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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from to

Commission file number 1-640

NL INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each excl
Common stock	NL	

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 (§232.405 of this chapter) 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 November 1, 2019: 48,755,734.

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

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2018	September 30, 2019 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 116,259	**$ 109,419**
Restricted cash and cash equivalents	3,727	**2,913**
Accrued insurance recovery related to litigation settlement	15,000	**-**
Accounts and other receivables, net	12,440	**13,797**
Inventories, net	17,102	**18,826**
Receivable from affiliates	792	**648**
Prepaid expenses and other	1,324	**1,149**
Total current assets	166,644	**146,752**
Other assets:		
Restricted cash and cash equivalents	1,003	**25,310**
Notes receivable from affiliate	34,000	**36,700**
Marketable securities	27,740	**27,309**
Investment in Kronos Worldwide, Inc.	255,565	**257,717**
Goodwill	27,156	**27,156**
Other assets, net	3,108	**3,187**
Total other assets	348,572	**377,379**
Property and equipment:		
Land	5,151	**4,940**
Buildings	22,842	**22,856**
Equipment	67,446	**67,595**
Construction in progress	603	**963**
	96,042	**96,354**
Less accumulated depreciation	64,016	**65,137**
Net property and equipment	32,026	**31,217**
Total assets	$ 547,242	**$ 555,348**

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

	December 31, 2018	September 30, 2019 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 4,831	**$ 4,987**
Accrued litigation settlement	60,000	**11,774**
Accrued and other current liabilities	10,854	**9,797**
Accrued environmental remediation and related costs	5,027	**3,168**
Payable to affiliates	567	**567**
Income taxes	44	**64**
Total current liabilities	81,323	**30,357**
Noncurrent liabilities:		
Long-term debt from affiliate	500	**500**
Accrued pension costs	10,389	**7,689**
Accrued environmental remediation and related costs	93,184	**91,808**
Long-term litigation settlement	17,000	**59,797**
Deferred income taxes	31,373	**31,956**
Other	9,915	**9,780**
Total noncurrent liabilities	162,361	**201,530**
Equity:		
NL stockholders' equity:		
Common stock	6,090	**6,094**
Additional paid-in capital	301,139	**299,102**
Retained earnings	225,156	**244,700**
Accumulated other comprehensive loss	(248,270)	**(248,812)**
Total NL stockholders' equity	284,115	**301,084**
Noncontrolling interest in subsidiary	19,443	**22,377**
Total equity	303,558	**323,461**
Total liabilities and equity	$ 547,242	**$ 555,348**

Commitments and contingencies (Note 14)

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 September 30, 2018	Three months ended September 30, 2019	Nine months ended September 30, 2018	Nine months ended September 30, 2019
	(unaudited)			
Net sales	$ 30,029	**$ 29,703**	$ 90,827	**$ 94,610**
Cost of sales	20,433	**20,227**	60,494	**64,571**
Gross margin	9,596	**9,476**	30,333	**30,039**
Selling, general and administrative expense	5,075	**5,210**	15,455	**15,860**
Other operating income (expense):				
Insurance recoveries	526	**243**	889	**5,240**
Other income, net	18	**4,424**	645	**4,433**
Litigation settlement expense, net	-	**305**	(62,000)	**(19,266)**
Corporate expense	(1,583)	**(3,429)**	(14,352)	**(9,148)**
Income (loss) from operations	3,482	**5,809**	(59,940)	**(4,562)**
Equity in earnings of Kronos Worldwide, Inc.	9,905	**5,463**	55,029	**23,632**
Other income (expense):				
Marketable equity securities	(35,645)	**(15,379)**	(55,911)	**(431)**
Other components of net periodic pension and OPEB cost	(99)	**(434)**	(297)	**(1,290)**
Interest and dividend income	1,336	**1,571**	3,630	**5,213**
Interest expense	(9)	**(314)**	(25)	**(332)**
Income (loss) before income taxes	(21,030)	**(3,284)**	(57,514)	**22,230**
Income tax expense (benefit)	(6,158)	**(2,286)**	(15,416)	**942**
Net income (loss)	(14,872)	**(998)**	(42,098)	**21,288**
Noncontrolling interest in net income of subsidiary	514	**540**	1,654	**1,744**
Net income (loss) attributable to NL stockholders	$ (15,386)	**$ (1,538)**	$ (43,752)	**$ 19,544**
Amounts attributable to NL stockholders:				
Basic and diluted net income (loss) per share	$ (.32)	**$ (.03)**	$ (.90)	**$ .40**
Weighted average shares used in the calculation of net income (loss) per share	48,727	**48,756**	48,721	**48,741**

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 September 30,		Nine months ended September 30,	
	2018	**2019**	**2018**	**2**
		(unaudited)		
Net income (loss)	$ (14,872)	**$ (998)**	$ (42,098)	**$**
Other comprehensive income (loss), net of tax:				
Currency translation	1,103	**(4,500)**	(2,414)	
Defined benefit pension plans	959	**818**	2,916	
Other postretirement benefit plans	(65)	**(65)**	(203)	
Total other comprehensive income (loss), net	1,997	**(3,747)**	299	
Comprehensive income (loss)	(12,875)	**(4,745)**	(41,799)	
Comprehensive income attributable to noncontrolling interest	514	**540**	1,654	
Comprehensive income (loss) attributable to NL stockholders	$ (13,389)	**$ (5,285)**	$ (43,453)	**$**

See accompanying notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Three and nine months ended September 30, 2018 and 2019

(In thousands)

(unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest in subsidiary	Total equity
Balance at December 31, 2017	$ 6,089	$ 300,866	$ 220,104	$ (191,737)	$ 17,756	$ 353,0
Change in accounting principle - ASU 2016-01	-	-	46,069	(46,069)	-	
Balance at January 1, 2018, as adjusted	6,089	300,866	266,173	(237,806)	17,756	353,0
Net income	-	-	14,249	-	487	14,7
Other comprehensive income, net of tax	-	-	-	3,501	-	3,5
Dividends paid to noncontrolling interest	-	-	-	-	(83)	(
Balance at March 31, 2018	6,089	300,866	280,422	(234,305)	18,160	371,2
Net income (loss)	-	-	(42,615)	-	653	(41,9
Other comprehensive loss, net of tax	-	-	-	(5,199)	-	(5,1
Issuance of NL common stock	1	119	-	-	-	1
Dividends paid to noncontrolling interest	-	-	-	-	(84)	(
Other, net	-	154	-	-	18	1
Balance at June 30, 2018	6,090	301,139	237,807	(239,504)	18,747	324,2
Net income (loss)	-	-	(15,386)	-	514	(14,8
Other comprehensive income, net of tax	-	-	-	1,997	-	1,9
Dividends paid to noncontrolling interest	-	-	-	-	(84)	(
Balance at September 30, 2018	$ 6,090	$ 301,139	$ 222,421	$ (237,507)	$ 19,177	$ 311,3

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (CONTINUED)

Three and nine months ended September 30, 2018 and 2019

(In thousands)

(unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest in subsidiary	Total equity
Balance at December 31, 2018	$ 6,090	$ 301,139	$ 225,156	$ (248,270)	$ 19,443	$ 303,558
Net income	-	-	15,204	-	522	15,726
Other comprehensive income, net of tax	-	-	-	733	-	733
Dividends paid to noncontrolling interest	-	-	-	-	(117)	(117)
Balance at March 31, 2019	6,090	301,139	240,360	(247,537)	19,848	319,900
Net income	-	-	5,878	-	682	6,560
Other comprehensive income, net of tax	-	-	-	2,472	-	2,472
Issuance of NL common stock	4	96	-	-	-	100
Dividends paid to noncontrolling interest	-	-	-	-	(118)	(118)
Equity transactions with noncontrolling interest, net and other	-	(1,831)	-	-	1,543	(288)
Balance at June 30, 2019	6,094	299,404	246,238	(245,065)	21,955	328,626
Net income (loss)	-	-	**(1,538)**	-	**540**	**(998)**
Other comprehensive loss, net of tax	-	-	-	**(3,747)**	-	**(3,747)**
Dividends paid to noncontrolling interest	-	-	-	-	**(118)**	**(118)**
Other	-	**(302)**	-	-	-	**(302)**
Balance at September 30, 2019	**$ 6,094**	**$ 299,102**	**$ 244,700**	**$ (248,812)**	**$ 22,377**	**$ 323,461**

