# 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 June 30, 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<br>(State or other jurisdiction of<br>incorporation or organization) | 13-5267260<br>(IRS Employer<br>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 August 1, 2024 48,847,734.

**NL INDUSTRIES, INC. AND SUBSIDIARIES**

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Items 2, 3, and 4 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, 2023 | June 30, 2024 (unaudited) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 111,522 | **$ 167,453** |
| Restricted cash and cash equivalents | 2,917 | **2,896** |
| Marketable securities | 53,149 | **11,934** |
| Accounts and other receivables, net | 17,101 | **15,654** |
| Receivables from affiliates | 628 | **179** |
| Inventories, net | 30,712 | **27,363** |
| Prepaid expenses and other | 2,235 | **1,878** |
| Total current assets | 218,264 | **227,357** |
| Other assets: | | |
| Restricted cash and cash equivalents | 26,943 | **27,231** |
| Note receivable from affiliate | 10,600 | **9,200** |
| Marketable securities | 18,194 | **21,356** |
| Investment in Kronos Worldwide, Inc. | 247,582 | **237,268** |
| Goodwill | 27,156 | **27,156** |
| Other assets, net | 2,060 | **5,721** |
| Total other assets | 332,535 | **327,932** |
| Property and equipment: | | |
| Land | 5,390 | **5,390** |
| Buildings | 23,239 | **23,262** |
| Equipment | 74,315 | **74,651** |
| Construction in progress | 676 | **770** |
| | 103,620 | **104,073** |
| Less accumulated depreciation | 77,757 | **79,336** |
| Net property and equipment | 25,863 | **24,737** |
| Total assets | $ 576,662 | **$ 580,026** |

**NL INDUSTRIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**(In thousands)**

| | December 31, 2023 | June 30, 2024 (unaudited) |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 3,148 | **$ 3,791** |
| Accrued litigation settlement | 11,830 | **11,943** |
| Accrued and other current liabilities | 13,182 | **10,681** |
| Accrued environmental remediation and related costs | 1,655 | **2,511** |
| Payables to affiliates | 634 | **635** |
| Total current liabilities | 30,449 | **29,561** |
| Noncurrent liabilities: | | |
| Long-term debt from affiliate | 500 | **500** |
| Accrued environmental remediation and related costs | 89,451 | **89,280** |
| Long-term litigation settlement | 16,122 | **16,276** |
| Deferred income taxes | 41,733 | **42,877** |
| Accrued pension costs | 1,571 | **1,249** |
| Other | 5,074 | **5,067** |
| Total noncurrent liabilities | 154,451 | **155,249** |
| Equity: | | |
| NL stockholders' equity: | | |
| Preferred stock | — | **—** |
| Common stock | 6,103 | **6,105** |
| Additional paid-in capital | 298,868 | **299,099** |
| Retained earnings | 284,462 | **291,322** |
| Accumulated other comprehensive loss | (219,621) | **(223,434)** |
| Total NL stockholders' equity | 369,812 | **373,092** |
| Noncontrolling interest in subsidiary | 21,950 | **22,124** |
| Total equity | 391,762 | **395,216** |
| Total liabilities and equity | $ 576,662 | **$ 580,026** |

Commitments and contingencies (Notes 11 and 13)

See accompanying notes to Condensed Consolidated Financial Statements.

## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**(In thousands, except per share data)**

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
|---|---|---|---|---|
| | | (unaudited) | | |
| Net sales | $ 36,616 | **$ 35,887** | $ 77,767 | **$ 73,858** |
| Cost of sales | 26,343 | **24,722** | 54,790 | **53,026** |
| Gross margin | 10,273 | **11,165** | 22,977 | **20,832** |
| Selling, general and administrative expense | 5,906 | **6,084** | 11,570 | **12,036** |
| Corporate expense | 2,946 | **4,290** | 5,789 | **6,649** |
| Income from operations | 1,421 | **791** | 5,618 | **2,147** |
| Equity in earnings (losses) of Kronos Worldwide, Inc. | (2,516) | **5,973** | (7,153) | **8,449** |
| Other income (expense): | | | | |
| Interest and dividend income | 2,145 | **2,678** | 4,110 | **5,229** |
| Marketable equity securities | (5,461) | **779** | (10,959) | **3,162** |
| Loss on pension plan termination | (4,911) | **—** | (4,911) | **—** |
| Other components of net periodic pension and OPEB cost | (370) | **(318)** | (716) | **(636)** |
| Interest expense | (199) | **(148)** | (398) | **(293)** |
| Income (loss) before income taxes | (9,891) | **9,755** | (14,409) | **18,058** |
| Income tax expense (benefit) | (7,300) | **1,302** | (5,879) | **2,290** |
| Net income (loss) | (2,591) | **8,453** | (8,530) | **15,768** |
| Noncontrolling interest in net income of subsidiary | 517 | **618** | 1,294 | **1,094** |
| Net income (loss) attributable to NL stockholders | $ (3,108) | **$ 7,835** | $ (9,824) | **$ 14,674** |
| Amounts attributable to NL stockholders: | | | | |
| Basic and diluted net income (loss) per share | $ (.06) | **$ .16** | $ (.20) | **$ .30** |
| Weighted average shares used in the calculation of net income (loss) per share | 48,824 | **48,841** | 48,820 | **48,837** |

See accompanying notes to Condensed Consolidated Financial Statements.

**NL INDUSTRIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(In thousands)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2024** | **2023** | **2024** |
| | | (unaudited) | | |
| Net income (loss) | $ (2,591) | **$ 8,453** | $ (8,530) | **$ 15,768** |
| Other comprehensive income (loss), net of tax: | | | | |
| Currency translation | (1,219) | **466** | (2,885) | **(4,500)** |
| Defined benefit pension plans | 4,676 | **378** | 5,069 | **757** |
| Marketable debt securities | (121) | **8** | (169) | **22** |
| Other postretirement benefit plans | (58) | **(45)** | (118) | **(92)** |
| Total other comprehensive income (loss), net | 3,278 | **807** | 1,897 | **(3,813)** |
| Comprehensive income (loss) | 687 | **9,260** | (6,633) | **11,955** |
| Comprehensive income attributable to noncontrolling interest | 525 | **619** | 1,298 | **1,094** |
| Comprehensive income (loss) attributable to NL stockholders | $ 162 | **$ 8,641** | $ (7,931) | **$ 10,861** |

See accompanying notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

| | Three months ended June 30, 2023 and 2024 (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Noncontrolling interest in subsidiary | Total equity |
| Balance at March 31, 2023 | $ 6,101 | $ 298,252 | $ 290,309 | $ (224,368) | $ 20,982 | $ 391,276 |
| Net income (loss) | — | — | (3,108) | — | 517 | (2,591) |
| Other comprehensive income, net of tax | — | — | — | 3,270 | 8 | 3,278 |
| Issuance of NL common stock | 2 | 98 | — | — | — | 100 |
| Dividends paid - $.07 per share | — | — | (3,417) | — | — | (3,417) |
| Dividends paid to noncontrolling interest | — | — | — | — | (390) | (390) |
| Other, net | — | 518 | — | — | — | 518 |
| Balance at June 30, 2023 | $ 6,103 | $ 298,868 | $ 283,784 | $ (221,098) | $ 21,117 | $ 388,774 |
| Balance at March 31, 2024 | $ 6,103 | $ 298,868 | $ 287,395 | $ (224,240) | $ 21,958 | $ 390,084 |
| Net income | — | — | **7,835** | — | **618** | **8,453** |
| Other comprehensive income, net of tax | — | — | — | **806** | **1** | **807** |
| Issuance of NL common stock | **2** | **98** | — | — | — | **100** |
| Dividends paid - $.08 per share | — | — | **(3,908)** | — | — | **(3,908)** |
| Dividends paid to noncontrolling interest | — | — | — | — | **(469)** | **(469)** |
| Other, net | — | **133** | — | — | **16** | **149** |
| Balance at June 30, 2024 | **$ 6,105** | **$ 299,099** | **$ 291,322** | **$ (223,434)** | **$ 22,124** | **$ 395,216** |

| | Six months ended June 30, 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) | — | — | (9,824) | — | 1,294 | (8,530) |
| Other comprehensive income, net of tax | — | — | — | 1,893 | 4 | 1,897 |
| Issuance of NL common stock | 2 | 98 | — | — | — | 100 |
| Dividends paid - $.14 per share | — | — | (6,834) | — | — | (6,834) |
| Dividends paid to noncontrolling interest | — | — | — | — | (778) | (778) |
| Other, net | — | 172 | — | — | — | 172 |
| Balance at June 30, 2023 | $ 6,103 | $ 298,868 | $ 283,784 | $ (221,098) | $ 21,117 | $ 388,774 |
| Balance at December 31, 2023 | $ 6,103 | $ 298,868 | $ 284,462 | $ (219,621) | $ 21,950 | $ 391,762 |
| Net income | — | — | **14,674** | — | **1,094** | **15,768** |
| Other comprehensive loss, net of tax | — | — | — | **(3,813)** | — | **(3,813)** |
| Issuance of NL common stock | **2** | **98** | — | — | — | **100** |
| Dividends paid - $.16 per share | — | — | **(7,814)** | — | — | **(7,814)** |
| Dividends paid to noncontrolling interest | — | — | — | — | **(936)** | **(936)** |
| Other, net | — | **133** | — | — | **16** | **149** |
| Balance at June 30, 2024 | **$ 6,105** | **$ 299,099** | **$ 291,322** | **$ (223,434)** | **$ 22,124** | **$ 395,216** |

See accompanying notes to Condensed Consolidated Financial Statements.

