VALHI INC /DE/
Form 10-Q
May 09, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 2018

Commission file number 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	87-0110150 (IRS Employer Identification No.)
5430 LBJ Freeway, Suite 1700, Dallas, Texas (Address of principal executive offices)	75240-2620 (Zip Code)

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

Indicate by check mark:

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (don't check if smaller reporting company)	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.

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 outstanding on April 30, 2018: 339,170,949

VALHI, INC. AND SUBSIDIARIES

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

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2017	March 31, 2018 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 435.7	$ 478.8
Restricted cash equivalents	16.1	15.4
Marketable securities	3.0	.6
Accounts and other receivables, net	365.8	416.5
Land held for development	16.5	8.4
Inventories, net	398.4	447.3
Other current assets	15.5	15.2
Current assets of discontinued operations	11.2	—
Total current assets	1,262.2	1,382.2
Other assets:		
Marketable securities	255.7	258.1
Investment in TiO_2 manufacturing joint venture	86.5	79.6
Goodwill	379.7	379.7
Deferred income taxes	119.8	112.9
Other assets	174.1	189.6
Noncurrent assets of discontinued operations	40.8	—
Total other assets	1,056.6	1,019.9
Property and equipment:		
Land	47.0	48.2
Buildings	261.6	264.0
Equipment	1,150.8	1,200.0
Mining properties	35.0	35.3
Construction in progress	58.3	33.3
	1,552.7	1,580.8
Less accumulated depreciation	964.0	985.2
Net property and equipment	588.7	595.6
Total assets	$ 2,907.5	$ 2,997.7

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2017	March 31, 2018 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1.6	$ 1.6
Accounts payable and accrual liabilities	257.1	290.0
Income taxes	25.1	32.9
Current liabilities of discontinued operations	47.3	—
Total current liabilities	331.1	324.5
Noncurrent liabilities:		
Long-term debt	1,041.5	1,089.4
Deferred income taxes	183.2	169.1
Payable to affiliates	70.1	70.1
Accrued pension costs	266.4	272.0
Accrued environmental remediation and related costs	110.7	101.6
Accrued postretirement benefits costs	11.3	10.9
Other liabilities	73.6	79.3
Noncurrent liabilities of discontinued operations	52.9	—
Total noncurrent liabilities	1,809.7	1,792.4
Equity:		
Valhi stockholders' equity:		
Preferred stock	667.3	667.3
Common stock	3.6	3.6
Additional paid-in capital	—	—
Retained earnings (deficit)	(17.9)	67.3
Accumulated other comprehensive loss	(179.0)	(170.2)
Treasury stock, at cost	(49.6)	(49.6)
Total Valhi stockholders' equity	424.4	518.4
Noncontrolling interest in subsidiaries	342.3	362.4
Total equity	766.7	880.8
Total liabilities and equity	$ 2,907.5	$ 2,997.7

Commitments and contingencies (Notes 14 and 17)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended March 31, 2017	2018
	(unaudited)	
Revenues and other income:		
Net sales	$405.3	$466.0
Other income, net	7.6	20.4
Total revenues and other income	412.9	486.4
Costs and expenses:		
Cost of sales	288.7	280.7
Selling, general and administrative	63.5	80.2
Other components of net periodic pension and OPEB expense	4.1	3.7
Interest	14.5	15.4
Total costs and expenses	370.8	380.0
Income from continuing operations before income taxes	42.1	106.4
Income tax expense	18.6	36.2
Net income from continuing operations	23.5	70.2
Income (loss) from discontinued operations, net of tax	(1.7)	37.6
Net income	21.8	107.8
Noncontrolling interest in net income of subsidiaries	9.1	18.5
Net income attributable to Valhi stockholders	$12.7	$89.3
Amounts attributable to Valhi stockholders:		
Income from continuing operations	$14.4	$51.7
Income (loss) from discontinued operations	(1.7)	37.6
Net income attributable to Valhi stockholders	$12.7	$89.3
Basic and diluted net income per share:		
Income from continuing operations	$.04	$.15
Income from discontinued operations	—	.11
Net income attributable to Valhi stockholders	$.04	$.26
Cash dividends per share	$.02	$.02
Basic and diluted weighted average shares outstanding	342.0	342.0

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Three months ended March 31,	
	2017	2018
	(unaudited)	
Net income	$21.8	$107.8
Other comprehensive income (loss), net of tax:		
Currency translation	7.5	9.8
Marketable securities	(.3)	(.1)
Interest rate swap	.5	—
Defined benefit pension plans	2.8	2.6
Other postretirement benefit plans	(.2)	(.3)
Total other comprehensive income, net	10.3	12.0
Comprehensive income	32.1	119.8
Comprehensive income attributable to noncontrolling interest	11.8	21.7
Comprehensive income attributable to Valhi stockholders	$20.3	$98.1

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three months ended March 31,	
	2017	2018
	(unaudited)	
Cash flows from operating activities:		
Net income	$21.8	$107.8
Depreciation and amortization	16.6	14.5
Benefit plan expense greater than cash funding	3.4	.5
Deferred income taxes	2.5	37.2
Gain on sale of WCS	—	(58.4)
Gain on land sales	—	(12.5)
Distributions from (contributions to) $Ti0_2$ manufacturing joint venture, net	(3.1)	5.5
Other, net	.8	1.6
Change in assets and liabilities:		
Accounts and other receivables, net	(27.7)	(40.9)
Inventories, net	(12.4)	(41.8)
Land held for development, net	(1.1)	(1.4)
Accounts payable and accrued liabilities	16.1	23.0
Accounts with affiliates	4.7	3.4
Income taxes	4.7	7.5
Other, net	10.2	1.7
Net cash provided by operating activities	36.5	47.7
Cash flows from investing activities:		
Capital expenditures	(13.7)	(16.9)
Cash, cash equivalents and restricted cash and cash equivalents of discontinued operations at time of sale	—	(28.9)
Capitalized permit costs	(.3)	—
Proceeds from sale of land	—	19.5
Purchases of marketable securities	(2.8)	(3.5)
Disposals of marketable securities	4.6	3.4
Other, net	.1	.6
Net cash used in investing activities	(12.1)	(25.8)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	53.3	—
Principal payments	(18.1)	(2.5)
Deferred financing costs paid	(.2)	—
Valhi cash dividends paid	(6.8)	(6.8)
Distributions to noncontrolling interest in subsidiaries	(3.5)	(3.9)
Other	.1	—
Net cash provided by (used in) financing activities	24.8	(13.2)