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (42,098)	$ **21,288**
Depreciation and amortization	2,609	**2,739**
Deferred income taxes	(16,624)	**913**
Equity in earnings of Kronos Worldwide, Inc.	(55,029)	**(23,632)**
Dividends received from Kronos Worldwide, Inc.	17,961	**19,017**
Marketable equity securities	55,911	**431**
Cash funding of benefit plans in excess of net benefit plan expense	(2,074)	**(1,658)**
Net gain from sale of excess property	-	**(4,424)**
Other, net	426	**211**
Change in assets and liabilities:		
Accounts and other receivables, net	(18,203)	**13,627**
Inventories, net	(1,935)	**(1,888)**
Prepaid expenses and other	110	**175**
Accounts payable and accrued liabilities	62,025	**(25,842)**
Income taxes	11	**20**
Accounts with affiliates	2,939	**144**
Accrued environmental remediation and related costs	(428)	**(3,235)**
Other noncurrent assets and liabilities, net	16,698	**19,516**
Net cash provided by operating activities	22,299	**17,402**
Cash flows from investing activities:		
Capital expenditures	(2,043)	**(2,453)**
Promissory notes receivable from affiliate:		
Loans	(39,000)	**(28,100)**
Collections	44,200	**25,400**
Proceeds from sale of excess property	-	**4,636**
Other, net	225	**121**
Net cash provided by (used in) investing activities	3,382	**(396)**
Cash flows from financing activities -		
Distributions to noncontrolling interests in subsidiary	(251)	**(353)**
Cash and cash equivalents and restricted cash and cash equivalents - net change from:		
Operating, investing and financing activities	25,430	**16,653**
Balance at beginning of period	102,941	**120,989**
Balance at end of period	$ 128,371	**$ 137,642**
Supplemental disclosures - cash paid (received) for:		
Interest	$ 25	**$ 27**
Income taxes, net	(1,740)	**(227)**

See accompanying notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(unaudited)

Note 1 – Organization and basis of presentation:

Organization – At September 30, 2019, Valhi, Inc. (NYSE: VHI) held approximately 83% of our outstanding common stock and a wholly-owned subsidiary of Contran Corporation ("Contran") held approximately 92% of Valhi's outstanding common stock. At September 30, 2019, a majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons and Serena Simmons Connelly and various family trusts established for the benefit of Ms. Simmons and Ms. Connelly and their children and for which Ms. Simmons or Ms. Connelly, as applicable, serves as trustee. In addition, each of Ms. Simmons and Ms. Connelly serves as co-chair of the Contran board of directors. 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 Ms. Connelly and their children and for which a third-party financial institution serves as trustee. Consequently, at September 30, 2019, Ms. Simmons, Ms. Connelly 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 30% 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, 2018 that we filed with the SEC on March 11, 2019 (the 2018 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, 2018 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, 2018) 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 September 30, 2019 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 2018 Consolidated Financial Statements contained in our 2018 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, 2018	September 30, 2019
	(In thousands)	
Trade receivables - CompX	$ 12,210	**$ 13,503**
Accrued insurance recoveries	266	**289**
Other receivables	34	**75**
Allowance for doubtful accounts	(70)	**(70)**
Total	$ 12,440	**$ 13,797**

Accrued insurance recoveries are discussed in Note 14.

Note 3 – Inventories, net:

	December 31, 2018	September 30, 2019
	(In thousands)	
Raw materials	$ 2,661	**$ 3,313**
Work in process	11,130	**11,952**
Finished products	3,311	**3,561**
Total	$ 17,102	**$ 18,826**

Note 4 – Marketable securities:

Our marketable securities consist of investments in the publicly-traded shares of our immediate parent company Valhi, Inc. All of our marketable securities are accounted for as available-for-sale securities, which are carried at fair value using quoted market prices in active markets representing a Level 1 input within the fair value hierarchy. Any unrealized gains or losses on the securities are recognized in Marketable equity securities on our Condensed Consolidated Statements of Operations.

	Fair value measurement level	Market value	Cost basis	Unrealized gain
			(In thousands)	
December 31, 2018				
Valhi common stock	1	$ 27,740	$ 24,347	$ 3,393
September 30, 2019				
Valhi common stock	1	**$ 27,309**	**$ 24,347**	**$ 2,962**

At December 31, 2018 and September 30, 2019, we held approximately 14.4 million shares of common stock of Valhi. See Note 1. At December 31, 2018 and September 30, 2019, the quoted per share market price of Valhi common stock was $1.93 and $1.90, respectively.

The Valhi common stock we own is subject to the 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 do receive dividends from Valhi on these shares, when declared and paid.

In March 2019, Valhi filed a Form S-3 registration statement with the SEC, registering our shares of Valhi common stock for resale. The registration statement has been declared effective by the SEC. We may sell all or a portion of such shares from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares are sold through underwriters or broker-dealers, we would be responsible for underwriting discounts or commissions or agents' commissions. The shares may be sold in one or more transactions at fixed prices, prevailing market prices determined at the time of the sale, varying prices determined at the time of sale or negotiated prices (in each case we may determine). We agreed to reimburse Valhi for its expenses incurred in connection with such registration statement (which expenses were not material). We have not sold any of our shares of Valhi common stock under the registration statement.

Note 5 – Investment in Kronos Worldwide, Inc.:

At December 31, 2018 and September 30, 2019, we owned approximately 35.2 million shares of Kronos common stock. At September 30, 2019, the quoted market price of Kronos' common stock was $12.37 per share, or an aggregate market value of $435.7 million. At December 31, 2018, the quoted market price was $11.52 per share, or an aggregate market value of $405.7 million.

The change in the carrying value of our investment in Kronos during the first nine months of 2019 is summarized below.

	Amount (In millions)
Balance at the beginning of the period	$ 255.5
Equity in earnings of Kronos	23.6
Dividends received from Kronos	(19.0)
Equity in Kronos' other comprehensive income:	
Currency translation	(3.5)
Defined benefit pension plans	2.0
Equity in Kronos' treasury stock acquired	(.9)
Balance at the end of the period	$ 257.7

Selected financial information of Kronos is summarized below:

	December 31, 2018	September 30, 2019
	(In millions)	
Current assets	$ 1,201.4	$ 1,186.9
Property and equipment, net	486.4	465.5
Investment in TiO_2 joint venture	81.3	83.1
Other noncurrent assets	129.0	149.4
Total assets	$ 1,898.1	$ 1,884.9
Current liabilities	$ 233.4	$ 227.5
Long-term debt	455.1	434.6
Accrued pension costs	262.9	249.3
Other noncurrent liabilities	106.9	126.6
Stockholders' equity	839.8	846.9
Total liabilities and stockholders' equity	$ 1,898.1	$ 1,884.9

	Three months ended September 30,		Nine months ended September 30,	
	2018	2019	2018	2019
	(In millions)			
Net sales	$ 410.3	$ 437.4	$ 1,312.5	$ 1,358.4
Cost of sales	291.2	349.7	846.8	1,051.9
Income from operations	58.1	33.1	285.5	128.6
Income tax expense	14.1	6.3	75.5	30.5
Net income	32.6	17.9	181.0	77.7

Note 6 ─ Other noncurrent assets, net:

	December 31, 2018	September 30, 2019
	(In thousands)	
Pension asset	$ 1,898	**$ 1,948**
Other	1,210	**1,239**
Total	$ 3,108	**$ 3,187**

Note 7 ─ Accrued and other current liabilities:

	December 31, 2018	September 30, 2019
	(In thousands)	
Employee benefits	$ 9,001	**$ 7,742**
Other	1,853	**2,055**
Total	$ 10,854	**$ 9,797**

Note 8 ─ Long-term debt:

During the first nine months of 2019, our wholly owned subsidiary, NLKW Holding, LLC had no borrowings or repayments under its $50 million secured revolving credit facility with Valhi. At September 30, 2019, we had outstanding borrowings of $.5 million under such facility, and the remaining $49.5 million was available for future borrowing under this facility. Outstanding borrowings under such credit facility bear interest at the prime rate plus 1.875% per annum, and the average interest rate for the nine months ended September 30, 2019 was 7.3%. The interest rate was 6.9% at September 30, 2019. We are in compliance with all of the covenants contained in such facility at September 30, 2019.