**NL INDUSTRIES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
|---|---|---|
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income (loss) | $ (8,530) | **$ 15,768** |
| Depreciation and amortization | 2,009 | **1,846** |
| Deferred income taxes | (5,957) | **2,149** |
| Equity in (earnings) losses of Kronos Worldwide, Inc. | 7,153 | **(8,449)** |
| Dividends received from Kronos Worldwide, Inc. | 13,384 | **13,384** |
| Marketable equity securities | 10,959 | **(3,162)** |
| Loss on pension plan termination | 4,911 | **—** |
| Benefit plan expense greater than cash funding | 355 | **343** |
| Noncash interest income | (1,839) | **(752)** |
| Noncash interest expense | 374 | **267** |
| Other, net | 199 | **52** |
| Change in assets and liabilities: | | |
| Accounts and other receivables, net | 2,787 | **2,050** |
| Inventories, net | (2,585) | **3,201** |
| Prepaid expenses and other | 508 | **372** |
| Accounts payable and accrued liabilities | (1,777) | **(1,637)** |
| Accounts with affiliates | 622 | **29** |
| Accrued environmental remediation and related costs | (999) | **684** |
| Other noncurrent assets and liabilities, net | (646) | **(3,867)** |
| Net cash provided by operating activities | 20,928 | **22,278** |
| Cash flows from investing activities: | | |
| Capital expenditures | (478) | **(730)** |
| Marketable securities: | | |
| Purchases | (49,966) | **—** |
| Proceeds from maturities | 26,000 | **42,000** |
| Note receivable from affiliate: | | |
| Collections | 14,700 | **13,400** |
| Loans | (13,700) | **(12,000)** |
| Net cash provided by (used in) investing activities | (23,444) | **42,670** |
| Cash flows from financing activities: | | |
| Dividends paid | (6,834) | **(7,814)** |
| Dividends paid to noncontrolling interests in subsidiary | (778) | **(936)** |
| Net cash used in financing activities | (7,612) | **(8,750)** |
| Cash and cash equivalents and restricted cash and cash equivalents - net change from: | | |
| Operating, investing and financing activities | (10,128) | **56,198** |
| Balance at beginning of year | 97,502 | **141,382** |
| Balance at end of period | $ 87,374 | **$ 197,580** |
| Supplemental disclosures - cash paid (received) for: | | |
| Interest | $ 24 | **$ 26** |
| Income taxes, net | (570) | **—** |

See accompanying Notes to Condensed Consolidated Financial Statements.

**NL INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2024**

**(unaudited)**

**Note 1 – Organization and basis of presentation:**

***Organization*** – At June 30, 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, Mr. Connelly and their children and for which Ms. Simmons, Mr. Connelly or Mr. 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, 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 June 30, 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, 2023 that we filed with the SEC on March 6, 2024 (the "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, 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, 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 ended June 30, 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 2023 Consolidated Financial Statements contained in our 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, 2023 | June 30, 2024 |
|---|---|---|
| | (In thousands) | |
| Trade receivables - CompX | $ 17,131 | **$ 15,505** |
| Other receivables | 40 | **219** |
| Allowance for doubtful accounts | (70) | **(70)** |
| Total | $ 17,101 | **$ 15,654** |

**Note 3 – Inventories, net:**

| | December 31, 2023 | June 30, 2024 |
|---|---|---|
| | (In thousands) | |
| Raw materials | $ 5,738 | **$ 5,254** |
| Work in process | 19,042 | **17,071** |
| Finished products | 5,932 | **5,038** |
| Total | $ 30,712 | **$ 27,363** |

**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) on our Condensed Consolidated Statements of Operations.

| | 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) |
| **June 30, 2024** | | | | |
| Current assets - Fixed income securities | 2 | **$ 11,934** | **$ 11,935** | **$ (1)** |
| Noncurrent assets - Valhi common stock | 1 | **$ 21,356** | **$ 24,347** | **$ (2,991)** |

At December 31, 2023 and June 30, 2024, we held approximately 1.2 million shares of common stock of our immediate parent company, Valhi, Inc. At December 31, 2023 and June 30, 2024, the quoted per share market price of Valhi common stock was $15.19 and $17.83, 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, 2023 and June 30, 2024, we owned approximately 35.2 million shares of Kronos common stock. At June 30, 2024, the quoted market price of Kronos' common stock was $12.55 per share, or an aggregate market value of $442.0 million. At December 31, 2023, the quoted market price was $9.94 per share, or an aggregate market value of $350.1 million.

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

| | Amount |
|---|---|
| | (In millions) |
| Balance at the beginning of the period | **$ 247.6** |
| Equity in earnings of Kronos | **8.4** |
| Dividends received from Kronos | **(13.4)** |
| Equity in Kronos' other comprehensive income (loss): | |
| Currency translation | **(5.6)** |
| Defined benefit pension plans | **.3** |
| Balance at the end of the period | **$ 237.3** |

Selected financial information of Kronos is summarized below:

| | December 31, 2023 | June 30, 2024 |
|---|---|---|
| | (In millions) | |
| Current assets | $ 1,117.4 | **$ 987.2** |
| Property and equipment, net | 482.9 | **444.3** |
| Investment in $TiO_2$ joint venture | 111.0 | **101.2** |
| Other noncurrent assets | 126.7 | **124.2** |
| Total assets | $ 1,838.0 | **$ 1,656.9** |
| | | |
| Current liabilities | $ 370.8 | **$ 273.1** |
| Long-term debt | 440.9 | **423.7** |
| Accrued pension costs | 150.0 | **140.1** |
| Other noncurrent liabilities | 68.0 | **45.4** |
| Stockholders' equity | 808.3 | **774.6** |
| Total liabilities and stockholders' equity | $ 1,838.0 | **$ 1,656.9** |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (In millions) | | | |
| Net sales | $ 443.2 | **$ 500.5** | $ 869.5 | **$ 979.3** |
| Cost of sales | 399.1 | **400.3** | 794.6 | **807.6** |
| Income (loss) from operations | (6.7) | **35.9** | (25.0) | **55.4** |
| Income tax expense (benefit) | (4.1) | **8.5** | (11.0) | **12.0** |
| Net income (loss) | (8.2) | **19.5** | (23.4) | **27.6** |

Effective July 16, 2024, Kronos acquired the 50% joint venture interest in Lousiana Pigment Company (LPC) previously held by Venator Investments, Ltd ("Venator"). Prior to the acquisition, LPC was operated as a joint venture between Kronos and Venator, and through a wholly-owned subsidiary, Kronos held a 50% joint venture interest in LPC. Following the acquisition, LPC is an indirect, wholly-owned subsidiary of Kronos. Kronos completed the acquisition in order to obtain full control of LPC and its $TiO_2$ production to better serve the North American $TiO_2$ marketplace. Kronos acquired the 50% joint venture interest that it did not already own for an upfront cash payment of $185 million (subject to working capital adjustments) and a potential earn-out payment of up to $15 million based on Kronos' aggregate consolidated net income before interest expense, income taxes and depreciation and amortization expense, or EBITDA, during a two-year period comprising calendar years 2025 and 2026. The aggregate EBITDA tiers for the two-year earn-out period are $650 million and $730 million, with $5 million of the earnout payable if Kronos achieves $650 million in aggregate consolidated EBITDA, and a maximum of $15 million payable if aggregate EBITDA is $730 million or greater for the period. If Kronos achieves aggregate consolidated EBITDA between $650 million and $730 million, the payment of the additional $10 million is pro-rated between the two targets. The earn-out is payable at the earliest in April 2027. The acquisition was financed through a borrowing of $132 million under Kronos' Global Revolver with the remainder paid with cash on hand.

**Note 6 – Accrued and other current liabilities:**

| | December 31, 2023 | June 30, 2024 |
|---|---|---|
| | (In thousands) | |
| Employee benefits | $ 11,290 | **$ 7,442** |
| Other | 1,892 | **3,239** |
| Total | $ 13,182 | **$ 10,681** |

**Note 7 – Long-term debt:**

During the first six months of 2024, our wholly-owned subsidiary, NLKW Holding, LLC had no borrowings or repayments under its $50 million secured revolving credit facility with Valhi. At June 30, 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 six months ended June 30, 2024 was 10.38%. We are in compliance with all covenants at June 30, 2024.

**Note 8 – Other noncurrent liabilities:**

| | December 31, 2023 | June 30, 2024 |
|---|---|---|
| | (In thousands) | |
| Reserve for uncertain tax positions | $ 3,707 | **$ 3,707** |
| OPEB | 524 | **495** |
| Insurance claims and expenses | 579 | **553** |
| Other | 264 | **312** |
| Total | $ 5,074 | **$ 5,067** |

**Note 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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (In thousands) | | | |
| Net sales: | | | | |
| Security Products | $ 25,672 | **$ 28,213** | $ 53,014 | **$ 58,100** |
| Marine Components | 10,944 | **7,674** | 24,753 | **15,758** |
| Total | $ 36,616 | **$ 35,887** | $ 77,767 | **$ 73,858** |

**Note 10 – Employee benefit plans:**

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (In thousands) | | | |
| Interest cost | $ 412 | **$ 365** | $ 862 | **$ 730** |
| Expected return on plan assets | (352) | **(335)** | (766) | **(670)** |
| Recognized actuarial losses | 358 | **333** | 716 | **666** |
| Total | $ 418 | **$ 363** | $ 812 | **$ 726** |

In the second quarter of 2023, we completed a termination and buy-out of our U.K. pension plan resulting in a $4.9 million settlement loss. We currently expect our 2024 contributions to our defined benefit pension plans to be approximately $1.0 million.

**Note 11 – Income taxes:**

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | Six months ended June 30, 2023 | Six months ended June 30, 2024 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Expected tax expense (benefit), at U.S. federal statutory income tax rate of 21% | $ (2,077) | **$** 2,048 | $ (3,026) | **$** 3,792 |
| Rate differences on equity in earnings (losses) of Kronos, net of dividends | (5,146) | (776) | (2,841) | (1,558) |
| U.S. state income taxes and other, net | (77) | 30 | (12) | 56 |
| Income tax expense (benefit) | $ (7,300) | **$** 1,302 | $ (5,879) | **$** 2,290 |
| | | | | |
| Comprehensive provision (benefit) for income taxes allocable to: | | | | |
| Net income (loss) | $ (7,300) | **$** 1,302 | $ (5,879) | **$** 2,290 |
| Additional paid-in capital | 110 | 8 | 18 | 8 |
| Other comprehensive income (loss): | | | | |
| Currency translation | (371) | 124 | (814) | (1,196) |
| Pension plans | 295 | 101 | 399 | 202 |
| Other | (50) | (11) | (84) | (19) |
| Total | $ (7,316) | **$** 1,524 | $ (6,360) | **$** 1,285 |

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 $13.4 million in each of the first six month periods of 2023 and 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.

