cost of sales per metric ton of TiO_2 sold in the first three months of 2024 was significantly lower as compared to the comparable period in 2023 primarily due to significant increases decreases in per metric ton production costs (primarily feedstock and unabsorbed fixed costs due to reduced operating rates), Kronos' cost of sales per metric ton of TiO_2 sold rates in the first nine months of 2023 was significantly higher as compared to the comparable periods in 2022 (excluding the effect of changes in currency exchange rates) 2023). Kronos' cost of sales per metric ton of TiO_2 sold in the third quarter of 2023 was comparable to the same period in 2022.

In response to this the extended period of reduced demand in 2023, discussed above, Kronos has taken took measures to reduce its operating costs and improve its long-term cost structure. As part structure such as the implementation of overall cost saving measures, certain voluntary and involuntary workforce reductions during the third quarter of 2023 Kronos began implementing certain voluntary and involuntary workforce reductions. that primarily impacted its European operations. A substantial portion of Kronos' workforce reductions are expected to be were accomplished through voluntary programs, for which eligible workforce reduction costs are recognized at the time bothboththe employee and employer are irrevocably committed to the termsof the employee and employer are irrevocably committed to the terms of the separation. These workforce reductions will impact separation. These workforce reductions impacted approximately 100 individuals. To date expenses employees.Kronos recognized a total of approximately $6 million in charges primarilyin thefourthquarterof 2023 related to workforce reductions it implementedduring the secondhalfof theyear with the majority of related cash payments expected to these initiatives are not significant due be paid in the first half of 2024.

In April 2024, Kronos announced plans to close its sulfate process line at its plant in Varennes, Canada by the early stages third quarter of the reductions; however, 2024. Kronos currently expects to recognize a $6 million charge of approximately $2 million primarily to cost of sales in the fourth second quarter of 2023 2024 related to workforce reductions it will implement during for employees impacted. In addition, approximately $15 million in non-cash charges related to closure of the quarter, most of which is line are expected to be classified reflected in selling, general cost of sales in the second and administrative expense. The majority third quarters of cash payments are also expected to be completed by the first quarter of 2024.

Net sales – Kronos' net sales in the third first quarter of 2023 decreased 14% 2024 increased 12%, or $62.7 million $52.5 million, compared to the third first quarter of 2022 2023 primarily due to the net effects of a 6% decrease 28% increase in sales volumes (which decreased increased net sales by approximately $28 million $119 million) and an 8% 11% decrease in average TiO_2 selling prices (which decreased net sales by approximately $37 million $47 million). In addition to the impact of sales volumes and average TiO_2 selling prices, Kronos estimates that changes in currency exchange rates (primarily the euro) increased its net sales by approximately $12 million $4 million in the third first quarter of 2023 2024 as compared to the third first quarter of 2022. 2023. TiO_2 selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Kronos' sales volumes decreased 6% increased 28% in the third first quarter of 2023 2024 as compared to the third first quarter of 2022 2023 due to lower higher overall demand across all major markets noted above. The lower overall demand Kronos began experiencing in the second half of 2022 and first half of 2023 has continued during the third quarter of 2023.

Kronos' net sales in the first nine months of 2023 decreased 20%, or $321.4 million, compared to the first nine months of 2022 primarily due to a 22% decrease in sales volumes (which decreased net sales by approximately $349 million) and a 2% decrease in average TiO_2selling prices (which decreased net sales by approximately $32 million). Changes in product mix positively contributed to net sales, primarily due to higher average selling prices in Kronos' complementary businesses which somewhat offset declines in TiO_2 sales volumes. Changes in currency exchange rates had a nominal effect on the sales in the first nine months of 2023 as compared to the first nine months of 2022.

Kronos' sales volumes decreased 22% in the first nine months of 2023 as compared to the first nine months of 2022 due to lower overall demand across all major markets noted above. The lower overall demand Kronos began experiencing in the second half of 2022 has continued during the first nine months of 2023. markets.