Cash, cash equivalents and restricted cash and cash equivalents - net change from:		
Operating, investing and financing activities	49.2	8.7
Effect of exchange rates on cash	1.2	5.4
Balance at beginning of period	196.5	489.4
Balance at end of period	$246.9	$503.5
Supplemental disclosures:		
Cash paid for:		
Interest, net of capitalized interest	$14.7	$19.4
Income taxes, net	4.5	13.7
Noncash investing activities:		
Change in accruals for capital expenditures	4.2	1.8
Noncash financing activities:		
Trade payable to affiliate converted to indebtedness	—	36.3
Indebtedness borrowings paid directly to lender to settle refinanced indebtedness	9.3	—
Indebtedness principal payments paid directly by lender	(8.4)	—
Indebtedness borrowings paid directly to lender for debt issuance costs	(.9)	—

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Three months ended March 31, 2018

(In millions)

(unaudited)

	Valhi Stockholders' Equity							
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Treasury stock	Non-controlling interest	Total equity
Balance at December 31, 2017	$667.3	$ 3.6	$ —	$ (17.9)	$ (179.0)	$ (49.6)	$ 342.3	$766.7
Change in accounting principle – ASU 2014-09	—	—	—	2.7	—	—	2.3	5.0
Balance at January 1, 2018, as adjusted	667.3	3.6	—	(15.2)	(179.0)	(49.6)	344.6	771.7
Net income	—	—	—	89.3	—	—	18.5	107.8
Other comprehensive income, net	—	—	—	—	8.8	—	3.2	12.0
Cash dividends	—	—	—	(6.8)	—	—	(3.9)	(10.7)
Balance at March 31, 2018	$667.3	$ 3.6	$ —	$ 67.3	$ (170.2)	$ (49.6)	$ 362.4	$880.8

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

(unaudited)

Note 1—Organization and basis of presentation:

Organization— We are majority owned by a wholly-owned subsidiary of Contran Corporation ("Contran"), which owns approximately 93% of our outstanding common stock at March 31, 2018. All of Contran's outstanding voting stock is held by a family trust established for the benefit of Lisa K. Simmons and Serena Simmons Connelly and their children, for which Ms. Simmons and Ms. Connelly are co-trustees, or is held directly by Ms. Simmons and Ms. Connelly or entities related to them. Consequently, Ms. Simmons and Ms. Connelly may be deemed to control Contran and us.

Basis of Presentation—Consolidated in this Quarterly Report are the results of our majority-owned and wholly-owned subsidiaries, including NL Industries, Inc., Kronos Worldwide, Inc., CompX International Inc., Tremont LLC, Basic Management, Inc. ("BMI") and The LandWell Company ("LandWell"). Kronos (NYSE: KRO), NL (NYSE: NL), and CompX (NYSE MKT: CIX) each file periodic reports with the Securities and Exchange Commission ("SEC"). In January 2018, we sold Waste Control Specialists LLC ("WCS"). See Note 3.

The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 that we filed with the SEC on March 15, 2018 (the "2017 Annual Report"). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments, other than the gain on the sale of WCS recognized in the first quarter of 2018 as discussed in Note 3), 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, 2017 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, 2017) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our results of operations for the interim period ended March 31, 2018 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 2017 Consolidated Financial Statements contained in our 2017 Annual Report.

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

Note 2—Business segment information:

Business segment	Entity	% controlled at March 31, 2018	
Chemicals	Kronos	80	%
Component products	CompX	87	%
Real estate management and development	BMI and LandWell	63% - 77	%

Our control of Kronos includes 50% we hold directly and 30% held directly by NL. We own 83% of NL. Our control of CompX is through NL. We own 63% of BMI. Our control of LandWell includes the 27% we hold directly and 50% held by BMI.

	Three months ended March 31, 2017	2018
	(unaudited)	
Net sales:		
Chemicals	$369.8	$430.4
Component products	29.9	28.4
Real estate management and development	5.6	7.2
Total net sales	$405.3	$466.0
Cost of sales:		
Chemicals	$264.2	$256.1
Component products	20.3	18.9
Real estate management and development	4.2	5.7
Total cost of sales	$288.7	$280.7
Gross margin:		
Chemicals	$105.6	$174.3
Component products	9.6	9.5
Real estate management and development	1.4	1.5
Total gross margin	$116.6	$185.3
Operating income:		
Chemicals	$59.1	$110.6
Component products	4.5	4.4
Real estate management and development	.5	3.8
Total operating income	64.1	118.8
General corporate items:		
Securities earnings	7.0	8.3
Insurance recoveries	.1	.2
Gain on land sales	—	12.5
Other components of net periodic pension and OPEB expense	(4.1)	(3.7)
General expenses, net	(10.5)	(14.3)
Interest expense	(14.5)	(15.4)
Income from continuing operations before income taxes	$42.1	$106.4

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

Note 3—Business disposition — Waste Control Specialists LLC:

Pursuant to an agreement we entered into in December 2017, on January 26, 2018 we completed the sale of our Waste Management Segment to JFL-WCS Partners, LLC ("JFL Partners"), an entity sponsored by certain investment affiliates of J.F. Lehman & Company, for consideration consisting of the assumption of all of WCS' third-party indebtedness and other liabilities. Our Waste Management Segment, which operated in the low-level radioactive, hazardous, toxic and other waste disposal industry historically struggled to generate sufficient recurring disposal volumes to generate positive operating results or cash flows. We believe the sale will enable us to focus more effort on continuing to develop our remaining segments which we believe have greater opportunity for higher returns than our Waste Management segment.

In accordance with GAAP, the Waste Management Segment has been classified as discontinued operations in our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income for all periods presented. Also in accordance with GAAP, we have not reclassified our Condensed Consolidated Statement of Cash Flows to reflect the Waste Management Segment as discontinued operations. We recognized a pre-tax gain of approximately $58 million in the first quarter of 2018 on the transaction ($38.2 million, or $.11 per diluted share, net of tax) because the carrying value of the liabilities of the business assumed by the purchaser exceeded the carrying value of the assets sold at the time of the sale in large part due to the previously-reported long-lived asset impairment of $170.6 million recognized in the second quarter of 2017, as discussed in the 2017 Annual Report. The net assets of the disposed Waste Management Segment at the time we completed the sale on January 26, 2018 were not materially different as compared to December 31, 2017. Selected financial data for the operations of the disposed Waste Management Segment for periods prior to completing the sale is presented below. Current assets at December 31, 2017 consist principally of trade accounts receivable.