Note 9 ─ Other noncurrent liabilities:

	December 31, 2018	September 30, 2019
	(In thousands)	
Reserve for uncertain tax positions	$ 7,312	**$ 7,312**
OPEB	1,519	**1,409**
Insurance claims and expenses	621	**621**
Other	463	**438**
Total	$ 9,915	**$ 9,780**

Note 10 – Revenue recognition:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2019	2018	2019
	(In thousands)			
Net sales:				
Security Products	$ 24,541	**$ 23,405**	$ 75,845	**$ 75,036**
Marine Components	5,488	**6,298**	14,982	**19,574**
Total	$ 30,029	**$ 29,703**	$ 90,827	**$ 94,610**

Note 11 – Employee benefit plans:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2019	2018	2019
	(In thousands)			
Interest cost	$ 372	**$ 474**	$ 1,116	**$ 1,422**
Expected return on plan assets	(590)	**(477)**	(1,770)	**(1,431)**
Recognized actuarial losses	365	**406**	1,095	**1,218**
Total	$ 147	**$ 403**	$ 441	**$ 1,209**

We currently expect our 2019 contributions to our defined benefit pension plans to be approximately $3.3 million.

Note 12 – Income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2019	2018	2019
	(In millions)			
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 21%	$ (4.4)	**$ (.7)**	$ (12.1)	**$ 4.7**
Rate differences on equity in earnings of Kronos	(1.9)	**(1.5)**	(4.3)	**(4.0)**
U.S. state income taxes and other, net	.2	**(.1)**	1.0	**.2**
Income tax expense (benefit)	$ (6.1)	**$ (2.3)**	$ (15.4)	**$ .9**
Comprehensive provision for income taxes (benefit) allocable to:				
Net income (loss)	$ (6.1)	**$ (2.3)**	$ (15.4)	**$ .9**
Additional paid-in capital	-	**(.2)**	-	**(.2)**
Other comprehensive income (loss):				
Currency translation	.3	**(1.2)**	(.6)	**(.7)**
Pension plans	.3	**.3**	.8	**.7**
OPEB plans	(.1)	**(.1)**	(.1)	**(.1)**
Total	$ (5.6)	**$ (3.5)**	$ (15.3)	**$ .6**

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 $18.0 million in the first nine months of 2018 and $19.0 million in the first nine months of 2019. The amounts shown in the above table of our income tax rate reconciliation for rate differences on equity in earnings of Kronos primarily represents the income tax benefit associated with such non-taxability of the dividends we receive from Kronos, as it relates to the amount of deferred income taxes we recognize on our undistributed equity in earnings (losses) of Kronos.

Income tax matters related to Kronos

Kronos records global intangible low-tax income (GILTI) tax as a current-period expense when incurred under the period cost method. Kronos has evaluated the tax impact of GILTI and base erosion anti abuse tax (BEAT) provisions and related U.S. tax credit provisions applicable to tax years beginning in 2018 based on the relevant statutes, including final GILTI and foreign tax credit regulations issued by the IRS in June 2019 which did not materially impact its determinations with respect to such items.

None of Kronos' U.S. and non-U.S. tax returns are currently under examination. As a result of prior audits in certain jurisdictions, which are now settled, in 2008 Kronos filed Advance Pricing Agreement Requests with the tax authorities in the U.S., Canada and Germany. During the first quarter of 2018, Kronos' German subsidiary executed and finalized the related Advance Pricing Agreement with the Competent Authority for Germany (the "Canada-Germany APA") effective for tax years 2005 - 2017. In the first quarter of 2018, Kronos recognized a net $1.4 million non-cash income tax benefit related to an APA tax settlement payment between its German and Canadian subsidiaries.

Note 13 – Accumulated other comprehensive loss:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2019	2018	2019
	(In thousands)			
Accumulated other comprehensive loss, net of tax:				
Currency translation:				
Balance at beginning of period	$ (167,984)	**$ (170,739)**	$ (164,467)	**$ (172,434)**
Other comprehensive income (loss)	1,103	**(4,500)**	(2,414)	**(2,805)**
Balance at end of period	$ (166,881)	**$ (175,239)**	$ (166,881)	**$ (175,239)**
Defined benefit pension plans:				
Balance at beginning of period	$ (70,994)	**$ (73,641)**	$ (72,951)	**$ (75,286)**
Other comprehensive income - amortization of net losses included in net periodic pension cost	959	**818**	2,916	**2,463**
Balance at end of period	$ (70,035)	**$ (72,823)**	$ (70,035)	**$ (72,823)**
OPEB plans:				
Balance at beginning of period	$ (526)	**$ (685)**	$ (388)	**$ (550)**
Other comprehensive loss - amortization of net gains included in net periodic OPEB cost	(65)	**(65)**	(203)	**(200)**
Balance at end of period	$ (591)	**$ (750)**	$ (591)	**$ (750)**
Marketable securities:				
Balance at beginning of period	$ -	**$ -**	$ 46,069	**$ -**
Change in accounting principle	-	**-**	(46,069)	**-**
Balance at end of period	$ -	**$ -**	$ -	**$ -**
Total accumulated other comprehensive loss:				
Balance at beginning of period	$ (239,504)	**$ (245,065)**	$ (191,737)	**$ (248,270)**
Change in accounting principle	-	**-**	(46,069)	**-**
Balance at beginning of period, as adjusted	(239,504)	**(245,065)**	(237,806)	**(248,270)**
Other comprehensive income (loss)	1,997	**(3,747)**	299	**(542)**
Balance at end of period	$ (237,507)	**$ (248,812)**	$ (237,507)	**$ (248,812)**

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

Note 14 – 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 that these actions are without merit, and we intend to continue to deny all allegations of wrongdoing and liability and to defend against all actions vigorously. Other than with respect to the Santa Clara, California public nuisance case discussed below, we do not believe it is probable that we have incurred any liability with respect to all of the 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, other than with respect to the Santa Clara case discussed below, 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, other than with respect to the Santa Clara case discussed below, 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 matter titled *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) on July 24, 2019, an order approving a global settlement agreement entered into among all of the plaintiffs and the three defendants remaining in the case (the Sherwin Williams Company, ConAgra Grocery Products and us) was entered by the court and the case was dismissed with prejudice. The global settlement agreement provides that an aggregate $305 million will be paid collectively by the three co-defendants in full satisfaction of all claims resulting in a dismissal of the case with prejudice and the resolution of (i) all pending and future claims by the plaintiffs in the case, and (ii) all potential claims for contribution or indemnity between us and our co-defendants in respect to the case. In the agreement, we expressly deny any and all liability and the dismissal of the case with prejudice was entered by the court without a final judgment of liability entered against us. The settlement agreement fully concludes this matter.

Under the terms of the global settlement agreement, each defendant must pay an aggregate $101.7 million to the plaintiffs as follows: $25.0 million within sixty days of the court's approval of the settlement and dismissal of the case, and the remaining $76.7 million in six annual installments beginning on the first anniversary of the initial payment ($12.0 million for the first five installments and $16.7 million for the sixth installment). Our sixth installment will be made with funds already on deposit at the court 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).

As previously disclosed during the second quarter of 2018 and based on the terms of a May 2018 settlement agreement between us and the plaintiffs which had an aggregate cost of $80 million to us, we determined that the loss to us could be reasonably estimated and recognized a net $62 million pre-tax charge with respect to this matter ($45 million for the amount to be paid by us upon approval of the terms of the settlement and $17 million for the net present value of the five payments aggregating $20 million to be paid by us in installments beginning four years from such approval). The May 2018 settlement was never approved by the court and was superseded in July 2019 by the global settlement agreement discussed above.

At June 30, 2019, based on the terms of the global settlement agreement approved by the court in July 2019 we increased the amount accrued for the litigation settlement and a final immaterial adjustment was made to the litigation settlement accrual in the third quarter of 2019. For financial reporting purposes, using a discount rate of 1.9% per annum, we discounted the aggregate $101.7 million settlement to the estimated net present value of $96.3 million. We recognized litigation settlement expense of $19.3 million ($19.6 million expense in the second quarter of 2019 and $.3 million credit in the third quarter of 2019). We made the initial $25.0 million payment in September 2019 and recognized $.3 million in accretion expense during the third quarter of 2019.