Cost of sales and gross margin – Kronos' cost of sales decreased $13.1 million increased $11.8 million, or 3%, in the third first quarter of 2023 2024 compared to the third first quarter of 2022 2023 due to the net effects of a 6% decrease 28% increase in sales volumes, a 22% decrease 15% increase in production volumes (which resulted in (in response $20 million of unabsorbed fixed production costs) at certain of its manufacturing facilities to align inventory levels to anticipated improved near-term customer demand demand) somewhat offset by lower production costs of approximately $10 million $64 million (primarily energy and raw materials). Kronos' unabsorbed fixed production costs decreased $10 million from $22 million in the first quarter of 2023 to $12 million in the first quarter of 2024.

Kronos' cost of sales as a percentage of net sales increased improved to 91% 85% in the third first quarter of 2023 2024 compared to 82% 93% in the same period of 2022 2023 primarily due to the unfavorable favorable effects of unabsorbed lower production costs and higher production volumes resulting in increased coverage of fixed production costs due to lower production volumes. costs.

Table of Contents

Gross margin as a percentage of net sales decreased increased to 9% 15% in the third first quarter of 2023 2024 compared to 18% 7% in the third first quarter of 2022. 2023. As discussed and quantified above, Kronos' gross margin as a percentage of net sales decreased increased primarily due to lower production costs and higher production and sales volumes, somewhat offset by lower average TiO_2 selling prices and changes in currency exchange rates.

Table of Contents

Kronos' cost of sales decreased $76.9 million, or 6%, in the first nine months of 2023 compared to the first nine months of 2022 due to the net effects of a 22% decrease in sales volumes, a 26% decrease in production volumes (which resulted in $74 million of unabsorbed fixed production costs) at certain of its manufacturing facilities to align inventory levels to anticipated near-term customer demand and higher production costs of approximately $90 million (primarily raw materials).Kronos' cost of sales as a percentage of net sales increased to 91% in the first nine months of 2023 compared to 78% in the same period of 2022 primarily due to the unfavorable effects of higher production costs (primarily raw materials) and unabsorbed fixed production costs due to lower production volumes.

Gross margin as a percentage of net sales decreased to 9% in the first nine months of 2023 compared to 22% in the first nine months of 2022. As discussed and quantified above, Kronos' gross margin as a percentage of net sales decreased primarily due to the net effect of higher production costs, lower production and sales volumes, lower average TiO_2 selling prices and changes in currency exchange rates. prices.

Selling, general and administrative expense – Kronos' selling, general and administrative expense decreased $5.4 million increased $1.0 million, or 9% 2%, in 2023 2024 compared to 2022 2023 primarily due to lower distribution variable costs related to lower overall higher sales volumes during the quarter. Selling, general and administrative expense as a percentage of net sales was comparable in the third quarters of 2023 and 2022 at approximately 13% of net sales.

Kronos' selling, general and administrative expense decreased $26.7 million, or 15%, to 11% in the first nine months quarter of 2023 2024 compared to the same period in 2022 primarily due to lower distribution costs as a result of lower overall sales volumes. Selling, general and administrative expense as a percentage 12% of net sales was comparable in the first nine months quarter of 2023 and 2022 at approximately 12% of net sales. 2023.

Income (loss) from operations – Kronos had Kronos' income from operations increased by $37.8 million to $19.5 million in the first quarter of 2024 compared to a net loss from operations of $25.3 million $18.3 million in the third first quarter of 2023 compared to income from operations of $30.8 million in the third quarter of 2022 as a result of the factors impacting gross margin discussed above. Kronos recognized a gain of $.3 million $1.7 million in the third first quarter of 2023 and a gain of $2.7 million in the third quarter of 2022 related to cash received from the settlement of a business interruption insurance claim. Kronos estimates changes Changes in currency exchange rates increased had a nominal effect on its loss income from operations by approximately $10 million in the third first quarter of 2023 2024 as compared to the same period in 2022, 2023, as discussed in the Effects of currency exchange rates section below.