**Note 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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (In thousands) | | | |
| Accumulated other comprehensive loss, (net of tax and noncontrolling interest): | | | | |
| Currency translation: | | | | |
| Balance at beginning of period | $ (179,857) | **$ (182,085)** | $ (178,191) | **$ (177,119)** |
| Other comprehensive income (loss) | (1,219) | **466** | (2,885) | **(4,500)** |
| Balance at end of period | $ (181,076) | **$ (181,619)** | $ (181,076) | **$ (181,619)** |
| Defined benefit pension plans: | | | | |
| Balance at beginning of period | $ (43,464) | **$ (40,994)** | $ (43,857) | **$ (41,373)** |
| Other comprehensive income - | | | | |
| Amortization of prior service cost and net losses included in net periodic pension cost | 534 | **378** | 927 | **757** |
| Plan settlement | 4,142 | **—** | 4,142 | **—** |
| Balance at end of period | $ (38,788) | **$ (40,616)** | $ (38,788) | **$ (40,616)** |
| OPEB plans: | | | | |
| Balance at beginning of period | $ (953) | **$ (1,161)** | $ (893) | **$ (1,114)** |
| Other comprehensive loss - | | | | |
| Amortization of net gain included in net periodic OPEB cost | (58) | **(45)** | (118) | **(92)** |
| Balance at end of period | $ (1,011) | **$ (1,206)** | $ (1,011) | **$ (1,206)** |
| Marketable debt securities: | | | | |
| Balance at beginning of period | $ (94) | **$ —** | $ (50) | **$ (15)** |
| Other comprehensive income (loss) - unrealized gain (loss) arising during the period | (129) | **7** | (173) | **22** |
| Balance at end of period | $ (223) | **$ 7** | $ (223) | **$ 7** |
| Total accumulated other comprehensive loss: | | | | |
| Balance at beginning of period | $ (224,368) | **$ (224,240)** | $ (222,991) | **$ (219,621)** |
| Other comprehensive income (loss) | 3,270 | **806** | 1,893 | **(3,813)** |
| Balance at end of period | $ (221,098) | **$ (223,434)** | $ (221,098) | **$ (223,434)** |

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

**Note 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, 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 due in September 2024 and $16.7 million for the final 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 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.

***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 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 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 six months of 2024 are as follows:

| | Amount (In thousands) |
|---|---|
| Balance at the beginning of the period | $ 91,106 |
| Additions charged to expense, net | 1,308 |
| Payments, net | (623) |
| Balance at the end of the period | $ 91,791 |
| | |
| Amounts recognized in the Condensed Consolidated Balance Sheet at the end of the period: | |
| Current liability | $ 2,511 |
| Noncurrent liability | 89,280 |
| Balance at the end of the period | $ 91,791 |

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 June 30, 2024, we had accrued approximately $92 million related to approximately 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 $119 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 June 30, 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 asbestos 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 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 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, 2023 | | June 30, 2024 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | (In thousands) | | | |
| Cash, cash equivalents and restricted cash | $ 141,382 | $ 141,382 | **$ 197,580** | **$ 197,580** |

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.

## 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;
- Kronos' ability to realize expected cost savings from strategic and operational initiatives;
- Kronos' ability to integrate acquisitions, including Louisiana Pigment Company, L.P. ("LPC") into its operations and realize expected synergies and innovations;
- The extent of the dependence of certain of our businesses on certain market sectors;
- The cyclicality of our businesses (such as Kronos' $TiO_2$ operations);
- Customer and producer inventory 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;
- 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);

- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, certain regional and world events or economic conditions and public health crises);
- 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 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;
- Potential consolidation of Kronos' competitors;
- Potential consolidation of Kronos' customers;
- The impact of pricing and production decisions;
- Competitive technology positions;
- Our ability to protect or defend intellectual property rights;
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems;
- The introduction of trade barriers or trade 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;
- Decisions to sell operating assets other than in the ordinary course of business;
- Kronos' ability to renew or refinance credit facilities or other debt instruments in the future;
- Changes in interest rates;
- Our ability to maintain sufficient liquidity;
- The timing and amounts of insurance recoveries;
- The ability of our subsidiaries or affiliates to pay us dividends;
- Uncertainties associated with CompX's development of new products and product features;
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax 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;
- 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
- Pending or possible future 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.

**Results of operations**

***Net income (loss) overview***

***Quarter ended June 30, 2024 compared to the quarter ended June 30, 2023***

Our net income attributable to NL stockholders was $7.9 million, or $.16 per share, in the second quarter of 2024 compared to a net loss attributable to NL stockholders of $3.1 million, or $.06 per share, in the second quarter of 2023. As more fully described below, the increase in our earnings attributable to NL stockholders from 2023 to 2024 is primarily due to the net effects of:

- equity in earnings of Kronos of $6.0 million in 2024 compared to equity in losses of $2.6 million in 2023;
- an unrealized gain in the relative value of marketable equity securities of $.8 million in 2024 compared to an unrealized loss of $5.4 million in 2023;
- a non-cash loss on the termination of our U.K. pension plan of $4.9 million in 2023;
- higher income from operations attributable to CompX of $5.1 million in 2024 compared to $4.4 million in 2023; and
- higher interest and dividend income of $2.6 million in 2024 compared to $2.1 million in 2023.

Our net loss per share attributable to NL stockholders for the second quarter of 2023 includes a loss of $.08 per share, net of tax, due to the termination of our U.K. pension plan.

***Six months ended June 30, 2024 compared to six months ended June 30, 2023***

Our net income attributable to NL stockholders was $14.7 million, or $.30 per share, in the first six months of 2024 compared to a net loss attributable to NL stockholders of $9.8 million, or $.20 per share, in the first six months of 2023. As more fully described below, the increase in our earnings attributable to NL stockholders from 2023 to 2024 is primarily due to:

- equity in earnings of Kronos of $8.5 million in 2024 compared to equity in losses of $7.2 million in 2023;
- an unrealized gain in the relative value of marketable equity securities of $3.2 million in 2024 compared to an unrealized loss of $10.9 million in 2023;
- a non-cash loss on the termination of our U.K. pension plan of $4.9 million in 2023;
- lower income from operations attributable to CompX of $8.8 million in 2024 compared to $11.4 million in 2023; and
- higher interest and dividend income of $5.2 million in 2024 compared to $4.1 million in 2023.

Our 2024 net income per share attributable to NL 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 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.

***Income from operations***

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

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | % Change | Six months ended June 30, 2023 | Six months ended June 30, 2024 | % Change |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| CompX | $ 4.4 | **$ 5.1** | 16 % | $ 11.4 | **$ 8.8** | (23)% |
| Corporate expense | (3.0) | **(4.3)** | 46 | (5.8) | **(6.7)** | 15 |
| Income from operations | $ 1.4 | **$ .8** | (44) | $ 5.6 | **$ 2.1** | (62) |

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 June 30, 2023 | Three months ended June 30, 2024 | % Change | Six months ended June 30, 2023 | Six months ended June 30, 2024 | % Change |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Equity in earnings (losses) of Kronos | $ (2.6) | **$ 6.0** | 337 % | $ (7.2) | **$ 8.5** | 218 % |
| Marketable equity securities unrealized gain (loss) | (5.4) | **.8** | 114 | (10.9) | **3.2** | 129 |
| Loss on pension plan termination | (4.9) | **—** | n.m. | (4.9) | **—** | n.m. |
| Other components of net periodic pension and OPEB cost | (.3) | **(.3)** | (14) | (.7) | **(.6)** | (11) |
| Interest and dividend income | 2.1 | **2.6** | 25 | 4.1 | **5.2** | 27 |
| Interest expense | (.2) | **(.1)** | (26) | (.4) | **(.3)** | (26) |

n.m. not meaningful

***CompX International Inc.***

CompX's income from operations in the second quarter of 2024 was $5.1 million compared to $4.4 million in the second quarter of 2023. The increase in income from operations in the second quarter of 2024 compared to 2023 is due to higher Security Products sales and gross margin which more than offset lower Marine Components sales and gross margin. CompX's income from operations for the first six months of 2024 was $8.8 million compared to $11.4 million in the first six months of 2023. The decrease in income from operations in the first six months of 2024 compared to 2023 is primarily due to lower Marine Components sales and gross margin partially offset by higher Security Products sales and higher Security Products gross margin in the second quarter of 2024 compared to the second quarter of 2023.

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | % Change | Six months ended June 30, 2023 | Six months ended June 30, 2024 | % Change |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Net sales | $ 36.6 | **$ 35.9** | (2)% | $ 77.8 | **$ 73.9** | (5)% |
| Cost of sales | 26.3 | **24.8** | (6) | 54.8 | **53.1** | (3) |
| Gross margin | 10.3 | **11.1** | 9 | 23.0 | **20.8** | (9) |
| Operating costs and expenses | 5.9 | **6.0** | 3 | 11.6 | **12.0** | 4 |
| Income from operations | $ 4.4 | **$ 5.1** | 16 | $ 11.4 | **$ 8.8** | (23) |
| | | | | | | |
| Percentage of net sales: | | | | | | |
| Cost of sales | 72 % | **69 %** | | 70 % | **72 %** | |
| Gross margin | 28 | **31** | | 30 | **28** | |
| Operating costs and expenses | 16 | **17** | | 15 | **16** | |
| Income from operations | 12 | **14** | | 15 | **12** | |

***Net sales*** – Net sales decreased $.7 million and $3.9 million in the second quarter and for the first six months of 2024, respectively, compared to the same periods in 2023 due to lower Marine Components sales primarily to the towboat market, partially offset by higher Security Products sales to the government security market. See discussion of reporting units below.

***Cost of sales and gross margin*** – Cost of sales as a percentage of sales improved 3% in the second quarter of 2024 compared to the same period in 2023. As a result, gross margin as a percentage of sales increased over the same period. Gross margin percentage increased in the second quarter of 2024 compared to the same period in 2023 primarily due to higher Security Products gross margin percentage and, to a lesser extent, higher gross margin percentage at Marine Components. Cost of sales as a percentage of sales increased 2% for the first six months of 2024 compared to the same period in 2023. As a result, gross margin as a percentage of sales declined over the same period. The decline in gross margin percentage for the six-month comparative period is primarily due to lower gross margin percentage at Marine Components, particularly in the first quarter of 2024, partially offset by higher gross margin percentage at Security Products in the second quarter of 2024. 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 second quarter and for the first six months of 2024 increased $.1 million and $.4 million, respectively, compared to the same periods in 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 second quarter and for the first six months of 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 second quarter and the first six months of 2024 compared to the same periods of 2023 was primarily impacted by the factors affecting sales, cost of sales, gross margin and operating costs and expenses. See discussion of reporting units below.