For purposes of our Condensed Consolidated Balance Sheet at September 30, 2019, we have recognized the net present value of the $12.0 million payment due in 2020, $11.8 million, as a current liability and the net present value of the five remaining annual installments, $59.8 million, as a noncurrent liability. Under the terms of the settlement, we reclassified the $15.6 million on deposit at the court from an accrued insurance receivable to noncurrent restricted cash at September 30, 2019. Pursuant to the settlement agreement, during the third quarter of 2019 we placed an additional $9.0 million into an escrow account which is included in noncurrent restricted cash on our Condensed Consolidated Balance Sheet.

In November 2018, NL was served with two complaints filed by county governments in Pennsylvania. Each county alleges that NL and several other defendants created a public nuisance by selling and promoting lead-containing paints and pigments in the counties. The plaintiffs seek abatement and declaratory relief. We believe these lawsuits are inconsistent with Pennsylvania law and without merit, and we intend to defend ourselves vigorously.

New cases may continue to be filed against us. We do not know if we will incur liability in the future with 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. and non-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 that 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. We cannot assure you that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and we cannot assure you that costs will not 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. At December 31, 2018, we had recognized $15.0 million of receivables for recoveries related to the lead pigment litigation in California discussed above.

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

Changes in the accrued environmental remediation and related costs during the first nine months of 2019 are as follows:

	Amount (In thousands)
Balance at the beginning of the period	**$ 98,211**
Additions charged (credited) to expense, net	**(579)**
Payments, net	**(2,656)**
Balance at the end of the period	**$ 94,976**
Amounts recognized in the Condensed Consolidated Balance Sheet at the end of the period:	
Current liability	**$ 3,168**
Noncurrent liability	**91,808**
Balance at the end of the period	**$ 94,976**

On a quarterly basis, we evaluate the potential range of our liability for environmental remediation and related costs at sites where we have been named as a PRP or defendant, including sites for which our wholly-owned environmental management subsidiary, NL Environmental Management Services, Inc. (EMS), has contractually assumed our obligations. At September 30, 2019, we had accrued approximately $95 million related to approximately 32 sites associated with remediation and related matters that 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 $115 million, including the amount currently accrued. These accruals have not been discounted to present value.

We believe that it is not reasonably possible to estimate the range of costs for certain sites. At September 30, 2019, 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 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. In this regard we recognized $5.2 million in insurance recoveries in the first nine months of 2019 which represented recovery of past and future litigation defense costs related primarily to a single insurance recovery settlement.

For a complete discussion of certain litigation involving us and certain of our former insurance carriers, refer to our 2018 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, individually and in the aggregate, should not have a material adverse effect on our consolidated financial position, results of operations or liquidity beyond the accruals already provided.

Note 15 – Financial instruments and fair value measurements:

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, 2018		September 30, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Cash, cash equivalents and restricted cash	$ 120,989	$ 120,989	**$ 137,642**	**$ 137,642**
Noncontrolling interest in CompX common stock	19,443	22,871	**22,377**	**24,188**

The fair value of our noncontrolling interest in CompX stockholders' equity is based upon its quoted market price at each balance sheet date, which represents a Level 1 input. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value.

Note 16 – Recent accounting pronouncement:

On January 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842)*, which was a comprehensive rewriting of the lease accounting guidance which aimed to increase comparability and transparency with regard to lease transactions. The primary change for leases currently classified as operating leases is the balance sheet recognition of a lease asset for the right to use the underlying asset and a lease liability for the lessee's obligation to make payments. Due to our minimal utilization of lease financing, the adoption of this standard did not have a material effect on our consolidated financial statements.

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 recreational transportation, postal, office and institutional furniture, cabinetry, tool storage and healthcare applications. CompX also manufactures stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems and trim tabs for the recreational marine and other industries through our Marine Components operations.

We account for our 30% 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
- 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 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 material (such as ore)
- General global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for, among other things, TiO_2 and component products)
- 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 integrating future acquisitions
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems
- The introduction of trade barriers
- Possible disruption of Kronos' or CompX's business, or increases in our cost of doing business resulting from terrorist activities or global conflicts
- The impact of current or future government regulations (including employee healthcare benefit related regulations)
- 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), or possible disruptions to our business resulting from potential instability resulting from uncertainties associated with the euro or other currencies
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions and cyber-attacks)
- Decisions to sell operating assets other than in the ordinary course of business
- Kronos' ability to renew or refinance credit facilities
- Our ability to maintain sufficient liquidity
- The timing and amounts of insurance recoveries
- The extent to which our subsidiaries or affiliates were to become unable to pay us dividends
- Uncertainties associated with CompX's development of new 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 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 regulations
- The ultimate resolution of pending litigation (such as our lead pigment and environmental matters)
- Possible future litigation.

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 overview

Quarter ended September 30, 2019 compared to the quarter ended September 30, 2018

Our net loss attributable to NL stockholders was $1.6 million, or $.03 per share, in the third quarter of 2019 compared to a net loss attributable to NL stockholders of $15.4 million, or $.32 per share, in the third quarter of 2018. As more fully described below, the increase in our earnings per share from 2018 to 2019 is primarily due to the net effects of:

- equity in earnings of Kronos in 2019 of $5.4 million compared to $9.9 million in 2018;
- favorable relative changes in the value of marketable equity securities of $20.3 million;
- a gain of $4.4 million in 2019 related to a sale of excess property; and
- environmental remediation and related costs of $.1 million in 2019 compared to environmental remediation and related credit of $1.6 million in 2018.

Our 2019 net loss per share attributable to NL stockholders includes income of $.07 per share, net of income tax expense, related to a gain from a sale of excess property.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

We had net income attributable to NL stockholders of $19.5 million, or $.40 per share, in the first nine months of 2019 compared to a net loss attributable to NL stockholders of $43.8 million, or $.90 per share, in the first nine months of 2018. As more fully described below, the increase in our earnings per share from 2018 to 2019 is primarily due to the net effects of:

- a pre-tax litigation settlement expense in 2019 of $19.3 million (mostly recognized in the second quarter) compared to $62.0 million recognized in the second quarter of 2018;
- equity in earnings of Kronos in 2019 of $23.6 million compared to $55.0 million in 2018;
- favorable relative changes in the value of marketable equity securities of $55.5 million;
- higher insurance recoveries in 2019 of $4.3 million related primarily to a single insurance recovery settlement for certain past and future litigation defense costs;
- a gain of $4.4 million in 2019 related to a sale of excess property;
- lower environmental remediation and related costs of $3.3 million in 2019; and
- lower litigation fees and related costs of $1.8 million in 2019.

Our 2019 net income per share attributable to NL stockholders includes:

- a loss of $.31 per share, net of income tax benefit, related to the litigation settlement expense we recognized, mainly in the second quarter;
- income of $.08 per share, net of income tax expense, related to insurance recoveries we recognized, mainly in the second quarter; and
- income of $.07 per share, net of income tax expense, related to a gain from a sale of excess property we recognized in the third quarter.

Our 2018 net loss per share attributable to NL stockholders includes a loss of $1.01 per share, net of income tax benefit, related to the litigation settlement expense recognized in the second quarter.

Income (loss) from operations

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

	Three months ended September 30,		%	Nine months ended September 30,	
	2018	**2019**	**Change**	**2018**	**2019**
	(In millions)			**(In millions)**	
CompX	$ 4.5	**$ 4.3**	(6) %	$ 14.9	**$ 14.2**
Insurance recoveries	.5	**.2**	(54)	.9	**5.2**
Other income, net	-	**4.4**	n.m.	.6	**4.4**
Litigation settlement expense, net	-	**.3**	n.m.	(62.0)	**(19.3)**
Corporate expense	(1.6)	**(3.4)**	117	(14.4)	**(9.1)**
Income (loss) from operations	$ 3.4	**$ 5.8**	67	$ (60.0)	**$ (4.6)**

Amounts attributable to CompX relate primarily to its components products business, while the other amounts generally relate 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 (loss) from operations.