	December 31, 2017 (In millions)
ASSETS	
Current assets	$ 11.2
Restricted cash	27.2
Property and equipment, net	6.0
Other noncurrent assets	7.6
Total noncurrent assets	40.8
Total assets	$ 52.0
LIABILITIES	
Current portion of long-term debt	$ 3.0
Payable to Contran	36.1
Other current liabilities	8.2
Total current liabilities	47.3
Long-term debt	65.0
Deferred income taxes	(43.8)
Accrued noncurrent closure and post closure costs	31.7
Total noncurrent liabilities	52.9
Total liabilities	$ 100.2

	Three months ended March 31,	
	2017	2018[(1)]
	(In millions)	
Net sales	$21.5	$4.6
Operating income (loss)	$.6	$(.4)
Other expense, net	(1.9)	—
Interest expense, net	(1.2)	(.3)
Loss before taxes	(2.5)	(.7)
Income tax expense (benefit)	(.8)	.1
Net loss	(1.7)	(.6)
Pre-tax gain on disposal	—	58.4
Income tax expense	—	20.2
After-tax gain on disposal	—	38.2
Total	$(1.7)	$37.6

Net cash provided by operating activities	$7.2	$2.3
Net cash provided by (used in) investing activities	$(.5)	$(.1)

(1) Includes results of the Waste Management Segment though January 26, 2018, the date of the sale.

In connection with the January 2018 sale, JFL Partners did not assume WCS' trade payable owed to Contran, which consisted primarily of intercorporate service fees charged to WCS by Contran which WCS did not pay to Contran for several years. Immediately prior to the closing of the sale of WCS, Contran transferred its associated receivable of $36.3 million from WCS to Valhi, in return for a deemed $36.3 million borrowing by Valhi under its revolving credit facility with Contran, see Note 8. Valhi subsequently contributed such receivable from WCS to WCS's equity, and the trade payable obligation of WCS was deemed paid in full.

Note 4—Accounts and other receivables, net:

	December 31, 2017	March 31, 2018
	(In millions)	
Trade accounts receivable:		
Kronos	$301.4	$347.3
CompX	10.5	12.7
BMI and LandWell	1.6	1.0
VAT and other receivables	20.7	23.4
Refundable income taxes	.5	.2
Receivable from affiliates:		
Contran – trade items	1.0	.9
Contran – income taxes	19.4	19.7
LPC – trade items	8.9	9.3
Other – trade items	3.3	3.5
Allowance for doubtful accounts	(1.5)	(1.5)
Total	$365.8	$416.5

Note 5—Inventories, net:

	December 31, 2017	March 31, 2018
	(In millions)	
Raw materials:		
Chemicals	$106.9	$105.4
Component products	2.7	2.8
Total raw materials	109.6	108.2
Work in process:		
Chemicals	20.8	37.1
Component products	9.8	10.7
Total in-process products	30.6	47.8
Finished products:		
Chemicals	192.2	220.6
Component products	2.8	2.9
Total finished products	195.0	223.5
Supplies (chemicals)	63.2	67.8
Total	$398.4	$447.3

Note 6—Marketable securities:

Our marketable securities consist of marketable equity and debt securities. Prior to 2018, any unrealized gains or losses on equity securities were recognized through other comprehensive income, net of deferred income taxes. Beginning on January 1, 2018 with the adoption of Accounting Standards Update ("ASU") 2016-01, our marketable equity securities will continue to be carried at fair value as noted above, but any unrealized gains or losses on the securities are now recognized as a component of other income included in the securities transactions, net on our Condensed Consolidated Statements of Income. See Note 19.

	Market value	Cost basis	Unrealized losses, net
	(In millions)		
December 31, 2017:			
Current assets	$3.0	3.0	—
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$250.0	250.0	—
Other	5.7	5.9	(.2)
Total	$255.7	255.9	(.2)
March 31, 2018:			
Current assets	$.6	.6	—
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$250.0	250.0	—
Other	8.1	8.3	(.2)
Total	$258.1	258.3	(.2)

All of our marketable securities are accounted for as available-for-sale, which are carried at fair value using quoted market prices, primarily Level 1 inputs as defined by ASC Topic 820, Fair Value Measurements and Disclosures, except for our investment in The Amalgamated Sugar Company LLC (“Amalgamated”). Our investment in Amalgamated is measured using significant unobservable inputs, which are Level 3 inputs. Please refer to Note 6 in our 2017 Annual Report for a complete description of the valuation methodology for our investment in Amalgamated. There have been no changes to the carrying value of this investment during the periods presented. See Note 18. Our other marketable securities, which consist of marketable equity and debt securities, are not material.

Note 7—Other noncurrent assets:

	December 31, 2017	March 31, 2018
	(In millions)	
Other noncurrent assets:		
Land held for development	$126.6	$128.9
Restricted cash	9.9	9.3
Land contract receivables	—	9.9
IBNR receivables	6.8	6.8
Pension asset	4.2	6.2
Notes receivable - OPA	—	3.1
Other	26.6	25.4
Total	$174.1	$189.6

Land contract receivables classified as a noncurrent asset relate to our Real Estate Management and Development Segment. Such receivables relate to certain fees we collect from builders when the builder sells a home to a customer, as discussed in Note 19.

As disclosed in Note 18 to our 2017 Annual Report under an Owner Participation Agreement ("OPA") entered into by LandWell with the Redevelopment Agency of the City of Henderson, Nevada, if LandWell develops certain real property for commercial and residential purposes in a master planned community in Henderson, Nevada, the cost of certain public infrastructure may be reimbursed to us through tax increment. The maximum reimbursement under the OPA is $209 million, and is subject to, among other things, completing construction of approved qualifying public infrastructure, transferring title of such infrastructure to the City of Henderson, receiving approval from the Redevelopment Agency of the funds expended to be eligible for tax increment reimbursement and the existence of a sufficient property tax valuation base and property tax rates in order to generate tax increment reimbursement funds. We are entitled to receive 75% of the tax increment generated by the master planned community through 2036, subject to the qualifications and limitations indicated above. Public infrastructure costs previously incurred for which the Redevelopment Agency had provided its approval for tax increment reimbursement but we had not yet received such reimbursement through tax increment receipts aggregated $3.1 million at December 31, 2017. Such amount is evidenced by a promissory note issued to LandWell by the City of Henderson.