***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.

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | % Change | Six months ended June 30, 2023 | Six months ended June 30, 2024 | % Change |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Security Products: | | | | | | |
| Net sales | $ 25.6 | **$ 28.2** | 10 % | $ 53.0 | **$ 58.1** | 10 % |
| Cost of sales | 18.2 | **19.3** | 6 | 37.1 | **40.4** | 9 |
| Gross margin | 7.4 | **8.9** | 21 | 15.9 | **17.7** | 12 |
| Operating costs and expenses | 3.3 | **3.5** | 7 | 6.4 | **6.8** | 7 |
| Operating income | $ 4.1 | **$ 5.4** | 32 | $ 9.5 | **$ 10.9** | 14 |
| | | | | | | |
| Gross margin | 29 % | **32 %** | | 30 % | **31 %** | |
| Operating income margin | 16 | **19** | | 18 | **19** | |

***Security Products*** – Security Products net sales increased 10% in each of the second quarter and first six months of 2024 compared to the same periods in 2023. Relative to prior year, the increase in second quarter sales was primarily due to $2.8 million higher sales to the government security market partially offset by $.4 million lower sales to distributors. Relative to prior year, the increase in sales for the first six months was primarily due to $4.6 million higher sales to the government security market partially offset by $.5 million lower sales to distributors.

Gross margin and operating income as a percentage of net sales for the second quarter and the first six months of 2024 increased as compared to the same periods in 2023 primarily due to effects of higher sales and increased coverage of fixed costs and operating costs and expenses as a result of higher sales, partially offset by a less favorable customer and product mix and increased operating costs and expenses related to higher employee salaries and benefits.

| | Three months ended June 30, 2023 | Three months ended June 30, 2024 | % Change | Six months ended June 30, 2023 | Six months ended June 30, 2024 | % Change |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Marine Components: | | | | | | |
| Net sales | $ 11.0 | **$ 7.7** | (30)% | $ 24.8 | **$ 15.8** | (36)% |
| Cost of sales | 8.1 | **5.5** | (32) | 17.7 | **12.7** | (28) |
| Gross margin | 2.9 | **2.2** | (22) | 7.1 | **3.1** | (56) |
| Operating costs and expenses | .9 | **.8** | (9) | 1.8 | **1.7** | (8) |
| Operating income | $ 2.0 | **$ 1.4** | (29) | $ 5.3 | **$ 1.4** | (73) |
| | | | | | | |
| Gross margin | 26 % | **29 %** | | 29 % | **20 %** | |
| Operating income margin | 18 | **18** | | 21 | **9** | |

***Marine Components*** – Marine Components net sales decreased 30% in the second quarter of 2024 compared to the same period in 2023. Relative to prior year, the decrease in second quarter sales was primarily due to $3.1 million lower sales to the towboat market. Marine Components net sales decreased 36% in the first six months of 2024 compared to the same period in 2023. Relative to prior year, the decrease in sales for the first six months was primarily due to $7.4 million lower sales to the towboat market, $.6 million lower sales to each the engine builder and industrial markets and $.5 million lower sales to distributors.

Gross margin as a percentage of net sales improved in the second quarter of 2024 compared to the same period in 2023 primarily due to a favorable customer and product mix, partially offset by decreased coverage of fixed costs as a result of lower sales. Operating income as a percentage of net sales increased slightly in the second quarter of 2024 compared to the same period in 2023 due to the factors impacting gross margin as well as slightly reduced operating costs and expenses, including lower employee salaries and benefits of approximately $.1 million, partially offset by decreased coverage of operating costs and expenses on lower sales. For the first six months of 2024, gross margin as a percentage of net sales declined compared to the same period in 2023 primarily due to higher cost inventory produced during the fourth quarter of 2023 and sold in the first quarter of 2024 and decreased coverage of fixed costs as a result of lower sales, partially offset by a more favorable customer and product mix in the second quarter of 2024. Operating income as a percentage of net sales decreased in the first six months of 2024 compared to the same period in 2023 due to the factors impacting gross margin as well as decreased coverage of operating costs and expenses on lower sales, partially offset by reduced operating costs and expenses, including lower employee salaries and benefits of $.1 million.

***Outlook*** – In the first six months of 2024, CompX's Security Products reporting unit benefitted from a general increase in sales across many markets and particularly increased sales of mechanical locks to the government security market; however, some of the overall demand improvement was offset by lower demand from distributors as noted above. At CompX's Marine Components reporting unit, 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 quarter of 2023 has continued. CompX is focused on aligning its resources with current demand levels, and particularly at Marine Components, CompX is adjusting inventory levels, operating expenses and labor resources to align with current demand while also preserving its ability to respond quickly when demand increases. Generally, raw material prices have stabilized, CompX's supply chains are stable and transportation and logistical delays are minimal. CompX has adjusted its order patterns in response to the stability of its raw material supplies.

CompX expects Security Products net sales in 2024 to be lower than 2023 as the increase in demand experienced in the first half of 2024 is expected to be more than offset by lower comparative government security sales in the second half of the year as sales from the 2023 pilot project will not repeat. Additionally, CompX is unsure if current demand levels across the variety of the markets Security Products serves are sustainable as its customers continue to express uncertainty regarding consumer demand levels. Overall, CompX expects Security Products gross margin will be comparable to 2023, although it expects operating income as a percentage of sales to decline due to its limited pricing power along with reduced coverage of selling, general and administrative costs as a result of lower expected sales. CompX expects Marine Components net sales for the full year of 2024 will be lower as compared to 2023 because it believes demand in the towboat market will further decline. The recreational marine industry faces strong headwinds due to higher interest rates and broader market weakness. Several original equipment boat manufacturers, including certain of CompX's customers, have publicly announced further reductions to their 2024 production schedules. Overall, CompX expects Marine Components gross margin as a percentage of net sales for 2024 to be lower than 2023 due to lower coverage of fixed overhead as a result of lower expected sales, and operating income as a percentage of net sales to be similarly lower as a result of reduced coverage of selling, general and administrative expenses due to lower expected sales. CompX ended 2023 with elevated inventory 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 half of 2024 and expects this alignment to continue over the remainder of 2024.

CompX's expectations for its operations and the markets it serves are based on a number of factors outside its control. CompX has experienced 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 were $4.3 million in the second quarter of 2024, $1.3 million higher than in the second quarter of 2023, primarily due to higher environmental remediation and related costs. Included in corporate expense in the second quarter of 2023 and 2024 are:

- environmental remediation and related costs of $1.1 million in 2024 compared to $.1 million in 2023, and
- litigation fees and related costs of $1.3 million in 2024 compared to $1.1 million in 2023.

Corporate expenses were $6.7 million in the first six months of 2024, $.9 million higher than in the first six months of 2023, primarily due to higher environmental remediation and related costs, somewhat offset by lower litigation and related costs. Included in corporate expense in the first six months of 2023 and 2024 are:

- environmental remediation and related costs of $1.3 million in 2024 compared to $.1 million in 2023, and
- litigation fees and related costs of $2.0 million in 2024 compared to $2.5 million in 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 13 to our Condensed Consolidated Financial Statements. If our current expectations regarding the number of cases in which we expect to be involved during 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 2024, our corporate expenses would be higher than we currently estimate. In 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 13 to our Condensed Consolidated Financial Statements.

Overall, we currently expect that our net general corporate expenses in 2024 will be comparable to 2023.

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

***Marketable equity securities*** – We recognized an unrealized gain of $.8 million on the change in value of our marketable equity securities in the second quarter of 2024 compared to an unrealized loss of $5.4 million in the second quarter of 2023. We recognized an unrealized gain of $3.2 million on the change in value of our marketable equity securities in the first six months of 2024 compared to an unrealized loss of $10.9 million in the first six months of 2023. See Note 4 to our Condensed Consolidated Financial Statements.

***Income tax expense*** – We recognized income tax expense of $1.3 million in the second quarter of 2024 compared to an income tax benefit of $7.3 million in the second quarter of 2023 and income tax expense of $2.3 million in the first half of 2024 compared to an income tax benefit of $5.9 million in the first half of 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 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 $13.4 million in each of the first six month periods of 2023 and 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 an effective tax rate of 2.6% in the first six months of 2024 compared to an effective rate of 60.7% in the first six months of 2023. The decrease in our effective rate from 2023 to 2024 is primarily attributable to Kronos' anticipated higher full year earnings offset by the effect of lower anticipated full year dividends in 2024 as compared to 2023. See Note 11 to our Condensed Consolidated Financial Statements for more information about our 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 during the second quarter of 2024, but decreased for the first six months of 2024 compared to the same prior year periods. 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 June 30, | | % | Six months ended June 30, | | % |
|---|---|---|---|---|---|---|
| | **2023** | **2024** | **Change** | **2023** | **2024** | **Change** |
| | **(In millions)** | | | **(In millions)** | | |
| Net sales | $ 443.2 | **$ 500.5** | 13 % | $ 869.5 | **$ 979.3** | 13 % |
| Cost of sales | 399.1 | **400.3** | — | 794.6 | **807.6** | 2 |
| Gross margin | $ 44.1 | **$ 100.2** | | $ 74.9 | **$ 171.7** | |
| Income (loss) from operations | $ (6.7) | **$ 35.9** | 636 % | $ (25.0) | **$ 55.4** | 322 % |
| Interest and dividend income | 1.5 | **2.1** | | 3.5 | **3.4** | |
| Marketable equity securities unrealized gain (loss) | (.6) | **.1** | | (1.3) | **.4** | |
| Other components of net periodic pension and OPEB cost | (2.2) | **(.3)** | | (3.1) | **(.6)** | |
| Interest expense | (4.3) | **(9.8)** | | (8.5) | **(19.0)** | |
| Income (loss) before income taxes | (12.3) | **28.0** | | (34.4) | **39.6** | |
| Income tax expense (benefit) | (4.1) | **8.5** | | (11.0) | **12.0** | |
| Net income (loss) | $ (8.2) | **$ 19.5** | | $ (23.4) | **$ 27.6** | |
| Percentage of net sales: | | | | | | |
| Cost of sales | 90 % | **80 %** | | 91 % | **82 %** | |
| Income (loss) from operations | (1) | **7** | | (3) | **6** | |
| Equity in earnings (losses) of Kronos Worldwide, Inc. | $ (2.6) | **$ 6.0** | | $ (7.2) | **$ 8.5** | |
| $TiO_2$ operating statistics: | | | | | | |
| Sales volumes* | 104 | **134** | 29 % | 206 | **264** | 28 % |
| Production volumes* | 89 | **137** | 54 | 194 | **258** | 33 |
| Change in $TiO_2$ net sales: | | | | | | |
| $TiO_2$ sales volumes | | | 29 % | | | 28 % |
| $TiO_2$ product pricing | | | (8) | | | (9) |
| $TiO_2$ product mix/other | | | (8) | | | (7) |
| Changes in currency exchange rates | | | — | | | 1 |
| Total | | | 13 % | | | 13 % |