	Three months ended September 30, 2018	Three months ended September 30, 2019	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2019	% Change
	(In millions)			(In millions)		
Equity in earnings of Kronos	$ 9.9	**$ 5.4**	(45) %	$ 55.0	**$ 23.6**	(57) %
Marketable equity securities	(35.6)	**(15.3)**	(57)	(55.9)	**(.4)**	(99)
Other components of net periodic pension and OPEB	(.1)	**(.5)**	338	(.3)	**(1.3)**	334
Interest and dividend income	1.3	**1.6**	18	3.6	**5.2**	44
Interest expense	-	**(.3)**	n.m.	-	**(.3)**	n.m.

CompX International Inc.

	Three months ended September 30, 2018	Three months ended September 30, 2019	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2019	% Change
	(In millions)			(In millions)		
Net sales	$ 30.0	**$ 29.7**	(1) %	$ 90.8	**$ 94.6**	4 %
Cost of sales	20.4	**20.2**	(1)	60.4	**64.6**	7
Gross margin	9.6	**9.5**	(1)	30.4	**30.0**	(1)
Operating costs and expenses	5.1	**5.2**	3	15.5	**15.8**	3
Income from operations	$ 4.5	**$ 4.3**	(6)	$ 14.9	**$ 14.2**	(5)
Percentage of net sales:						
Cost of sales	68 %	**68 %**		67 %	**68 %**	
Gross margin	32	**32**		33	**32**	
Operating costs and expenses	17	**18**		17	**17**	
Income from operations	15	**14**		16	**15**	

Net sales – Net sales decreased $.3 million in the third quarter of 2019 compared to the same period in 2018 as higher Marine Components sales to the towboat market were more than offset by lower Security Products sales across a variety of markets. Net sales increased $3.8 million in the first nine months of 2019 compared to the same period in 2018 due to strong sales growth at Marine Components partially offset by lower Security Products sales predominantly in the third quarter. Relative changes in selling prices did not have a material impact on net sales comparisons.

Cost of sales and gross margin – As a percentage of net sales, cost of sales and gross margin for the third quarter of 2019 were comparable to the same period in 2018 as the improvement in the Marine Components gross margin percentage in the third quarter of 2019 compared to the third quarter 2018 offset the decline in relative contribution of Security Products which generally has higher gross margin percentages than Marine Components. Cost of sales as a percentage of net sales increased in the first nine months of 2019 compared to the same period in 2018. As a result, gross margin as a percentage of sales decreased over the same period. The decrease in gross margin percentage is the result of the decline in Security Products gross margin percentage for the first nine months of 2019 as compared to the same period in 2018.

Operating costs and expenses – Operating costs and expenses consist primarily of sales and administrative-related personnel costs, sales commissions and advertising expenses, as well as gains and losses on plant, property and equipment. Operating costs and expenses for the third quarter and first nine months of 2019 increased compared to the same period in 2018 largely due to increased administration costs at Marine Components.

Income from operations – As a percentage of net sales, income from operations for the third quarter and first nine months of 2019 decreased compared to the same periods of 2018 and was primarily impacted by the factors impacting cost of sales, gross margin and operating costs discussed above.

Results by reporting unit

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

	Three months ended September 30, 2018	Three months ended September 30, 2019	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2019	% Change
	(In millions)			(In millions)		
Net sales:						
Security Products	$ 24.5	**$ 23.4**	(5) %	$ 75.8	**$ 75.0**	(1) %
Marine Components	5.5	**6.3**	15	15.0	**19.6**	31
Total net sales	$ 30.0	**$ 29.7**	(1)	$ 90.8	**$ 94.6**	4
Gross margin:						
Security Products	$ 8.1	**$ 7.7**	(5)	$ 26.1	**$ 24.6**	(6)
Marine Components	1.5	**1.8**	22	4.3	**5.4**	29
Total gross margin	$ 9.6	**$ 9.5**	(1)	$ 30.4	**$ 30.0**	(1)
Income from operations:						
Security Products	$ 5.3	**$ 4.9**	(9)	$ 17.8	**$ 16.0**	(10)
Marine Components	.8	**1.0**	28	2.3	**3.2**	38
Corporate operating expenses	(1.6)	**(1.6)**	(1)	(5.2)	**(5.0)**	4
Total income from operations	$ 4.5	**$ 4.3**	(6)	$ 14.9	**$ 14.2**	(5)
Gross margin:						
Security Products	33 %	**33 %**		34 %	**33 %**	
Marine Components	27	**29**		28	**28**	
Total gross margin	32	**32**		33	**32**	
Income from operations margin:						
Security Products	22 %	**21 %**		23 %	**21 %**	
Marine Components	15	**17**		16	**17**	
Total income from operations margin	15	**14**		16	**15**	

Security Products – Security Products net sales decreased 5% in the third quarter of 2019 compared to the same period in 2018 due to lower sales across a variety of markets including a $.5 million decrease in each of the transportation and government security markets. Security Products net sales for the first nine months of 2019 was comparable to the same period last year. Gross margin and operating income as a percentage of net sales for the third quarter and for the first nine months of 2019 declined as compared to the same periods last year primarily due to increased labor rates and associated payroll costs resulting from regional pressure on wages for certain skilled labor positions as well as reduced leverage of fixed costs on decreased production volumes.

Marine Components – Marine Components net sales increased 15% and 31% in the third quarter and first nine months of 2019, respectively, as compared to the same periods last year. The increase in sales is primarily due to increased sales to the towboat market, primarily wake enhancement systems and surf pipes to an original equipment boat manufacturer. As a percentage of net sales, gross margin and operating income increased in the third quarter of 2019 compared to the same period in 2018 due to improved fixed cost leverage facilitated by higher production volumes. Gross margin percentage for the first nine months of 2019 is comparable to the same period last year as improved cost leverage on higher production volumes was offset by less favorable customer and product mix, predominantly in the first half of the year. Operating income as a percentage of net sales increased in the third quarter and first nine months of 2019 compared to the same periods in the prior year due to improved fixed cost leverage facilitated by higher production volumes somewhat offset in both periods by increased administrative costs to support higher sustained sales volumes.

Outlook – As reflected in the operating results, our Security Products segment encountered generally weakening economic conditions among its customers and markets during the latter half of the third quarter. As expected, the rate of sales growth for Marine Components began to moderate in the third quarter relative to the same period in 2018, the quarter in which we significantly increased our deliveries of wake enhancement systems. Nevertheless, absent further economic slowdown, we believe full year sales will exceed 2018. Operating income and operating margin for the Security Products segment decreased for the first nine months of 2019 relative to prior year due to higher labor rates and associated payroll costs, the effect of which we were not able to offset through higher selling prices. Although we have experienced minimal direct impact from recently enacted tariffs, we believe that tariffs and related global trade concerns may be impacting our significant original equipment manufacturer customers. We will continue to monitor economic conditions and sales order rates and respond to fluctuations in customer demand through continuous evaluation of staffing levels and discretionary spending as well as consistent execution of our lean manufacturing and cost improvement initiatives. Additionally, we continue to seek opportunities to gain market share in markets we currently serve, to expand into new markets and to develop new product features in order to mitigate the impact of changes in demand as well as broaden our sales base.

General corporate and other items

Insurance recoveries – We have agreements with certain insurance carriers pursuant to which the carriers reimburse us for a portion of our past lead pigment and asbestos litigation defense costs. Insurance recoveries include amounts we received from these insurance carriers. We recognized $5.2 million in insurance recoveries in the first nine months of 2019 related primarily to a settlement we reached with one of our insurance carriers in which they agreed to reimburse us for a portion of our past and future litigation defense costs.

The agreements with certain of our insurance carriers also include reimbursement for a portion of our future litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. Accordingly, these insurance recoveries are recognized when the receipt is probable and the amount is determinable. See Note 14 to our Condensed Consolidated Financial Statements.

Litigation settlement expense – We recognized a pre-tax $62.0 million and $19.3 million litigation settlement expense in the first nine months of 2018 and 2019, respectively, related to the lead pigment litigation in California. See Note 14 to our Condensed Consolidated Financial Statements.

Corporate expense – Corporate expenses were $3.4 million in the third quarter of 2019, $1.8 million higher than in the third quarter of 2018 primarily due to higher environmental remediation and related costs in 2019. Included in corporate expense in the third quarter of 2018 and 2019 are:

- litigation fees and related costs of $1.4 million in 2019 compared to $1.1 million in 2018, and
- environmental remediation and related costs of $.1 million in 2019 compared to environmental remediation and related credit of $1.6 million in 2018.