Prior to 2018, due to the significant uncertainty of the timing and amount of any of such potential tax increment reimbursements, we recognized any such tax increment reimbursements only when received. However, due to growth in the master planned community and the increase in tax increment funds to which we are entitled, we determined in the first quarter of 2018 we expected the tax increment reimbursements to be collected in the future would at least be sufficient to support recognizing the $3.1 million note payable issued by the City of Henderson to us. The note payable bears interest at 6% annually and the note expires in 2036. Any unpaid balances in 2036 are forfeit. See Note 13.

Note 8—Long-term debt:

	December 2017	March 31, 2018
	(In millions)	
Valhi:		
Snake River Sugar Company	$250.0	$250.0
Contran credit facility	284.3	320.6
Total Valhi debt	534.3	570.6
Subsidiary debt:		
Kronos:		
Senior Secured Notes	471.1	485.0
Tremont:		
Promissory note payable	13.1	10.9
BMI:		
Bank loan – Western Alliance Bank	18.8	18.8
LandWell:		
Note payable to the City of Henderson	2.5	2.5
Other	3.3	3.2
Total subsidiary debt	508.8	520.4
Total debt	1,043.1	1,091.0
Less current maturities	1.6	1.6
Total long-term debt	$1,041.5	$1,089.4

Valhi – Contran credit facility – In connection with the sale of WCS discussed in Note 3, immediately prior to the closing of the sale, Contran transferred its associated receivable of $36.3 million from WCS to Valhi, in return for a deemed $36.3 million borrowing by Valhi under its revolving credit facility with Contran. The average interest rate on the existing balance as of and for the three months ended March 31, 2018 was 5.75% and 5.53%, respectively. At March 31, 2018, the equivalent of $39.4 million was available for borrowing under this facility.

Kronos – Senior Secured Notes - At March 31, 2018, the carrying value of Kronos' 3.75% Senior Secured Notes due September 15, 2025 (€400 million aggregate principal amount outstanding) is stated net of unamortized debt issuance costs of $7.5 million.

North American and European revolving credit facilities– During the first three months of 2018, Kronos had no borrowings or repayments under its North American revolving credit facility and its European revolving credit facility. At March 31, 2018, approximately $115.2 million was available for additional borrowing under the North American Revolving credit facility. Kronos' European revolving credit facility requires the maintenance of certain financial ratios, and one of such requirements is based on the ratio of net debt to last twelve months earnings before income tax, interest, depreciation and amortization expense (EBITDA) of the borrowers. Based upon the borrowers' last twelve months EBITDA as of March 31, 2018 and the net debt to EBITDA financial test, the full €90.0 million of the credit facility ($110.8 million) is available for borrowing availability at such date.

Tremont – Promissory note payable – In January 2018, and following Tremont's sale of certain land held for investment, discussed in Note 13, Tremont prepaid (without penalty) $2.2 million principal amount on the note as required under the terms of the note agreement.

Restrictions and other – Certain of the credit facilities with unrelated, third-party lenders described above require the respective borrowers to maintain minimum levels of equity, require the maintenance of certain financial ratios, limit dividends and additional indebtedness and contain other provisions and restrictive covenants customary in lending transactions of this type. We are in compliance with all of our debt covenants at March 31, 2018.

Note 9—Accounts payable and accrued liabilities:

	December 31, 2017	March 31, 2018
	(In millions)	
Accounts payable:		
Kronos	$107.9	$117.3
CompX	2.3	2.8
BMI and LandWell	3.7	3.5
NL	1.8	1.2
Other	.4	.4
Payable to affiliates:		
Contran – trade items	—	.1
LPC – trade items	16.2	13.8
Employee benefits	36.3	36.8
Deferred income	28.3	24.7
Accrued sales discounts and rebates	14.3	28.8
Environmental remediation and related costs	6.8	19.7
Interest	5.5	1.3
Other	33.6	39.6
Total	$257.1	$290.0

Note 10—Other noncurrent liabilities:

	December 31, 2017	March 31, 2018
	(In millions)	
Reserve for uncertain tax positions	$16.5	$16.9
Deferred income	15.7	18.4
Employee benefits	8.4	8.7
Insurance claims and expenses	9.1	9.4
Deferred payment obligation	9.3	9.4
Accrued development costs	6.1	7.5

Other	8.5	9.0
Total	$73.6	$79.3

Note 11 – Revenue Recognition

Chemicals and Component Products Segments - Our sales involve single performance obligations to ship our products pursuant to customer purchase orders. In some cases, the purchase order is supported by an underlying master sales agreement, but our purchase order acceptance generally evidences the contract with our customer by specifying the key terms of product and quantity ordered, price and delivery and payment terms. Effective January 1, 2018 with the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), see Note 19, we record revenue when we satisfy our performance obligations to our customers by transferring control of our products to them, which generally occurs at point of shipment or upon delivery. Such transfer of control is also evidenced by transfer of legal title and other risks and rewards of ownership (giving the customer the ability to direct the use of, and obtain substantially all of the benefits of, the product), and our customers becoming obligated to pay us and such payment being probable of occurring. In certain arrangements we provide shipping and handling activities after the transfer of control to our customer (e.g. when control transfers prior to delivery). In such arrangements shipping and handling are considered fulfillment activities, and accordingly, such costs are accrued when the related revenue is recognized.

Revenue is recorded in an amount that reflects the net consideration we expect to receive in exchange for our products. Prices for our products are based on terms specified in published list prices and purchase orders, which generally do not include financing components, noncash consideration or consideration paid to our customers. As our standard payment terms are less than one year, we have elected the practical expedient under ASC 606 and we have not assessed whether a contract has a significant financing component. We state sales net of price, early payment and distributor discounts as well as volume rebates (collectively, variable consideration).   Variable consideration, to the extent present, is recognized as the amount to which we are most-likely to be entitled, using all information (historical, current and forecasted) that is reasonably available to us, and only to the extent that a significant reversal in the amount of the cumulative revenue recognized is not probable of occurring in a future period.   Differences, if any, between estimates of the amount of variable consideration to which we will be entitled and the actual amount of such variable consideration have not been material in the past. We report any tax assessed by a governmental authority that we collect from our customers that is both imposed on and concurrent with our revenue-producing activities (such as sales, use, value added and excise taxes) on a net basis (meaning we do not recognize these taxes either in our revenues or in our costs and expenses).