* Thousands of metric tons

Effective July 16, 2024, Kronos acquired the 50% joint venture interest in Louisiana Pigment Company, L.P. ("LPC") previously held by Venator Investments, Ltd. ("Venator"). Prior to the acquisition, LPC was operated as a joint venture between Kronos and Venator, and through a wholly-owned subsidiary, Kronos held a 50% joint venture interest in LPC. Following the acquisition, LPC is Kronos' indirect, wholly-owned subsidiary. Kronos acquired the 50% joint venture interest that it did not already own for an upfront cash payment of $185 million (subject to working capital adjustments) and a potential earn-out payment of up to $15 million based on its aggregate consolidated net income before interest expense, income taxes and depreciation and amortization expense, or EBITDA, during a two-year period comprising calendar years 2025 and 2026. The acquisition was financed through borrowings of $132 million under Kronos' Global Revolver and the remainder paid with cash on hand. See Note 5 to our Condensed Consolidated Financial Statements.

Kronos constructed LPC in 1992 using its technology and LPC is the newest $TiO_2$ plant operating in the Western world. Regaining full control of LPC represents a substantial investment in the growth of Kronos' $TiO_2$ business and strengthens its competitive footprint by increasing its capacity in the strategically important North American marketplace and enabling Kronos to expand its product offerings to better serve its customers. In addition, Kronos expects this acquisition will result in significant synergies including logistical cost optimization between Kronos' North American facilities and other commercial and overhead efficiencies. The LPC acquisition provides Kronos the opportunity to implement process innovations using proven technology utilized at its other manufacturing facilities to increase LPC's current estimated annual production capacity of 156,000 metric tons and improve efficiency and product quality.

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 experienced an extended period of significantly reduced demand across all major markets which was reflected in its sales volumes throughout 2023. Although overall demand remains below average historical levels, demand has improved in the first six months of 2024 in all major markets. Kronos started 2024 with average $TiO_2$ selling prices 13% lower than at the beginning of 2023 and its average $TiO_2$ selling prices have remained stable during the first six months of 2024. Kronos' average $TiO_2$ selling prices in the first six months of 2024 were 9% lower than average prices during the first six months of 2023.

Kronos operated its production facilities at 70% of practical capacity utilization in the first six months of 2023 in response to decreased demand and higher production costs. As a result of increased demand experienced in the fourth quarter of 2023 and first half of 2024, along with more favorable production costs, Kronos began increasing its production rates during the first quarter of 2024 and it operated at near practical capacity in the second quarter of 2024 resulting in 93% of practical capacity utilization in the first six months of 2024.

The following table shows Kronos' capacity utilization rates during 2023 and 2024.

| | Production Capacity Utilization Rates | |
|---|---|---|
| | 2023 | 2024 |
| First Quarter | 76 % | **87 %** |
| Second Quarter | 64 % | **99 %** |

Excluding the effect of changes in currency exchange rates, Kronos' cost of sales per metric ton of $TiO_2$ sold in the first six months of 2024 was significantly lower as compared to the comparable period in 2023 primarily due to significant decreases in per metric ton production costs (primarily feedstock, energy and unabsorbed fixed costs resulting from reduced operating rates in 2023).

In response to the extended period of reduced demand in 2023, discussed above, Kronos took measures to reduce its operating costs and improve its long-term cost structure such as the implementation of certain voluntary and involuntary workforce reductions during the third quarter of 2023 that primarily impacted its European operations. A substantial portion of Kronos' workforce reductions were accomplished through voluntary programs, for which eligible workforce reduction costs are recognized at the time both the employee and employer are irrevocably committed to the terms of the separation. These workforce reductions impacted approximately 100 employees. Kronos recognized a total of approximately $6 million in charges primarily in the fourth quarter of 2023 related to workforce reductions it implemented during the second half of the year. The majority of related cash payments will be paid in 2024.

In April 2024, Kronos announced plans to close its sulfate process line at its plant in Varennes, Canada by the end of the third quarter of 2024. As a result of the sulfate process line closure, Kronos recognized a charge of approximately $2 million to cost of sales in the second quarter of 2024 related to workforce reductions for employees impacted. In addition, approximately $10 million in non-cash charges primarily related to accelerated depreciation are reflected in cost of sales in the second quarter of 2024 with approximately $5 million in additional non-cash charges related to accelerated depreciation expected to be recognized in the third quarter of 2024.

*Net sales* – Kronos' sales in the second quarter of 2024 increased 13%, or $57.3 million, compared to the second quarter of 2023 primarily due to the net effects of a 29% increase in sales volumes (which increased net sales by approximately $129 million) and an 8% decrease in average $TiO_2$ selling prices (which decreased net sales by approximately $35 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 $2 million in the second quarter of 2024 as compared to the second quarter of 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 increased 29% in the second quarter of 2024 as compared to the second quarter of 2023 due to higher overall demand across all major markets.

Kronos' net sales in the first six months of 2024 increased 13%, or $109.8 million, compared to the first six months of 2023 primarily due to a 28% increase in sales volumes due to improved overall demand across all major markets (which increased net sales by approximately $243 million) partially offset by a 9% decrease in average $TiO_2$ selling prices (which decreased net sales by approximately $78 million). Changes in product mix negatively contributed to net sales, primarily due to changes in product sales mix in export markets in the first six months of 2024 as compared to the same period in 2023. Additionally, Kronos estimates that changes in currency exchange rates (primarily the euro) increased its net sales by approximately $6 million in the first six months of 2024 as compared to the first six months of 2023. $TiO_2$ selling prices will increase or decrease generally as a result of competitive market pressures and changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

*Cost of sales and gross margin* – Kronos' cost of sales increased by $1.2 million in the second quarter of 2024 compared to the second quarter of 2023 due to the net effects of a 29% increase in sales volumes, higher plant utilization rates (99% in the second quarter of 2024 compared to 64% in the second quarter of 2023), and lower production costs of approximately $20 million (primarily energy and raw materials). Kronos' cost of sales in the second quarter of 2024 includes a charge of approximately $2 million related to workforce reductions and approximately $10 million in non-cash charges primarily related to accelerated depreciation in connection with the closure of Kronos' sulfate process line in Canada. Kronos' cost of sales in the second quarter of 2023 includes $32 million of unabsorbed fixed production and other manufacturing costs associated with production curtailments at its facilities during the second quarter of 2023 as it adjusted its $TiO_2$ production volumes to align inventory levels with lower demand.

Kronos' cost of sales as a percentage of net sales improved to 80% in the second quarter of 2024 compared to 90% in the same period of 2023 primarily due to the favorable effects of lower production costs and higher production volumes resulting in increased coverage of fixed production costs.

Gross margin as a percentage of net sales increased to 20% in the second quarter of 2024 compared to 10% in the second quarter of 2023. As discussed and quantified above, Kronos' gross margin as a percentage of net sales increased primarily due to higher sales and production volumes and lower production costs, which were partially offset by lower average $TiO_2$ selling prices.

Kronos' cost of sales increased $13.0 million, or 2%, in the first six months of 2024 compared to the first six months of 2023 due to the net effects of a 28% increase in sales volumes, a 33% increase in production volumes in response to improved customer demand and lower production costs of approximately $84 million (primarily raw materials and energy). Kronos' unabsorbed fixed production costs in the first six months of 2024 were $12 million (incurred in the first quarter) compared to $54 million in the first six months of 2023 related to curtailments in 2023 and continuing into the first quarter of 2024, as discussed above. Kronos' cost of sales in the first six months of 2024 includes a charge of approximately $2 million related to workforce reductions and approximately $10 million in non-cash charges primarily related to accelerated depreciation in connection with the closure of its sulfate process line in Canada.

Kronos' cost of sales as a percentage of net sales decreased to 82% in the first six months of 2024 compared to 91% in the same period of 2023 primarily due to the favorable effects of lower production costs and higher production volumes resulting in increased coverage of fixed production costs.

Kronos' gross margin as a percentage of net sales increased to 18% in the first six months of 2024 compared to 9% in the first six months of 2023. As discussed and quantified above, Kronos' gross margin as a percentage of net sales increased primarily due to higher sales and production volumes as well as lower production costs, which were partially offset by lower average $TiO_2$ selling prices.

*Selling, general and administrative expense* – Kronos' selling, administrative expense increased $7.8 million, or 16%, in the second quarter of 2024 compared to the second quarter of 2023 primarily due to higher distribution costs related to higher sales volumes during the quarter. As a result of higher distribution costs, selling, general and administrative expense as a percentage of net sales increased to 12% in the second quarter of 2024 compared to 11% of net sales in the second quarter of 2023.

Kronos' selling, general and administrative expense increased $8.8 million, or 9%, in the first six months of 2024 compared to the same period in 2023 primarily due to higher distribution costs related to higher sales volumes. Selling, general and administrative expense as a percentage of net sales decreased slightly in the first six months of 2024 compared to the first six months of 2023 due to the significant increase in sales volumes for the comparable periods offset somewhat by lower selling prices.