Kronos had a loss from operations of $50.3 million in the first nine months of 2023 compared to income from operations of $179.3 million in the first nine months of 2022 as a result of the factors impacting gross margin discussed above. Kronos recognized a gain of $2.5 million in the first nine months of 2023 and a gain of $2.7 million in the first nine months of 2022 related to cash received from the settlement of a business interruption insurance claim. Kronos estimates that changes in currency exchange rates decreased its loss from operations by approximately $11 million in the first nine months of 2023 as compared to the same period in 2022, as further discussed below.

Other non-operating income (expense) – There was no change in the relative market value of Kronos' marketable equity securities in the third quarter of 2023.However, Kronos recognized an unrealized gain of $.3 million in the first quarter of 2024 compared to an unrealized loss of $2.9 million $.7 million in the third first quarter of 2022 2023 related to the change in market price of its marketable equity securities. Other components of net periodic pension and OPEB cost in the third first quarter of 2023 2024 decreased $1.9 million compared to the third quarter of 2022 primarily due to the net effects of higher discount rates impacting interest cost and previously unrecognized actuarial losses. Interest expense in the third quarter of 2023 was comparable to interest expense in the third quarter of 2022.

Kronos recognized an unrealized loss of $1.3 million on the change in value of its marketable equity securities in the first nine months of 2023 compared to an unrealized loss of $.5 $.6 million in the first nine months of 2022. Other components of net periodic pension and OPEB cost in the first nine months of 2023 decreased $5.1 million compared to the first nine months quarter of 2022 2023 primarily due to the net effects of a higher discount rates impacting interest cost, previously unrecognized actuarial losses and $1.3 million in settlement costs related to the termination and buy-out of Kronos' pension expected return on plan in the United Kingdom during the second quarter of 2023. assets. Interest expense in the first nine months quarter of 2023 was comparable 2024 increased $5.0 million compared to interest expense in the first nine quarter of 2023 as a result of the February 2024 exchange of €325 million of Kronos' 3.75% Senior Secured Notes due 2025 for newly issued €276.174 million of 9.50% Senior Secured Notes due March 2029 plus additional cash consideration, and as a result of the new $53.7 million subordinated, unsecured term loan from Contran due September 2029 at an interest rate of 11.5%, which Kronos entered into in February 2024 in connection with the exchange. As a result of the exchange, Kronos' interest expense for the first three months of 2022. 2024 includes a charge of $1.5 million for the write-off of deferred financing costs.

Income tax expense (benefit) - Kronos recognized income tax expense of $3.5 million in the first quarter of 2024 compared to an income tax benefit of $8.7 million in the third quarter of 2023 compared to income tax expense of $1.2 million in the third quarter of 2022. Kronos recognized an income tax benefit of $19.7 million $6.9 million in the first nine months quarter of 2023 compared to income tax expense of $34.3 million in the first nine months of 2022. 2023. The difference is primarily due to lower higher earnings in the third first quarter and first nine months of 2023 as compared to the same periods in 2022 2024 and the jurisdictional mix of such earnings. Kronos' earnings and losses are subject to income tax in various U.S. and non-U.S. jurisdictions, and the income tax rates applicable to the pre-tax earnings (losses) of its non-U.S. operations are generally higher than the income tax rates applicable to its U.S. operations. Kronos would generally expect its overall effective tax rate, excluding the effect of any increase or decrease in its deferred income tax asset valuation allowance or changes in its reserve for uncertain tax positions, to be higher than the U.S. federal statutory tax rate of 21% primarily because of Kronos' its sizeable non-U.S. operations.