Frequently, we receive orders for products to be delivered over dates that may extend across reporting periods. We invoice for each delivery upon shipment and recognize revenue for each distinct shipment when all sales recognition criteria for that shipment have been satisfied. As scheduled delivery dates for these orders are within a one year period, under the optional exemption provided by ASC 606, we do not disclose sales allocated to future shipments of partially completed contracts.

Real Estate Management and Development Segment – Our sales involve providing utility services, among other things, to an industrial park located in Henderson, Nevada and we are responsible for the delivery of water to the city of Henderson and various other users through a water distribution system we own. These sales involve single performance obligations and we record revenue when we satisfy our performance obligations to our customers generally after the service is performed and our customers become obligated to pay us and such payment being probable of occurring. Revenue is recorded in an amount that reflects the net consideration we expect to receive in exchange for our services. Prices for our products are based on contracted rates and do not include financing components, noncash consideration or consideration paid to our customers. As our standard payment terms are less than one year, we have elected the practical expedient under ASC 606 and we have not assessed whether a contract has a significant financing component.

Our revenues also are related to efforts to develop certain real estate in Henderson, Nevada, including approximately 2,100 acres zoned for residential/planned community purposes and approximately 400 acres zoned for commercial and light industrial use. Contracts for land sales are negotiated on an individual basis, involve single performance obligations, and generally require us to complete property development and improvements after title passes to the buyer and we have received all or a substantial portion of the selling price. We recognize land sales revenue associated with the residential/planned community over time using cost based input methods. Land sales associated with the residential/planned community have variable consideration components which are based on a percentage of the builder's ultimate selling price of residential housing unit to their customer (generally 3.5% of such sales price). The amount we recognize when a parcel is sold to a home builder is the amount to which we are most-likely to be entitled, using all information (historical, current and forecasted) that is reasonably available to us, and only to the extent that a significant reversal in the amount of the cumulative revenue recognized is not probable of occurring in a future period. By recognizing revenue over time using cost based input methods, revenues (including variable consideration) and profits are recognized in the same proportion of our progress towards completion of our contractual obligations, with our progress measured by costs incurred as a percentage of total costs estimated to be incurred relative to the parcels sold. Estimates of total costs expected to be incurred require significant management judgment, and the amount of revenue and profits that have been recognized to date are subject to revisions throughout the development period. The impact on the amount of revenue recognized resulting from any future change in the estimate of total costs estimated to be incurred would be accounted for prospectively in accordance with GAAP. We also receive variable consideration of 1% tied to the builders ultimate selling price to their customers which is intended to recover our expenses for marketing the entire residential/planned community. Because we control and direct the marketing campaign we recognize both the revenues and expenses on a gross basis. We record estimated deferred revenue on the amount to which we are most-likely to be entitled and deferred revenue is recognized into revenue as the housing units are sold.

Disaggregation of sales–The following table disaggregates the net sales of our Chemicals Segment the categories that depict how the nature, amount timing and uncertainty of revenue and cash flows are affected by economic factors (as required by ASC 606).

	Three months ended March 31,	
	2017	2018
	(In millions)	
Net sales – point of origin:		
Germany	$ 183.6	$234.5
United States	205.7	196.8
Canada	77.9	71.6
Belgium	58.1	69.7
Norway	47.3	53.1
Eliminations	(202.8)	(195.3)
Total	$369.8	$430.4
Net sales – point of destination:		
Europe	$179.7	$233.9
North America	124.0	127.0
Other	66.1	69.5
	$369.8	$430.4

The following table disaggregates the net sales of our Component Products and Real Estate Management and Development Segments by major product line.

	Three months ended March 31,	
	2017	2018
	(In millions)	
Component Products: Net sales:		
Security products	$26.0	$24.1
Marine components	3.9	4.3
	$29.9	$28.4
Real Estate Management and Development: Net sales:		
Land sales	$3.7	$5.8
Water delivery	1.3	.9
Utility and other	.6	.5
	$5.6	$7.2

Note 12—Employee benefit plans:

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

	Three months ended March 31, 2017	2018
	(In millions)	
Service cost	$ 2.7	$ 3.0
Interest cost	3.8	4.0
Expected return on plan assets	(3.2)	(4.0)
Amortization of unrecognized prior service cost	.1	.1
Recognized actuarial losses	3.6	3.8
Total	$ 7.0	$ 6.9

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

	Three months ended March 31, 2017	2018
	(In millions)	
Interest cost	$ .1	$ .1
Amortization of prior service credit	(.2)	(.3)
Recognized actuarial gains	(.1)	—
Total	$ (.2)	$ (.2)

Upon the adoption of ASU ASU 2017-07, Compensation— Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, our net periodic defined benefit pension cost and other postretirement benefit cost, other than the service cost component, is presented as a separate line item ("Other components of net periodic pension and OPEB expense") in our Condensed Consolidated Statements of Income for all periods presented. See Note 19. We expect to contribute the equivalent of approximately $18.9 million and $1.0 million, respectively, to all of our defined benefit pension plans and other postretirement benefit plans during 2018.

Note 13—Other income, net:

	Three months ended March 31, 2017	2018
	(In millions)	
Securities earnings:		
Dividends and interest	$ 7.0	$ 8.3
Currency transactions, net	(.2)	(5.0)
Insurance recoveries	.1	.2
Infrastructure reimbursement	.2	3.8
Gain on land sales	—	12.5
Other, net	.7	.6
Total	$ 7.6	$ 20.4

Insurance recoveries reflect, in part, amounts NL received from certain of its former insurance carriers and relate to the recovery of prior lead pigment and asbestos litigation defense costs incurred by NL. See Note 17.

Infrastructure reimbursement costs relate principally to tax increment reimbursements of our Real Estate Management and Development Segment discussed in Note 7.

In the first quarter of 2018 we sold two parcels of land not used in our operating activities. We sold the first parcel for net proceeds of $18.9 million, and recognized a pre-tax gain on the sale of $11.9 million. We were required under our debt agreement with NERT to use a portion of the net proceeds received for the property to pay down our note balance and accordingly we made $2.2 million in principal payments on our debt, see Note 8. In addition NL sold excess property with a nominal book value for proceeds of $.6 million.