*Income (loss) from operations* – Kronos' income from operations increased by $42.6 million to $35.9 million in the second quarter of 2024 compared to a loss from operations of $6.7 million in the second quarter of 2023 as a result of the factors impacting gross margin discussed above. Kronos recognized a gain of $.5 million in the second quarter of 2023 related to cash received from the settlement of a business interruption insurance claim. Kronos estimates that changes in currency exchange rates decreased its income from operations by approximately $3 million in the second quarter of 2024 as compared to the same period in 2023, as discussed in the Effects of currency exchange rates section below.

Kronos' income from operations increased by $80.4 million to $55.4 million in the first six months of 2024 compared to a loss from operations of $25.0 million in the first six months of 2023 as a result of the factors impacting gross margin discussed above. Kronos recognized a gain of $2.2 million in the first six months of 2023 related to cash received from the settlement of a business interruption insurance claim. Kronos estimates that changes in currency exchange rates decreased its income from operations by approximately $3 million in the first six months of 2024 as compared to the same period in 2023, as further discussed below.

*Other non-operating income (expense)* – Kronos' interest expense in the second quarter of 2024 increased $5.5 million compared to interest expense in the second quarter of 2023 as a result of the February 2024 exchange of €325 million of its 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 $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. Kronos recognized an unrealized gain of $.1 million in the second quarter of 2024 compared to a loss of $.6 million in the second quarter of 2023 related to the change in market price of its marketable equity securities. Other components of net periodic pension and OPEB cost in the second quarter of 2024 decreased $1.9 million compared to the second quarter of 2023 primarily due to $1.3 million in non-recurring settlement costs related to the termination and buy-out of Kronos' U.K. pension plan in the second quarter of 2023.

Kronos' interest expense in the first six months of 2024 increased $10.5 million compared to the first six months of 2023 as a result of the debt exchange noted above. As a result of the exchange, interest expense for the first six months of 2024 includes a charge of $1.5 million for the write-off of deferred financing costs. Kronos recognized a gain of $.4 million on the change in value of its marketable equity securities in the first six months of 2024 and a loss of $1.3 million in the first six months of 2023. Other components of net periodic pension and OPEB cost in the first six months of 2024 decreased $2.5 million compared to the first six months of 2023 primarily due to a higher expected return on plan assets and a non-recurring $1.3 million in settlement costs related to the termination and buy-out of Kronos' U.K. pension plan in the second quarter of 2023.

*Income tax expense (benefit)* – Kronos recognized income tax expense of $8.5 million in the second quarter of 2024 compared to an income tax benefit of $4.1 million in the second quarter of 2023. The difference is primarily due to higher earnings in the second quarter of 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 its sizeable non-U.S. operations. However, in the second quarter of 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.

Kronos recognized income tax expense of $12.0 million in the first six months of 2024 compared to an income tax benefit of $11.0 million in the first six months of 2023. The difference is primarily due to higher earnings in 2024 and the jurisdictional mix of such earnings. Kronos' earnings 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 its sizeable non-U.S. operations. However, in the first six months of 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).

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 of changes in currency exchange rates**
**Three months ended June 30, 2024 vs June 30, 2023**

| | Transaction gains (losses) recognized | | | Translation gains - impact of rate changes | Total currency impact 2024 vs 2023 |
|---|---|---|---|---|---|
| | 2023 | 2024 | Change | | |
| | | | (In millions) | | |
| **Impact on:** | | | | | |
| Net sales | $ — | $ — | $ — | $ 2 | $ 2 |
| Income (loss) from operations | 3 | (4) | (7) | 4 | (3) |

The $2 million increase in 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 2024 as compared to 2023. The strengthening of the U.S. dollar relative to the Norwegian krone and Canadian dollar in 2024 did not have a significant effect on Kronos' net sales, as a substantial portion of the sales generated by its Norwegian and Canadian operations is denominated in the U.S. dollar.

The $3 million decrease in income from operations was comprised of the following:

- Lower net currency transaction gains of approximately $7 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 its non-U.S. operations, and
- Approximately $4 million from net currency translation gains primarily caused by a strengthening of the U.S. dollar relative to the Norwegian krone and the Canadian dollar, as local currency-denominated operating costs were translated into fewer U.S. dollars in 2024 as compared to 2023. The effect of the weakening of the U.S. dollar relative to the euro was nominal in 2024 as compared to 2023.

**Impact of changes in currency exchange rates**
**Six months ended June 30, 2024 vs June 30, 2023**

| | Transaction gains recognized | | | Translation gains - impact of rate changes | Total currency impact 2024 vs 2023 |
|---|---|---|---|---|---|
| | 2023 | 2024 | Change | | |
| | | | (In millions) | | |
| **Impact on:** | | | | | |
| Net sales | $ — | $ — | $ — | $ 6 | $ 6 |
| Income (loss) from operations | 8 | 2 | (6) | 3 | (3) |

The $6 million increase in 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 2024 as compared to 2023. The weakening of the U.S. dollar relative to the Canadian dollar and strengthening of U.S. dollar relative to the Norwegian krone in 2024 did not have a significant effect on Kronos' net sales, as a substantial portion of the sales generated by its Canadian and Norwegian operations is denominated in the U.S. dollar.

The $3 million decrease in income from operations was comprised of the following:

- Lower net currency transaction gains of approximately $6 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 its non-U.S. operations, and

- Approximately $3 million from net currency translation gains primarily caused by a strengthening of the U.S. dollar relative to the Norwegian krone, as local currency-denominated operating costs were translated into fewer U.S. dollars in 2024 as compared to 2023. The effect of the weakening of the U.S. dollar relative to the Canadian dollar and euro was nominal in 2024 as compared to 2023.

**Outlook**

During the second quarter of 2024, Kronos' customer demand continued to improve across all major markets, although overall demand levels remain below historical averages. Based on the recently improved demand and Kronos' expectation that demand will continue to improve in 2024, along with the severe demand contraction it experienced during most of 2023, Kronos expects sales volumes in 2024 to exceed 2023 sales volumes. Kronos has increased production rates in line with the current and expected near-term improved demand and believes its production rates for the remainder of 2024 will continue to be higher than comparable periods in 2023. Kronos has implemented $TiO_2$ selling price increases, which need to continue to be realized to achieve margins more in-line with historical levels.

Throughout 2023, Kronos implemented cost reduction initiatives designed to improve its long-term cost structure, including targeted workforce reductions. In April 2024, Kronos announced plans to optimize production of its purified grades, which will result in the closure of the sulfate process line at its facility in Canada, which will further improve gross margins after the charges (primarily non-cash) related to the closure are recognized including $12 million ($10 million non-cash) noted above in the second quarter and an additional $5 million non-cash charge expected to be recognized in the third quarter. Raw material, energy and other input costs have generally improved compared to 2023. While the full positive impact of input cost improvements and cost reduction efforts are not yet fully reflected in Kronos' gross margin, it began experiencing improved gross margins during the second quarter that it expects to build on over the remainder of the year as it replaces higher cost inventory with lower cost inventory produced in 2024. Overall, if Kronos experiences improved demand, higher selling prices and lower production costs, including lower unabsorbed fixed costs, it expects to report higher operating results for the full year of 2024 as compared to 2023.

As noted above, Kronos acquired full control of LPC in July 2024. Kronos believes this acquisition is a unique opportunity to immediately add value to its customers and better serve the North American marketplace by allowing Kronos to expand its product offerings and increase sales to new and existing customers while recognizing significant synergies including commercial, overhead and supply chain optimization. Kronos expects the acquisition of the additional production capacity to have a positive impact on its 2024 earnings, although the positive impact will be somewhat offset by the additional debt service costs associated with the increase in borrowings to complete the transaction. With the increased borrowing availability under its revolving credit facility, as well as cash on hand, Kronos believes it is well positioned to finance the required working capital build needed to fully integrate the acquired LPC production capacity, which Kronos expects to be complete by the end of the year.

Kronos' expectations for the $TiO_2$ industry and its operations are based on a number of factors outside its control. Kronos has experienced global market disruptions, including high energy costs, and future impacts on its operations will depend on, among other things, future energy costs and the impact economic conditions and geopolitical events have on its operations or its customers' and suppliers' operations, all of which remain uncertain and cannot be predicted.

**Liquidity and Capital Resources**

**Consolidated cash flows**

***Operating activities***

Trends in cash flows from operating activities, excluding the impact of deferred taxes and relative changes in assets and liabilities, are generally similar to trends in our income from operations.

Net cash provided by operating activities was $22.3 million in the first six months of 2024 compared to $20.9 million in the first six months of 2023. The increase in cash provided by operating activities in the first six months of 2024 includes:

- higher net cash provided for relative changes in receivables, inventories, prepaids, payables and accrued liabilities in 2024 of $5.1 million;
- lower income from operations from CompX in 2024 of $2.6 million;
- higher interest income received in 2024 of $2.2 million due to higher interest rates and increased investment balances, partially offset by lower average balances on loan to affiliate; and
- lower cash received for taxes in 2024 of $.6 million due to the relative timing of payments.

We do not have complete access to CompX's cash flows in part because we do not own 100% of CompX. A detail of our consolidated cash flows from operating activities is presented in the table below. Intercompany dividends have been eliminated. The reference to NL Parent in the table below is a reference to NL Industries, Inc., as the parent company of CompX and our wholly-owned subsidiaries.

| | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2024 |
| | (In millions) | |
| Net cash provided by operating activities: | | |
| CompX | $ 9.8 | **$ 11.5** |
| NL Parent and wholly-owned subsidiaries | 16.5 | **17.2** |
| Eliminations | (5.4) | **(6.4)** |
| Total | $ 20.9 | **$ 22.3** |

Relative changes in working capital can have a significant effect on cash flows from operating activities. As shown below, average days sales outstanding increased from December 31, 2023 to June 30, 2024 primarily as a result of relative changes in the timing of sales and collections relative to the end of the quarter. Total average number of days in inventory increased from December 31, 2023 to June 30, 2024 primarily because days in inventory at December 31, 2023 is lower than usual due to the fulfillment and shipping of a significant order during the fourth quarter of 2023. Total average number of days in inventory decreased from June 30, 2023 to June 30, 2024 due to planned inventory reductions. For comparative purposes, we have provided December 31, 2022 and June 30, 2023 numbers below.

| | December 31, 2022 | June 30, 2023 | December 31, 2023 | June 30, 2024 |
|---|---|---|---|---|
| Days sales outstanding | 41 days | 37 days | 36 days | 39 days |
| Days in inventory | 99 days | 117 days | 95 days | 101 days |

***Investing activities***

Our capital expenditures, all of which relate to CompX, were $.7 million in the first six months of 2024 compared to $.5 million in the first six months of 2023. During the first six months of 2024, Valhi repaid a net $1.4 million under the promissory note receivable ($12.0 million of gross borrowings and $13.4 million of gross repayments). During the first six months of 2023, Valhi repaid a net $1.0 million under the promissory note receivable ($13.7 million of gross borrowings and $14.7 million of gross repayments).