29

Table However, in the first quarter of Contents 2024, Kronos' consolidated effective income tax rate, excluding the effect of the valuation allowance and change in reserve for uncertain tax positions, is lower than the U.S. federal statutory rate of 21% due to the effect of lower earnings and tax benefits associated with losses incurred in certain high tax jurisdictions.

The Organization for Economic Cooperation and Development (the "OECD"), the European Union and other countries have committed to enacting the OECD's Pillar Two initiative that would provide a global minimum level of taxation for multinational companies to be applied on a country-by-country basis. Currently, many countries are drafting or have enacted legislation to implement the Pillar Two rules effective for years beginning on or after December 31, 2023. Based on legislation currently enacted, Kronos does not anticipate any material impact to its Consolidated Financial Statements; however, until all the jurisdictions it operates in enact legislation, the full impact of Pillar Two to Kronos is unknown.

Effects of currency exchange rates

Kronos has substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of Kronos' sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of Kronos' sales generated from its non-U.S. operations is denominated in the U.S. dollar (and consequently Kronos' non-U.S. operations will generally hold U.S. dollars from time to time). Certain raw materials used in all Kronos production facilities, primarily titanium-containing feedstocks, are purchased primarily in U.S. dollars, while labor and other production and administrative costs are incurred primarily in local currencies. Consequently, the translated U.S. dollar value of Kronos' non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, Kronos' non-U.S. operations also generate currency transaction gains and losses which primarily relate to (i) the difference between the currency exchange rates in effect when non-local currency sales or operating costs (primarily U.S. dollar denominated) are initially accrued and when such amounts are settled with the non-local currency, and (ii) changes in currency exchange rates during time periods when Kronos' non-U.S. operations are holding non-local currency (primarily U.S. dollars).

27

Table of Contents

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

Impact chang in currer exchar rates

Three months ended March 31, 2024 vs March 31, 2023	Three months ended September 30, 2023 vs September 30, 2022					Three months ended March 31, 2024 vs March 31, 2023				
	Transaction gains (losses) recognized			Translation gains - impact of rate changes	Total currency impact	Transaction gains recognized			Translation gains - impact of rate changes	Total currency impact
	2022	2023	Change	rate changes	2023 vs 2022	2023	2024	Change	rate changes	2024 vs 2023
	(In millions)					(In millions)				
Impact on:										
Net sales	$ —	$ —	$ —	$ 12	$ 12	$ —	$ —	$ —	$ 4	$ 4
Income (loss) from operations	7	(4)	(11)	1	(10)	5	5	—	—	—

The $12 million $4 million increase in Kronos' net sales (translation gains) was caused primarily by a weakening of the U.S. dollar relative to the euro, as Kronos' euro-denominated sales were translated into more U.S. dollars in 2023 2024 as compared to 2022. 2023. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2023 2024 and the weakening of the U.S. dollar relative to the Canadian dollar in 2024 did not have a significant effect on Kronos' net sales, as a substantial portion of the sales generated by Kronos' its Canadian and Norwegian operations is denominated in the U.S. dollar.

The $10 million increase in loss impact of currency exchange rates on Kronos' income from operations was comprised of the following: nominal.

- Lower net currency transaction gains of approximately $11 million primarily caused by relative changes in currency exchange rates at each applicable balance sheet date between the U.S. dollar and the euro, Canadian dollar and the Norwegian krone, and between the euro and the Norwegian krone, which causes increases or decreases, as applicable, in U.S. dollar-denominated receivables and payables and U.S. dollar currency held by Kronos' non-U.S. operations, and in Norwegian krone denominated receivables and payables held by Kronos' non-U.S. operations, and
  - Approximately $1 million from net currency translation gains primarily caused by a strengthening of the U.S. dollar relative to the Canadian dollar and Norwegian krone, as local currency-denominated operating costs were translated into fewer U.S. dollars in 2023 as compared to 2022. The effect of the weakening of the U.S. dollar relative to the euro was nominal in 2023 as compared to 2022.