Note 14—Income taxes:

	Three months ended March 31,	
	2017	2018
	(In millions)	
Expected tax expense, at U.S. federal statutory income tax rate of 35% in 2017 and 21% in 2018	$14.7	$22.4
Incremental net tax on earnings and losses of non-U.S. and non-tax group companies	11.2	4.1
Non-U.S. tax rates	(2.4)	7.0
Valuation allowance	(5.0)	.3
Adjustment to the reserve for uncertain tax positions, net	.5	1.6
Canada – Germany APA	—	(1.4)
Nondeductible expenses	.4	.4
Domestic production activities deduction	(.6)	—
U.S. state income taxes and other, net	(.2)	1.8
Income tax expense	$18.6	$36.2
Comprehensive provision for		

income taxes (benefit) allocable to:		
Income from continuing operations	$ 18.6	$ 36.2
Discontinued operations	(.8)	20.1
Retained earnings – change in accounting principle	—	1.1
Other comprehensive income (loss):		
Currency translation	1.8	1.4
Pension plans	.9	1.5
OPEB plans	(.1)	(.1)
Interest rate swap	.4	—
Marketable securities	(.1)	—
Total	$ 20.7	$ 60.2

The amount shown in the above table of our income tax rate reconciliation for non-U.S. tax rates represents the result determined by multiplying the pre-tax earnings or losses of each of our non-U.S. subsidiaries by the difference between the applicable statutory income tax rate for each non-U.S. jurisdiction and the U.S. federal statutory tax rate of 35% in 2017 and 21% in 2018. The amount shown on such table for incremental net tax (benefit) on earnings and losses on non-U.S. and non-tax group companies includes, as applicable, (i) deferred income taxes (or deferred income tax benefits) associated with the current-year change in the aggregate amount of undistributed earnings of our Chemicals Segment's Canadian subsidiary and, beginning in 2018, the post-1986 undistributed earnings of our Chemicals Segment's European subsidiaries (such post-1986 undistributed earnings were subject to a permanent reinvestment plan until December 31, 2017), (ii) current U.S. income taxes (or current income tax benefit), including U.S. personal holding company tax, as applicable, attributable to current-year income (losses) of one of Kronos' non-U.S. subsidiaries, which subsidiary is treated as a dual resident for U.S. income tax purposes, to the extent the current-year income (losses) of such subsidiary is subject to U.S. income tax under the U.S. dual-resident provisions of the Internal Revenue Code, (iv) deferred income taxes associated with our direct investment in Kronos and (v) current and deferred income taxes associated with distributions and earnings from our investment in LandWell and BMI.

Our Chemicals Segment has substantial net operating loss (NOL) carryforwards in Germany (the equivalent of $652 million for German corporate purposes and $.5 million for German trade tax purposes at December 31, 2017) and in Belgium (the equivalent of $50 million for Belgian corporate tax purposes at December 31, 2017), all of which have an indefinite carryforward period. As a result, we have net deferred income tax assets with respect to these two jurisdictions, primarily related to these NOL carryforwards. The German corporate tax is similar to the U.S. federal income tax, and the German trade tax is similar to the U.S. state income tax. As discussed in the 2017 Annual Report, commencing June 30, 2015, we concluded that we were required to recognize a non-cash deferred income tax asset valuation allowance under the more-likely-than-not recognition criteria with respect to our Chemicals Segment's German and Belgian net deferred income tax assets at such date. We continued to conclude such losses did not meet the more-likely-than-not recognition criteria through March 31, 2017, and during the first quarter of 2017 Kronos recognized an aggregate non-cash deferred income tax benefit of $5.0 million as a result of a net decrease in such deferred income tax asset valuation allowance, due to utilizing a portion of both the German and Belgian NOL during the period. As also discussed in the 2017 Annual Report, at June 30, 2017, we concluded we had sufficient positive evidence under the more-likely-than-not recognition criteria to support reversal of the entire valuation allowance related to our Chemicals Segment's German and Belgian operations.

As discussed in the 2017 Annual Report, on December 22, 2017, the 2017 Tax Act was enacted into law. This new tax legislation, among other changes, (i) reduced the U.S. Federal corporate income tax rate from 35% to 21% effective January 1, 2018;

(ii) implemented a territorial tax system and imposed a one-time repatriation tax ("Transition Tax") on the deemed repatriation of the post-1986 undistributed earnings of non-U.S. subsidiaries accumulated up through December 31, 2017, regardless of whether such earnings are repatriated; (iii) eliminated U.S. tax on future non-U.S. earnings (subject to certain exceptions); (iv) eliminated the domestic production activities deduction beginning in 2018; (v) eliminated the net operating loss carryback and provides for an indefinite carryforward period subject to an 80% annual usage limitation; (vi) allows for the expensing of certain capital expenditures; (vii) imposed a tax on global intangible low-tax income ("GILTI") beginning in 2018; (viii) imposed a base erosion anti-abuse tax ("BEAT") beginning in 2018; and (vi) amended the rules limiting the deduction for business interest expense beginning in 2018. Following the enactment of the 2017 Tax Act, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 118 to provide guidance on the accounting and reporting impacts of the 2017 Tax Act. SAB 118 states that companies should account for changes related to the 2017 Tax Act in the period of enactment if all information is available and the accounting can be completed. In situations where companies do not have enough information to complete the accounting in the period of enactment, a company must either 1) record an estimated provisional amount if the impact of the change can be reasonably estimated; or 2) continue to apply the accounting guidance that was in effect immediately prior to the 2017 Tax Act if the impact of the change cannot be reasonably estimated. If estimated provisional amounts are recorded, SAB 118 provides a measurement period of no longer than one year during which companies should adjust those amounts as additional information becomes available in the reporting period within the measurement period in which such adjustment is determined.

Under GAAP, we are required to revalue our net deferred tax liability associated with our U.S. net deductible temporary differences in the period in which the new tax legislation is enacted based on deferred tax balances as of the enactment date, to reflect the effect of such reduction in the corporate income tax rate. Our temporary differences as of December 31, 2017 were not materially different from our temporary differences as of the enactment date, accordingly revaluation of our net taxable temporary differences was based on our net deferred tax as of December 31, 2017. Such revaluation resulted in a provisional non-cash deferred income tax benefit of $77.1 million recognized as of December 31, 2017 in continuing operations, reducing our net deferred income tax liability. The amounts recorded as of December 31, 2017 as a result of the 2017 Tax Act represent estimates based on information currently available. We have not made any additional measurement-period adjustments to the provisional amounts recorded for this item during the first quarter of 2018 because we are still waiting on additional guidance that may impact the income tax effects of the new legislation recognized at December 31, 2017. We will complete our accounting for this item within the prescribed measurement period ending December 22, 2018, pursuant to the guidance under SAB 118, and if we determine an adjustment to the provisional amount recognized at December 31, 2017 is required, we will recognize such adjustment in the reporting period within the SAB 118 measurement period in which such adjustment is determined.