Corporate expenses were $9.1 million in the first nine months of 2019, $5.3 million lower than in the first nine months of 2018 primarily due to lower litigation fees and related costs and lower environmental remediation and related costs in 2019. Included in corporate expense in the first nine months of 2018 and 2019 are:

- litigation fees and related costs of $3.3 million in 2019 compared to $5.1 million in 2018, and
- environmental remediation and related benefit of $.6 million in 2019 compared to costs of $2.7 million in 2018.

The level of our litigation fees and related costs varies from period to period depending upon, among other things, the number of cases in which we are currently involved, the nature of such cases and the current stage of such cases (e.g. discovery, pre-trial motions, trial or appeal, if applicable). See Note 14 to our Condensed Consolidated Financial Statements. If our current expectations regarding the number of cases in which we expect to be involved during 2019 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 2019, 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 14 to our Condensed Consolidated Financial Statements.

Overall, we currently expect that our net general corporate expenses in 2019 will be lower than in 2018 primarily due to lower expected litigation fees and related costs and lower environmental remediation and related costs.

Interest and dividend income – Interest and dividend income increased $.3 million in the third quarter and $1.6 million in the first nine months of 2019 compared to the prior year periods primarily due to higher interest earned on cash and cash equivalents and restricted cash and cash equivalents and CompX’s revolving promissory note receivable from Valhi. Interest income on such note receivable from Valhi was $.5 million and $.6 million in the third quarters of 2018 and 2019, respectively, and $1.6 million and $1.8 million in the first nine months of 2018 and 2019, respectively. We also recognized $.6 million of accrued interest income on the insurance recovery receivable in the second quarter of 2019.

Marketable equity securities – Our loss on marketable equity securities was $35.6 million and $15.3 million in the third quarters of 2018 and 2019, respectively, and $55.9 million and $.4 million in the first nine months of 2018 and 2019, respectively.

Income tax expense (benefit) – We recognized an income tax benefit of $2.3 million in the third quarter of 2019 compared to an income tax benefit of $6.2 million in the third quarter of 2018 and an income tax expense of $.9 million in the first nine months of 2019 compared to an income tax benefit of $15.4 million in the first nine months of 2018. 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. 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 $18.0 million in the first nine months of 2018 and $19.0 million in the first nine months of 2019.

Our effective tax rate attributable to our equity in earnings of Kronos, including the effect of the non-taxable dividends we received from Kronos was 4.2% in the first nine months of 2019 and 13.3% in the first nine months of 2018. Such decrease is primarily attributable to the net effects of Kronos’ lower earnings in the first nine months of 2019 as compared to the first nine months of 2018 and the impact of the income tax benefit related to the non-taxable dividends received from Kronos. See Note 12 to our Condensed Consolidated Financial Statements for more information about our 2019 income tax items, including a tabular reconciliation of our statutory tax expense (benefit) to our actual expense (benefit).

Noncontrolling interest – Noncontrolling interest in net income of CompX is consistent in the first nine months of 2018 and 2019. The noncontrolling interest we recognize in each period is directly related to the level of earnings at CompX for the period.

Equity in earnings of Kronos Worldwide, Inc.

	Three months ended September 30,		%	Nine months ended September 30,		%
	2018	**2019**	**Change**	**2018**	**2019**	**Change**
	(In millions)			**(In millions)**		
Net sales	$ 410.3	**$ 437.4**	**7 %**	$ 1,312.5	**$ 1,358.4**	**3 %**
Cost of sales	291.2	**349.7**	**20**	846.8	**1,051.9**	**24**
Gross margin	$ 119.1	**$ 87.7**		$ 465.7	**$ 306.5**	
Income from operations	$ 58.1	**$ 33.1**	**(43)**	$ 285.5	**$ 128.6**	**(55)**
Interest and dividend income	1.5	**1.4**		3.7	**5.2**	
Marketable equity securities	(4.3)	**(1.9)**		(6.7)	**(.1)**	
Other components of net periodic pension and OPEB cost	(3.7)	**(3.8)**		(11.3)	**(11.4)**	
Interest expense	(4.9)	**(4.6)**		(14.7)	**(14.1)**	
Income before income taxes	46.7	**24.2**		256.5	**108.2**	
Income tax expense	14.1	**6.3**		75.5	**30.5**	
Net income	$ 32.6	**$ 17.9**		$ 181.0	**$ 77.7**	
Percentage of net sales:						
Cost of sales	71 %	**80 %**		65 %	**77 %**	
Income from operations	14	**8**		22	**9**	
Equity in earnings of Kronos Worldwide, Inc.	$ 9.9	**$ 5.4**		$ 55.0	**$ 23.6**	
TiO_2 operating statistics:						
Sales volumes*	123	**144**	**17 %**	385	**445**	**16 %**
Production volumes*	131	**136**	**4**	400	**406**	**1**
Change in TiO_2 net sales:						
TiO_2 product pricing			**(5) %**			**(7) %**
TiO_2 sales volumes			**17**			**16**
TiO_2 product mix/other			**(3)**			**(3)**
Changes in currency exchange rates			**(2)**			**(3)**
Total			**7 %**			**3 %**

* Thousands of metric tons

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

Current industry conditions

Kronos started 2019 with average TiO_2 selling prices 3% lower than at the beginning of 2018. Kronos' average TiO_2 selling prices declined in the first quarter of 2019 compared to the fourth quarter of 2018 before beginning to rise in the second and third quarters of 2019. Kronos' average TiO_2 selling prices at the end of the third quarter of 2019 were 2% higher than at the end of the second quarter of 2019 and were comparable to the end of 2018. Kronos experienced higher sales volumes in all major markets in the first nine months of 2019 as compared to the same period of 2018.

Kronos operated its production facilities at overall average capacity utilization rates of 97% in the first nine months of 2019 compared to 95% in the first nine months of 2018. The table below lists Kronos' comparative quarterly production capacity utilization rates.

	Production Capacity Utilization Rates	
	2018	**2019**
First quarter	95%	97%
Second quarter	97%	97%
Third quarter	92%	97%

Primarily due to a rise in the cost of third-party feedstock Kronos procured in 2018 and 2019, its cost of sales per metric ton of TiO_2 sold in the first nine months of 2019 was higher as compared to the first nine months of 2018 (excluding the effect of changes in currency exchange rates).

Net sales – Kronos' net sales in the third quarter of 2019 increased 7%, or $27.1 million, compared to the third quarter of 2018 primarily due to the net effect of a 5% decrease in average TiO_2 selling prices (which decreased net sales by approximately $21 million) and a 17% increase in sales volumes (which increased net sales by approximately $70 million). 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 17% in the third quarter of 2019 as compared to the third quarter of 2018 primarily due to higher sales in all major markets. In addition to the impact of changes in average TiO_2 selling prices and sales volumes, Kronos estimates that changes in currency exchange rates (primarily the euro) decreased its net sales by approximately $9 million in the third quarter of 2019 as compared to the third quarter of 2018.

Kronos' net sales in the first nine months of 2019 increased 3%, or $45.9 million, compared to the first nine months of 2018 primarily due to the net effect of a 7% decrease in average TiO_2 selling prices (which decreased net sales by approximately $92 million) and a 16% increase in sales volumes (which increased net sales by approximately $210 million). 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 16% in the first nine months of 2019 as compared to the first nine months of 2018 primarily due to higher sales in all major markets. In addition to the impact of changes in average TiO_2 selling prices and sales volumes, Kronos estimates that changes in currency exchange rates decreased its net sales by approximately $41 million as compared to the first nine months of 2018.

Cost of sales and gross margin – Kronos' cost of sales increased $58.5 million, or 20%, in the third quarter of 2019 compared to the third quarter of 2018 due to the net effect of a 17% increase in sales volumes, higher raw materials and other production costs of approximately $24 million (primarily caused by higher third-party feedstock costs) and currency fluctuations (primarily the euro). Kronos' cost of sales as a percentage of net sales increased to 80% in the third quarter of 2019 compared to 71% in the same period of 2018 primarily due to the unfavorable effects of lower average selling prices and higher raw materials and other production costs, as discussed above.