During the first six months of 2024, we received gross proceeds from U.S. treasury bill maturities totaling $42.0 million. During the first six months of 2023, we had gross purchases of U.S. treasury marketable securities aggregating $50.0 million and received gross proceeds totaling $26.0 million related to U.S. treasury bill maturities.

***Financing activities***

Our board of directors declared a quarterly dividend of $.08 per share in each of the first, second and third quarters of 2024, and our board of directors declared a quarterly dividend of $.07 per share in each of the first, second and third quarters of 2023. The declaration and payment of future dividends, and the amount thereof, is discretionary and is dependent upon our financial condition, cash requirements, contractual obligations and restrictions and other factors deemed relevant by our board of directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which might be paid. There are currently no contractual restrictions on the amount of dividends which we may pay. In this regard, in August 2024, our board of directors declared a special dividend of $.43 per share on our common stock, par value $.125 per share. The special dividend is payable on August 29, 2024 to stockholders of record at the close of business on August 19, 2024. Additionally, in August 2024, CompX's board of directors declared a special dividend of $2.00 per share on CompX's Class A common stock, par value $.01 per share. CompX's special dividend is payable on August 28, 2024 to CompX's stockholders of record at the close of business on August 19, 2024.

Cash flows from financing activities in the first six months of each of 2023 and 2024 also include CompX dividends paid to its stockholders other than us.

**Outstanding debt obligations**

At June 30, 2024, NLKW had outstanding debt obligations of $.5 million under its secured revolving credit facility with Valhi, and CompX did not have any outstanding debt obligations. We are in compliance with all of the covenants contained in our secured revolving credit facility with Valhi at June 30, 2024. See Note 7 to our Condensed Consolidated Financial Statements.

Kronos had no outstanding borrowings at June 30, 2024 on its $225 million global revolving credit facility (the "Global Revolver"). Availability under the Global Revolver is subject to a borrowing base calculation, as defined in the agreement, and at June 30, 2024, the full $225 million was available for borrowings. Effective July 17, 2024, Kronos completed an amendment to its Global Revolver (the "Second Amendment"). Among other things, the Second Amendment increases the maximum borrowing amount from $225 million to $300 million, extends the maturity date to July 2029 and expands the facility to include LPC and LPC's receivables and certain of its inventories in the borrowing base. The LPC acquisition was financed through borrowings of $132 million under Kronos' Global Revolver with the remainder paid with cash on hand. In February 2024, Kronos exchanged €325 million principal amount of its outstanding 3.75% Senior Secured Notes due in September 2025 (the "Old Notes") for newly issued €276.174 million aggregate outstanding 9.50% Senior Secured Notes due March 2029 (the "New Notes" and together with the Old Notes, the "Senior Secured Notes") plus additional cash consideration of €48.75 million ($52.6 million). In connection with the exchange, Kronos entered into a $53.7 million unsecured term loan from Contran Corporation due in September 2029 (the "Contran Term Loan"). On July 30, 2024, Kronos' wholly-owned subsidiary, KII, issued an additional €75 million principal amount of 9.50% Senior Secured Notes due 2029 (the "Additional New Notes"). The Additional New Notes were issued at a premium of 107.50% of their principal amount, plus accrued interest from February 12, 2024, resulting in net proceeds of approximately $90 million, after fees and estimated expenses. The Additional New Notes will be fungible with the New Notes, will be treated as a single series with the New Notes, and will have the same terms as the New Notes, other than their date of issuance and issue price. The proceeds from the Additional New Notes were used to pay down borrowings under Kronos' Global Revolver. Subsequent to the issuance of the Additional Notes, in August 2024, the Contran Term Loan was amended to change the interest rate from 11.5% to 9.54%. The amended rate reflects the effective interest rate of the Additional New Notes plus an additional interest rate spread of 2% which is based upon comparable debt transactions at the time of issuance of the Additional New Notes.

The Contran Term loan is subordinated in right of payment to Kronos' Senior Secured Notes and its Global Revolver. Kronos' Senior Secured Notes, Contran Term Loan and Global Revolver contain a number of covenants and restrictions which, among other things, restrict its ability to incur or guarantee additional debt, incur liens, pay dividends or make other restricted payments, or merge or consolidate with, or sell or transfer substantially all of its assets to, another entity, and contain other provisions and restrictive covenants customary in lending transactions of these types. Certain of Kronos' credit agreements contain provisions which could result in the acceleration of indebtedness prior to their stated maturity for reasons other than defaults for failure to comply with typical financial or payment covenants. For example, the credit agreements allow the lender to accelerate the maturity of the indebtedness upon a change of control (as defined in the agreement) of the borrower. In addition, the credit agreements could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside the ordinary course of business. Kronos is in compliance with all of its debt covenants at June 30, 2024. Kronos believes that it will be able to continue to comply with the financial covenants contained in its credit facility through its maturity.

**Future cash requirements**

***Liquidity***

Our primary source of liquidity on an ongoing basis is our cash flow from operating activities and credit facilities with affiliates as further discussed below. We generally use these amounts to fund capital expenditures (substantially all of which relate to CompX), pay ongoing environmental remediation and litigation costs and provide for the payment of dividends (if declared).

At June 30, 2024, we had aggregate restricted and unrestricted cash, cash equivalents and current marketable securities of $209.5 million, all of which was held in the U.S. A detail by entity is presented in the table below.

| | | Amount (In millions) |
|---|---|---|
| CompX | $ | 82.1 |
| NL Parent and wholly-owned subsidiaries | | 127.4 |
| Total | $ | 209.5 |

In addition, at June 30, 2024 we owned approximately 1.2 million shares of Valhi common stock with an aggregate market value of $21.4 million. See Note 4 to our Condensed Consolidated Financial Statements. We also owned approximately 35.2 million shares of Kronos common stock at June 30, 2024 with an aggregate market value of $442.0 million. See Note 5 to our Condensed Consolidated Financial Statements.

We routinely compare our liquidity requirements and alternative uses of capital against the estimated future cash flows we expect to receive from our subsidiaries and affiliates. As a result of this process, we have in the past and may in the future seek to raise additional capital, incur debt, repurchase indebtedness in the market or otherwise, modify our dividend policies, consider the sale of our interests in our subsidiaries, affiliates, business, marketable securities or other assets, or take a combination of these and other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies.

We periodically evaluate acquisitions of interests in or combinations with companies (including related companies) perceived by management to be undervalued in the marketplace. These companies may or may not be engaged in businesses related to our current businesses. We intend to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing indebtedness. From time to time, we also evaluate the restructuring of ownership interests among our respective subsidiaries and related companies.

Based upon our expectations of our operating performance, and the anticipated demands on our cash resources we expect to have sufficient liquidity to meet our short-term obligations (defined as the twelve-month period ending June 30, 2025) and long-term obligations (defined as the five-year period ending June 30, 2029) including any amounts CompX might loan from time to time under the terms of its revolving loan to Valhi (which loans would be solely at CompX's discretion). If actual developments differ materially from our expectations, our liquidity could be adversely affected. In this regard, Valhi has agreed to loan us up to $50 million on a revolving basis. At June 30, 2024, we had $.5 million in outstanding borrowings under this facility, and we had $49.5 million available for future borrowing. See Note 7 to our Condensed Consolidated Financial Statements.

***Capital expenditures***

Firm purchase commitments for capital projects in process at June 30, 2024 totaled $.6 million. CompX expects to spend $2.2 million during 2024 on capital investments, primarily those expenditures required to meet CompX's existing customer demand and to properly maintain its facilities and technology infrastructure.

***Repurchases of common stock***

At June 30, 2024, CompX has 523,647 shares available for repurchase under a stock repurchase program authorized by its board of directors.

***Dividends***

Because our operations are conducted primarily through subsidiaries and affiliates, our long-term ability to meet parent company-level corporate obligations is largely dependent on the receipt of dividends or other distributions from our subsidiaries and affiliates. A detail of annual dividends we expect to receive from our subsidiaries and affiliates in 2024, based on the number of shares of common stock of these affiliates we own as of June 30, 2024 and their current regular quarterly dividend rate, is presented in the table below. In July of 2024, Kronos announced a decrease in its regular quarterly dividend from $.19 per share to $.05 per share beginning in the third quarter of 2024. The amount shown in the table below for Kronos reflects aggregate dividends we expect to receive from Kronos during 2024 (including actual receipts in the first and second quarters). Additionally, as mentioned above, CompX's board of directors declared a special dividend on its Class A common stock of $2.00 per share payable on August 28, 2024. We will receive $21.5 million from this dividend which is not included in the table below because it is not expected to be recurring.

| | Shares held June 30, 2024 | Quarterly dividend rate | Annual expected dividend |
|---|---|---|---|
| | (In millions) | | (In millions) |
| Kronos | 35.2 | $ .05 | $ 16.9 |
| CompX | 10.8 | .30 | 12.9 |
| Valhi | 1.2 | .08 | .4 |
| Total expected annual dividends | | | $ 30.2 |

***Investments in our subsidiaries and affiliates and other acquisitions***

We have in the past and may in the future, purchase the securities of our subsidiaries and affiliates or third-parties in market or privately-negotiated transactions. We base our purchase decisions on a variety of factors, including an analysis of the optimal use of our capital, taking into account the market value of the securities and the relative value of expected returns on alternative investments. In connection with these activities, we may consider issuing additional equity securities or increasing our indebtedness. We may also evaluate the restructuring of ownership interests of our businesses among our subsidiaries and related companies.

**Commitments and contingencies**

There have been no material changes in our contractual obligations since we filed our 2023 Annual Report and we refer you to that report for a complete description of these commitments.