Prior to the enactment of the 2017 Tax Act, the undistributed earnings of our European subsidiaries were deemed to be permanently reinvested (we had not made a similar determination with respect to the undistributed earnings of our Canadian subsidiary). Pursuant to the Transition Tax provisions imposing a one-time repatriation tax on post-1986 undistributed earnings, we recognized a provisional current income tax expense of $76.2 million in the fourth quarter of 2017. The amounts recorded as of December 31, 2017 as a result of the 2017 Tax Act represent estimates based on information currently available. We elected to pay such tax over an eight year period beginning in 2018, including approximately $6.1 million which was paid in April 2018 and is netted with our current receivables from affiliates (income taxes receivable from Contran) classified as a current asset in our Condensed Consolidated Balance Sheet, and the remaining $70.1 million is recorded as a noncurrent payable to affiliate (income taxes payable to Contran) classified as a noncurrent liability in our Condensed Consolidated Balance Sheet and will be paid in increments over the remainder of the eight year period. We have not made any measurement-period adjustments to the provisional amounts recorded for this item during the first quarter of 2018 because no new information became available during the period that required an adjustment. We are continuing to gather information and await further guidance, primarily from the state jurisdictions in which we operate, and given the complexities of these new rules and the long time period over which information about our subsidiaries is needed, further guidance is necessary in order to determine the amount of the Transition Tax, which may impact the amount of the Transition Tax recognized in the fourth quarter of 2017. We will complete our accounting for this item within the prescribed measurement period ending December 22, 2018, pursuant to the guidance under SAB 118, and if we determine an adjustment to the provisional amount recognized at December 31, 2017 is required, we will recognize such adjustment in the reporting period within the SAB 118 measurement period in which such adjustment is determined.

Prior to the enactment of the 2017 Tax Act the undistributed earnings of our European subsidiaries were deemed to be permanently reinvested (we had not made a similar determination with respect to the undistributed earnings of our Canadian subsidiary). As a result of the implementation of a territorial tax system under the 2017 Tax Act, effective January 1, 2018, and the Transition Tax which in effect taxes the post-1986 undistributed earnings of our non-U.S. subsidiaries accumulated up through December 31, 2017, we determined effective December 31, 2017 that all of the post-1986 undistributed earnings of our European subsidiaries are not permanently reinvested. Accordingly, in the fourth quarter of 2017 we recognized an aggregate provisional non-cash deferred income tax expense of $5.3 million based on our reasonable estimates of the U.S. state and non-U.S. income tax and withholding tax liability attributable to all of such previously-considered permanently reinvested undistributed earnings through December 31, 2017. The amounts recorded as of December 31, 2017 as a result of the 2017 Tax Act represent estimates based on information currently available. We have not made any measurement-period adjustments to the provisional amounts recorded at

December 31, 2017 for this item during the first quarter of 2018. However, we recorded a provisional non-cash deferred income tax expense of $.8 million for the estimated U.S. state and non-U.S. income tax and withholding tax liability attributable to the 2018 undistributed earnings of our non-U.S. subsidiaries in the first quarter of 2018. We are continuing our review of certain other provisions under the 2017 Tax Act and waiting on further guidance primarily from the state jurisdictions in which we operate that may impact our determination of the aggregate temporary differences attributable to our investments in our non-U.S. subsidiaries. We will complete our accounting for this item within the prescribed measurement period ending December 22, 2018, pursuant to the guidance under SAB 118., and if we determine an adjustment to the provisional amount recognized at December 31, 2017 and March 31, 2018 are required, we will recognize such adjustment in the reporting period within the SAB 118 measurement period in which such adjustment is determined.

Under U.S. GAAP, as it relates to the new GILTI tax rules, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”) or (2) factoring such amounts into the measurement of our deferred taxes (the “deferred method”). Our selection of an accounting policy related to the GILTI tax provisions will depend, in part, on analyzing our global income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. While our future global operations depend on a number of different factors, we do expect to have future U.S. inclusions in taxable income related to GILTI. As such, we performed an analysis of GILTI’s impact on our provision and determined the impact is not material. Because the impact is not material to our tax provision, we have not recorded any adjustments related to potential GILTI tax in our financial statements in the first quarter of 2018. Further, we have not made a policy decision regarding whether to record deferred taxes on GILTI or record GILTI tax as a current-period expense when incurred. We will complete our policy election for this item within the prescribed measurement period ending December 22, 2018, pursuant to the guidance under SAB 118 and if we determine such policy election impacts our provision, we will recognize an adjustment in the reporting period within the SAB 118 measurement period in which such adjustment is determined. Similarly, we have evaluated the tax impact of BEAT on our tax provision in the first quarter of 2018 and determined that the tax law has no material impact on our tax provision as we have historically not entered into international payments between related parties that are unrelated to cost of goods sold.

The 2017 Tax Act amended the rules limiting the deduction for business interest expense beginning in 2018. The limitation applies to all taxpayers and our annual deduction for business interest expense is limited to the sum of our business interest income and 30% of our adjusted taxable income as defined under the 2017 Tax Act. Any business interest expense not allowed as a deduction as a result of the limitation may be carryforward indefinitely and is treated as interest paid in the carryforward year subject to the respective year’s limitation. We have determined that our interest expense for 2018 is limited under these provisions, in part because of the loss we recognized on the sale of WCS for income tax purposes. We have concluded that we are required to recognize a non-cash deferred income tax asset valuation allowance under the more-likely-than-not recognition criteria with respect to a portion of our deferred tax asset attributable to the nondeductible amount of business interest expense carryforward. Consequently, our provision for income taxes in the first quarter of 2018 includes a non-cash deferred income tax expense of $5.9 million for the amount of such deferred income tax asset that we have determined does not meet the more-likely-than-not recognition criteria. In accordance with the ASC 740 guidance regarding intra-period allocation of income taxes, such non-cash deferred income tax expense is classified as part of the income taxes associated with the pre-tax gain we recognized for financial reporting purposes on the sale of WCS, which is classified as part of discontinued operations as discussed in Note 3.