Gross margin as a percentage of net sales decreased to 20% in the third quarter of 2019 compared to 29% in the third quarter of 2018. As discussed and quantified above, Kronos' gross margin decreased primarily due to the net effect of lower average selling prices, higher sales volumes and higher raw materials and other production costs.

Kronos' cost of sales increased $205.1 million, or 24%, in the first nine months of 2019 compared to the same period in 2018 primarily due to the net impact of a 16% increase in sales volumes, higher raw materials and other production costs of approximately $101 million (including higher costs for third-party feedstock, energy and other raw materials) and currency fluctuations (primarily the euro). Kronos' cost of sales as a percentage of net sales increased to 77% in the first nine months of 2019 compared to 65% in the same period of 2018 primarily due to the unfavorable effects of lower average selling prices and higher raw materials and other production costs, as discussed above.

Gross margin as a percentage of net sales decreased to 23% in the first nine months of 2019 compared to 35% in the first nine months of 2018. As discussed and quantified above, Kronos' gross margin decreased primarily due to the net effect of lower average selling prices, higher sales volumes and higher raw materials and other production costs.

Other operating income and expense, net – Kronos' selling, general and administrative expense in the third quarter and first nine months of 2019 was comparable to the same prior year periods.

Income from operations – Kronos' income from operations decreased by $25.0 million, or 43%, in the third quarter of 2019 compared to the third quarter of 2018. Income from operations as a percentage of net sales decreased to 8% in the third quarter of 2019 from 14% in the same period of 2018. This decrease was driven by the lower gross margin discussed above. Kronos estimates that changes in currency exchange rates increased income from operations by approximately $6 million in the third quarter of 2019 as compared to the same period in 2018, as discussed below.

Kronos income from operations decreased by $156.9 million, or 55%, in the first nine months of 2019 compared to the first nine months of 2018. Income from operations as a percentage of net sales decreased to 9% in the first nine months of 2019 from 22% in the same period of 2018. This decrease was driven by the decrease in gross margin discussed above. Kronos estimates that changes in currency exchange rates increased income from operations by approximately $5 million in the first nine months of 2019 as compared to the same period in 2018.

Other non-operating income (expense) – Kronos' loss on marketable equity securities was $4.3 million and $1.9 million in the third quarters of September 30, 2018 and 2019, respectively. Other components of net periodic pension and OPEB cost in the third quarter of 2019 was comparable to the third quarter of 2018 and Kronos expects this comparability of pension and OPEB cost to continue throughout 2019. Kronos' interest expense in the third quarter of 2019 was also comparable to the third quarter of 2018 and Kronos currently expects its interest expense for all of 2019 to be comparable to 2018.

Kronos' loss on marketable equity securities was $6.7 million and $.1 million for the first nine months of 2018 and 2019, respectively. Other components of net periodic pension and OPEB cost in the first nine months of 2019 was comparable to the first nine months of 2018. Interest expense in the first nine months of 2019 was comparable to the first nine months of 2018.

Income tax expense – Kronos recognized income tax expense of $6.3 million in the third quarter of 2019 compared to income tax expense of $14.1 million in the third quarter of 2018. Kronos recognized income tax expense of $30.5 million in the first nine months of 2019 compared to income tax expense of $75.5 million in the first nine months of 2018. The difference is primarily due to lower earnings in 2019. 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 generally expects its overall effective tax rate to be higher than the U.S. federal statutory tax rate of 21% primarily because of its sizeable non-U.S. operations.

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 its 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 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, (ii) changes in currency exchange rates during time periods when its non-U.S. operations are holding non-local currency (primarily U.S. dollars), and (iii) relative changes in the aggregate fair value of currency forward contracts held from time to time. Kronos periodically uses currency forward contracts to manage a portion of its currency exchange risk, and relative changes in the aggregate fair value of any currency forward contracts it holds from time to time serve in part to mitigate the currency transaction gains or losses Kronos would otherwise recognize from the first two items described above.

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

Impact of changes in currency exchange rates
Three months ended September 30, 2019 vs September 30, 2018

	Transaction gains/(losses) recognized			Translation losses - impact of rate changes	Total currency impact 2019 vs 2018
	2018	2019	Change		
			(In millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ (9)	$ (9)
Income from operations	(1)	6	7	(1)	6

The $9 million decrease in net sales (translation loss) was caused primarily by a strengthening of the U.S. dollar relative to the euro, as Kronos' euro-denominated sales were translated into fewer U.S. dollars in 2019 as compared to 2018. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2019 did not have a significant effect on the reported amount of Kronos' net sales, as a substantial portion of the sales generated by its Canadian and Norwegian operations are denominated in the U.S. dollar.

The $6 million increase in income from operations was comprised of the following:

- Approximately $7 million from net currency transaction gains primarily caused by relative changes in currency exchange rates at each applicable balance sheet date between the U.S. dollar and 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
- Approximately $1 million from net currency translation losses primarily caused by the strengthening of the U.S. dollar relative to the euro, which had a negative effect on income from operations in 2019 as compared to 2018, as the negative impact of the stronger U.S. dollar on euro-denominated sales more than offset the favorable effect of euro-denominated operating costs being translated into fewer U.S. dollars in 2019 as compared to 2018, partially offset by such translation as it related to the U.S. dollar relative to the Norwegian krone, as its local currency-denominated operating costs were translated into fewer U.S. dollars in 2019 as compared to 2018.

Impact of changes in currency exchange rates
Nine months ended September 30, 2019 vs September 30, 2018

	Transaction gains recognized			Translation gains (losses)- impact of rate changes	Total currency impact 2019 vs 2018
	2018	2019	Change		
			(In millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ (41)	$ (41)
Income from operations	4	6	2	3	5

The $41 million decrease in net sales (translation loss) was caused primarily by a strengthening of the U.S. dollar relative to the euro, as Kronos' euro-denominated sales were translated into fewer U.S. dollars in 2019 as compared to 2018. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2019 did not have a significant effect on the reported amount of Kronos' net sales, as a substantial portion of the sales generated by its Canadian and Norwegian operations are denominated in the U.S. dollar.

The $5 million increase in income from operations was comprised of the following:

- Approximately $2 million from net currency transaction gains primarily caused by relative changes in currency exchange rates at each applicable balance sheet date between the U.S. dollar and the euro, 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
- Approximately $3 million from net currency translation gains primarily caused by the strengthening of the U.S. dollar relative to the Canadian dollar and Norwegian krone, as its local currency-denominated operating costs were translated into fewer U.S. dollars in 2019 as compared to 2018, partially offset by such translation, as it related to the U.S. dollar relative to the euro, which had a negative effect on income from operations in 2019 as compared to 2018, as the negative impact of the stronger U.S. dollar on euro-denominated sales more than offset the favorable effect of euro-denominated operating costs being translated into fewer U.S. dollars in 2019 as compared to 2018.

Outlook

Kronos expects its production volumes in 2019 to be slightly higher as compared to 2018 production volumes. Assuming global economic conditions remain stable and based on anticipated production levels, Kronos also expects its 2019 sales volumes to be higher as compared to 2018 sales volumes. Kronos will continue to monitor current and anticipated near-term customer demand levels and align its production and inventories accordingly.

The cost of third-party feedstock Kronos purchased in the last half of 2018 and first nine months of 2019 was higher as compared to the first half of 2018 and such higher cost feedstock was reflected in Kronos' results of operations in 2019. Consequently, Kronos' cost of sales per metric ton of TiO_2 sold in the first nine months of 2019 was higher than its per-metric ton cost in the first nine months of 2018 (excluding the effect of changes in currency exchange rates). Kronos expects its cost of sales per metric ton of TiO_2 sold in 2019 to be higher than its per-metric ton cost in 2018 primarily due to higher feedstock costs.

Kronos started 2019 with average TiO_2 selling prices 3% lower than the beginning of 2018, and average selling prices at the end of the third quarter of 2019 were comparable to the end of 2018. Average TiO_2 selling prices declined by 4% in the first quarter of 2019, then improved by 2% in each of the second and third quarters of 2019. Supplies of certain grades of TiO_2 remain tight, while inventories of certain other grades are adequate. Considering all of the foregoing factors, including rising raw material costs, and anticipating seasonal demand fluctuations as we enter the fourth calendar quarter, we expect selling prices to remain stable during the remainder of 2019.