We are subject to certain commitments and contingencies, as more fully described in our 2023 Annual Report, or in Note 13 to our Condensed Consolidated Financial Statements or in Part II, Item 1 of this report, including certain legal proceedings. In addition to such legal proceedings, various legislation and administrative regulations have, from time to time, been proposed that seek to (i) impose various obligations on present and former manufacturers of lead pigment and lead-based paint (including us) with respect to asserted health concerns associated with the use of such products and (ii) effectively overturn court decisions in which we and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage and bills which would revive actions barred by the statute of limitations. While no legislation or regulations have been enacted to date that are expected to have a material adverse effect on our consolidated financial position, results of operations or liquidity, enactment of such legislation could have such an effect.

**Recent accounting pronouncements**

See Note 15 to our Condensed Consolidated Financial Statements.

**Critical accounting policies and estimates**

For a discussion of our critical accounting policies, refer to Part I, — "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Annual Report. There have been no changes in our critical accounting policies during the first six months of 2024.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk, including currency exchange rates, interest rates and equity security prices. There have been no material changes in these market risks since we filed our 2023 Annual Report, and we refer you to Part I, Item 7A. – "Quantitative and Qualitative Disclosure about Market Risk" in our 2023 Annual Report. See also Note 14 to our Condensed Consolidated Financial Statements.

## ITEM 4. CONTROLS AND PROCEDURES

***Evaluation of disclosure controls and procedures*** – We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Courtney J. Riley, our President and Chief Executive Officer and Amy Allbach Samford, our Executive Vice President and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of June 30, 2024. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of this evaluation.

***Internal control over financial reporting*** – Our management is responsible for establishing and maintaining adequate internal control over financial reporting which, as defined by Exchange Act Rule 13a-15(f) means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of our assets,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations of our management and directors, and
- Provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of assets that could have a material effect on our Condensed Consolidated Financial Statements.

***Other*** – As permitted by the SEC, our assessment of internal control over financial reporting excludes (i) internal control over financial reporting of equity method investees and (ii) internal control over the preparation of any financial statement schedules which would be required by Article 12 of Regulation S-X. However, our assessment of internal control over financial reporting with respect to equity method investees did include controls over the recording of amounts related to our investment that are recorded in the consolidated financial statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

***Changes in internal control over financial reporting*** – There have been no changes to our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

In addition to the matters discussed below, refer to Note 13 to our Condensed Consolidated Financial Statements and our 2023 Annual Report for descriptions of certain legal proceedings.

In May 2024, we were served in *Philip Palmeri v. NL Industries, Inc.* (Supreme Court of Niagara County, New York, Case No. E183238). In this lawsuit, the plaintiff asserts that radioactive material allegedly originating at a former NL facility in Niagara Falls, New York, caused the wrongful death of plaintiff's spouse and diminished the value of plaintiff's residential property located in

Lewiston, New York. The complaint alleges that NL is liable under theories of strict liability, negligence, private nuisance, and trespass. NL has denied liability and will defend vigorously against all claims.

*Sunset Commercial, LLC v. Stauffer Management Co.* In May 2024, the complaint against NL was dismissed.

In June 2024, CompX was served in *City of Columbia d/b/a Columbia Water v. 3M Company, Inc., et al.* (Court of Common Pleas, Richland County, South Carolina, No. 2024-CP-40-03392). This is a lawsuit brought by a municipal water agency against the manufacturers of perfluoroalkyl and polyfluoroalkyl substances (known as "PFAS"), as well as dozens of companies that allegedly used PFAS-containing products in their manufacturing processes. The water agency asserts that it must incur costs to remove PFAS from its water supply. The complaint alleges that CompX used products containing PFAS in its manufacturing facility in Mauldin, South Carolina, and that at least some PFAS attributable to CompX operations has traveled more than 90 miles to plaintiff's water treatment facility in Columbia, South Carolina. Plaintiff does not allege that CompX has failed to comply with, or has violated, any regulation, permit or statute. Plaintiff instead asserts claims under common law theories of negligence, nuisance and trespass. CompX intends to deny liability and will defend vigorously against all claims.

**Item 1A. Risk Factors**

For a discussion of the risk factors related to our businesses, please refer to Part I, Item 1A, "Risk Factors," in our 2023 Annual Report.

**Item 5. Other Information**

On August 7, 2024, Kronos Worldwide, Inc. and its indirect majority stockholder Contran Corporation amended the Unsecured Subordinated Term Promissory Note dated February 12, 2024 pursuant to which Kronos borrowed $53,705,000 from Contran Corporation (the "Contran-Funded Note"). The amendment changes the interest rate of the Contran-Funded Note from 11.50% per annum to 9.54% per annum; all other terms remain the same. The Contran-Funded Note has the terms and conditions as disclosed in Item 1.01 of Kronos' Current Report on Form 8-K filed on February 12, 2024. The foregoing summary of the amendment does not purport to be complete and is qualified in its entirety by reference to the applicable full text of the First Amendment to Unsecured Subordinated Term Promissory Note dated February 12, 2024, listed as Exhibit 10.5 to this Form 10-Q, the terms of which are incorporated herein by reference.

**Item 6. Exhibits**

| | |
|---|---|
| 10.1 | Purchase and Sale Agreement dated July 16, 2024 by and between Kronos Louisiana, Inc., Kronos Worldwide, Inc., Venator Investments, Ltd. and Venator Materials PLC – incorporated by reference to Exhibit 10.1 to Kronos Worldwide, Inc.'s Current Report on Form 8-K filed July 17, 2024 |
| 10.2 | Second Amendment to Credit Agreement dated July 17, 2024 among Kronos Worldwide, Inc., Kronos Louisiana, Inc., Kronos (US), Inc., Kronos Canada, Inc., Kronos Europe NV, Kronos Titan GmbH, Wells Fargo Bank, National Association as administrative agent and the lenders a party thereto – incorporated by reference to Exhibit 10.2 to Kronos Worldwide, Inc.'s Current Report on Form 8-K filed July 17, 2024 |
| 10.3 | First Supplemental Indenture dated as of July 30, 2024, by and among Kronos International, Inc., the guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee, collateral agent, paying agent, transfer agent and registrar – incorporated by reference to Exhibit 10.1 to Kronos Worldwide, Inc.'s Current Report on Form 8-K filed July 30, 2024. |
| 10.4 | Additional Notes Priority Joinder Agreement dated July 30, 2024, executed by Deutsche Bank Trust Company Americas, as trustee and collateral agent. – incorporated by reference to Exhibit 10.2 to Kronos Worldwide, Inc.'s Current Report on Form 8-K filed July 30, 2024. |
| 10.5* | First Amendment to Unsecured Subordinated Term Promissory Note dated February 12, 2024, executed by Kronos Worldwide, Inc. and Contran Corporation as of August 7, 2024. |
| 31.1* | Certification |
| 31.2* | Certification |

| | |
|---|---|
| 32.1* | Certification |
| 101.INS* | Inline XBRL Instance – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

*Filed herewith

**SIGNATURES**

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

NL INDUSTRIES, INC.
(Registrant)

Date: August 7, 2024

/s/ Amy Allbach Samford
Amy Allbach Samford
(Executive Vice President and Chief Financial Officer, Principal Financial Officer)

Date: Augut 7, 2024

/s/ Amy E. Ruf
Amy E. Ruf
(Vice President and Controller,
Principal Accounting Officer)

**FIRST AMENDMENT TO**
**UNSECURED SUBORDINATED TERM PROMISSORY NOTE**

**THIS FIRST AMENDMENT TO UNSECURED SUBORDINATED TERM PROMISSORY NOTE** this ("*Amendment*"), dated as of August 7, 2024 (the "*Effective Date*"), is by and among **KRONOS WORLDWIDE, INC.**, a Delaware corporation ("*Borrower*"), and **CONTRAN CORPORATION**, a Delaware corporation ("*Noteholder*"). Terms used in this Amendment and not otherwise defined herein shall have the meaning given in the Unsecured Subordinated Term Promissory Note dated February 12, 2024, in the original principal sum of $53,705,000.00 (the "*Term Loan*"), issued by Borrower and payable to Noteholder (the "*Note*").

**RECITALS**

A. Borrower and Noteholder are parties to the Note, pursuant to which Noteholder provided the Term Loan to Borrower on the terms and conditions set forth therein.

B. Borrower and Noteholder desire to amend the Note to change the Contract Interest Rate from 11.50% per annum to 9.54% per annum.

**NOW, THEREFORE,** Borrower and Noteholder, intending to be legally bound, agree as follows:

1. Contract Interest Rate. The Contract Interest Rate is hereby changed to a rate per annum equal to nine and fifty-five one-hundredths percent (9.54%).

2. Ratifications. Except as expressly amended in this Amendment, the Note is ratified and confirmed and continues in full force and effect, and continues to be legal, valid, binding and enforceable in accordance with its terms. Any reference to the Note shall mean and refer to the Note as amended hereby.

3. Jurisdiction and Venue. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE LAWS OF TEXAS. BORROWER CONSENTS TO JURISDICTION IN THE FEDERAL AND STATE COURTS LOCATED IN DALLAS, TEXAS.

**IN WITNESS WHEREOF,** Borrower and Noteholder have caused this Amendment to be duly executed as of the Effective Date.

| BORROWER | NOTEHOLDER |
|---|---|
| Kronos Worldwide, Inc. | Contran Corporation |
| By: /s/ Tim C. Hafer | By: /s/ Amy A. Samford |
| Tim C. Hafer | Amy A. Samford |
| Chief Financial Officer | Chief Financial Officer |

**EXHIBIT 31.1**

**CERTIFICATION**

I, Courtney J. Riley, certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2024

/s/Courtney J. Riley

Courtney J. Riley
President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION**

I, Amy Allbach Samford, certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2024

/s/ Amy Allbach Samford

Amy Allbach Samford
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of NL Industries, Inc. (the Company) on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Courtney J. Riley, President and Chief Executive Officer of the Company, and I, Amy Allbach Samford, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Courtney J. Riley

Courtney J. Riley
President and Chief Executive Officer

/s/ Amy Allbach Samford

Amy Allbach Samford
Executive Vice President and Chief Financial Officer

August 7, 2024

Note: The certification the registrant furnished in this exhibit is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.