Overall, Kronos expects its sales in 2019 will be higher as compared to 2018, principally as a result of the favorable impact of higher expected sales volumes partially offset by the unfavorable impact of lower expected average selling prices (primarily during the first half of the year). In addition, Kronos expects its income from operations in 2019 will be lower as compared to 2018, as the favorable impact of higher expected sales volumes would be more than offset by the unfavorable impact of lower expected average selling prices and higher raw material and other operating costs in 2019.

Due to the constraints of high capital costs and extended lead time associated with adding significant new TiO_2 production capacity, especially for premium grades of TiO_2 products produced from the chloride process, Kronos believes increased and sustained profit margins will be necessary to financially justify major expansions of TiO_2 production capacity required to meet expected future growth in demand. Substantial expansions of TiO_2 production capacity generally take several years before such production becomes available to meet demand growth.

Kronos' expectations for its future operating results are based upon a number of factors beyond its control, including worldwide growth of gross domestic product, competition in the marketplace, continued operation of competitors, unexpected or earlier-than-expected capacity additions or reductions and technological advances. If actual developments differ from Kronos' expectations, its results of operations could be unfavorably affected.

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 $17.4 million in the first nine months of 2019 compared to $22.3 million in the first nine months of 2018. The $4.9 million net decrease in cash provided by operating activities includes the net effects of:

- cash payment of $25.0 million for the first installment of the litigation settlement;
- lower net cash used for relative changes in receivables, inventories, payables and accrued liabilities in 2019 of $17.9 million primarily due to the reclassification of $15.6 million from accrued insurance recovery receivable to noncurrent restricted cash;
- higher cash received for insurance recoveries in 2019 of $4.6 million;
- lower cash received for income tax refunds of $1.5 million;
- higher dividends received from Kronos in 2019 of $1.0 million;
- lower income from operations from CompX in 2019 of $.7 million; and
- a $.5 million increase in interest received in 2019 (net of accrued interest at December 31, 2018 and September 30, 2019, respectively).

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.

	Nine months ended September 30,	
	2018	**2019**
	(In millions)	
Net cash provided by operating activities:		
CompX	$ 12.8	**$ 12.5**
NL Parent and wholly-owned subsidiaries	11.1	**7.2**
Eliminations	(1.6)	**(2.3)**
Total	$ 22.3	**$ 17.4**

Relative changes in working capital can have a significant effect on cash flows from operating activities. As shown below, our average days sales outstanding from December 31, 2018 to September 30, 2019 were comparable and in line with our expectations. Our total average number of days in inventory increased from December 31, 2018 to September 30, 2019 due to increased inventory at Security Products primarily due to the timing of raw material purchases and an intentional raw material inventory build related to product lines in which certain components require long lead-times. For comparative purposes, we have provided December 31, 2017 and September 30, 2018 numbers below.

	December 31, 2017	**September 30, 2018**	**December 31, 2018**	**September 30, 2019**
Days sales outstanding	38 days	40 days	40 days	41 days
Days in inventory	79 days	76 days	80 days	85 days

Investing activities

Our capital expenditures were $2.5 million in the first nine months of 2019 compared to $2.0 million in the first nine months of 2018. During the first nine months of 2019, Valhi borrowed a net $2.7 million under the promissory note ($28.1 million of gross borrowings and $25.4 million of gross repayments). During the first nine months of 2018, Valhi repaid a net $5.2 million under the promissory note ($39.0 million of gross borrowings and $44.2 million of gross repayments).

Financing activities

Cash flows from financing activities in the first nine months of each of 2018 and 2019 consist of CompX dividends paid to its stockholders other than us.

Outstanding debt obligations

At September 30, 2019, 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 September 30, 2019. See Note 8 to our Condensed Consolidated Financial Statements.

Kronos' North American and European revolvers and its senior secured notes 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 contains other provisions and restrictive covenants customary in lending transactions of this type. 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, certain 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, certain 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' European revolving credit facility also requires the maintenance of certain financial ratios, and one of such requirements is based on the ratio of net debt to the last twelve months EBITDA of the borrowers. Kronos is in compliance with all of its debt covenants at September 30, 2019. Kronos believes that it will be able to continue to comply with the financial covenants contained in its credit facilities through their 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 September 30, 2019, we had aggregate cash, cash equivalents and restricted cash of $137.6 million, substantially all of which was held in the U.S. A detail by entity is presented in the table below.

	Amount (In millions)
CompX	$ 50.2
NL Parent and wholly-owned subsidiaries	87.4
Total	$ 137.6

In addition, at September 30, 2019 we owned 14.4 million shares of Valhi common stock with an aggregate market value of $27.3 million. See Note 4 to our Condensed Consolidated Financial Statements. We also owned 35.2 million shares of Kronos common stock at September 30, 2019 with an aggregate market value of $435.7 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 September 30, 2020) 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 September 30, 2019, we had $.5 million in outstanding borrowings under this facility, and we had $49.5 million available for future borrowing. See Note 8 to our Condensed Consolidated Financial Statements.

Capital expenditures

Firm purchase commitments for capital projects in process at September 30, 2019 totaled $.6 million. CompX's 2019 capital investments are limited to those expenditures required to meet our expected customer demand and those required to properly maintain our facilities and technology infrastructure.

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 2019, based on the number of shares of common stock of these affiliates we own as of September 30, 2019 and their current regular quarterly dividend rate, is presented in the table below.

	Shares held	Quarterly dividend rate	Annual expected dividend
	(In millions)		(In millions)
Kronos	35.2	$ .18	$ 25.4
CompX	10.8	.07	3.0
Valhi	14.4	.02	1.1
Total expected annual dividends			$ 29.5

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.

Off-balance sheet financing arrangements

We are not party to any material off-balance sheet financing arrangements.

Commitments and contingencies

There have been no material changes in our contractual obligations, with the exception of the Santa Clara global settlement agreement discussed in Note 14 to our Condensed Consolidated Financial Statements, since we filed our 2018 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 2018 Annual Report, or in Note 14 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 16 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 2018 Annual Report. There have been no changes in our critical accounting policies during the first nine months of 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk, including currency exchange rates, interest rates and security prices. There have been no material changes in these market risks since we filed our 2018 Annual Report, and we refer you to Part I, Item 7A. –"Quantitative and Qualitative Disclosure about Market Risk" in our 2018 Annual Report. See also Note 15 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 Robert D. Graham, our Vice Chairman of the Board and Chief Executive Officer and Amy Allbach Samford, our Vice President and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of September 30, 2019. 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 September 30, 2019 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 matter discussed below, refer to Note 14 to our Condensed Consolidated Financial Statements, our 2018 Annual Report and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.

Refined Metals Corporation v. NL Industries, Inc. In August 2019, the federal court of appeals affirmed both the trial court's dismissal of all federal claims and its finding that the federal court lacked jurisdiction to rule on the state law claims. In October 2019, Refined Metals informed us that they had filed a new complaint in Indiana state court asserting only state law claims. NL will continue to deny liability and will vigorously defend against all claims in the new complaint.

Item 1A. Risk Factors

For a discussion of the risk factors related to our businesses, refer to Part I, Item 1A., "Risk Factors," in our 2018 Annual Report. There have been no material changes to such risk factors during the nine months ended September 30, 2019.

Item 6. Exhibits

31.1	Certification
31.2	Certification
32.1	Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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: November 7, 2019

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

Date: November 7, 2019

/s/ Patty S. Brinda
Patty S. Brinda
(Vice President and Controller,
Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Robert D. Graham, 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: November 7, 2019

/s/Robert D. Graham

Robert D. Graham
Vice Chairman of the Board
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: November 7, 2019

/s/ Amy Allbach Samford
Amy Allbach Samford
Vice President and Chief Financial Officer

EXHIBIT 32.1

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 September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert D. Graham, Chief Executive Officer of the Company, and I, Amy Allbach Samford, 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/ Robert D. Graham
Robert D. Graham
Vice Chairman of the Board
and Chief Executive Officer

/s/ Amy Allbach Samford
Amy Allbach Samford
Vice President and Chief Financial Officer

November 7, 2019

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.