We recognize deferred income taxes with respect to the excess of the financial reporting carrying amount over the income tax basis of our direct investment in Kronos common stock because the exemption under GAAP to avoid such recognition of deferred income taxes is not available to us. At December 31, 2017, we had recognized a deferred income tax liability with respect to our direct investment in Kronos of $157.6 million. There is a maximum amount (or cap) of such deferred income taxes we are required to recognize with respect to our direct investment in Kronos. The maximum amount of such deferred income tax liability we would be required to have recognized (the cap) is $173.0 million. During the first quarter of 2018, we recognized a non-cash deferred income tax expense with respect to our direct investment in Kronos of $3.6 million for the increase in the deferred income taxes required to be recognized with respect to the excess of the financial reporting carrying amount over the income tax basis of our direct investment in Kronos common stock, to the extent such increase related to our equity in Kronos' net income during such period. We recognized a similar non-cash deferred income tax expense of $10 million in the first quarter of 2017. A portion of the net change with respect to the excess of the financial reporting carrying amount over the income tax basis of our direct investment in Kronos common stock during such periods related to our equity in Kronos' other comprehensive income (loss) items, and the amounts shown in the table above for income tax expense (benefit) allocated to other comprehensive income (loss) items includes amounts related to our equity in Kronos' other comprehensive income (loss) items. Due to uncertainties and complexities of the new legislation, we are still evaluating the impact of the one-time deemed repatriation of the post-1986 undistributed earnings of our non-U.S. subsidiaries up through December 31, 2017 as it relates to the income tax basis of our direct investment in Kronos. Our deferred income tax liability with respect to our direct investment in Kronos and the deferred income taxes recognized at December 31, 2017 and March 31, 2018 represents our reasonable estimate and, in accordance with the guidance in SAB 118, such amounts are provisional and subject to adjustment as we obtain additional information and complete our analysis of the impact of the new legislation as it relates to the income tax basis of our direct investment in Kronos. We made no adjustments to the provisional amounts recorded at December 31, 2017 as it relates to the income tax basis of our direct investment in Kronos at such date in the first quarter of 2018. We will complete our accounting for these items within the prescribed measurement period ending December 22, 2018, pursuant to the guidance under SAB 118 and if such estimates change, we will recognize an adjustment in the reporting period within the measurement period in which such adjustment is determined.

We believe we have adequate accruals for additional taxes and related interest expense which could ultimately result from tax examinations. We believe the ultimate disposition of tax examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. We currently estimate that our unrecognized tax benefits will decrease by approximately $1.8 million during the next twelve months primarily due to certain adjustments to our prior year returns and the expiration of certain statutes of limitations.

Note 15—Noncontrolling interest in subsidiaries:

	December 31, 2017	March 31, 2018
	(In millions)	
Noncontrolling interest in net assets:		
Kronos Worldwide	$204.9	$217.5
NL Industries	71.1	74.1
CompX International	17.8	18.2
BMI	26.0	27.5
LandWell	22.5	25.1
Total	$342.3	$362.4

	Three months ended March 31, 2017	2018
	(In millions)	
Noncontrolling interest in net income of subsidiaries:		
Kronos Worldwide	$7.2	$13.8
NL Industries	1.4	2.4
CompX International	.4	.5
BMI	—	.6
LandWell	.1	1.2
Total	$9.1	$18.5

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Note 16—Accumulated other comprehensive loss:

Changes in accumulated other comprehensive income (loss) attributable to Valhi stockholders for the three months ended March 31, 2017 and 2018 are presented in the table below.

	Three months ended March 31,	
	2017	2018
	(In millions)	
Accumulated other comprehensive income (loss), net of tax and noncontrolling interest:		
Marketable securities:		
Balance at beginning of period	$1.7	$1.7
Other comprehensive income– unrealized losses arising during the period	—	(.1)
Balance at end of period	$1.7	$1.6
Interest rate swap:		
Balance at beginning of period	$(1.2)	$—
Other comprehensive income:		
Reclassification adjustment for amounts included in interest expense	.4	—
Balance at end of period	$(.8)	$—
Currency translation adjustment:		
Balance at beginning of period	$(88.5)	$(54.1)
Other comprehensive income	5.4	7.2
Balance at end of period	$(83.1)	$(46.9)
Defined benefit pension plans:		
Balance at beginning of period	$(137.0)	$(129.0)
Other comprehensive income— amortization of prior service cost and net losses included in net periodic pension cost	2.0	1.9
Balance at end of period	$(135.0)	$(127.1)
OPEB plans:		
Balance at beginning of period	$3.1	$2.4
Other comprehensive loss – amortization of prior service credit	(.2)	(.2)
Balance at end of period	$2.9	$2.2
Total accumulated other comprehensive income (loss):		
Balance at beginning of period	$(221.9)	$(179.0)
Other comprehensive income	7.6	8.8

Balance at end of period	$(214.3)	$(170.2)

See Note 12 for amounts related to our defined benefit pension plans and OPEB plans.

Note 17 – Commitments and contingencies:

Lead pigment litigation – NL

NL's former operations included the manufacture of lead pigments for use in paint and lead-based paint. NL, 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 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, including the Santa Clara case, we believe liability to us that may result, if any, in this regard cannot be reasonably estimated, because:

- NL has 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,
- no final, non-appealable adverse verdicts have ever been entered against NL (subject to the final outcome of the Santa Clara case discussed below), and
- NL has never ultimately been found liable with respect to any such litigation matters, including over 100 cases over a twenty-year period for which we were previously a party and for which we have been dismissed without any finding of liability (subject to the final outcome of the Santa Clara case discussed below).

Accordingly, we have not accrued any amounts for any of the pending lead pigment and lead-based paint litigation cases filed by or on behalf of states, counties, cities or their public housing authorities and school districts, or those asserted as class actions and 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 one of these lead pigment cases, in April 2000 NL was served with a complaint in 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) brought by a number of California government entities against former lead pigment manufacturers, the LIA and certain paint manufacturers. The County of Santa Clara sought to recover compensatory damages for funds the plaintiffs had expended or would in the future expend for medical treatment, educational expenses, abatement or other costs due to exposure to, or potential exposure to, lead paint, disgorgement of profit, and punitive damages. In July 2003, the trial judge granted defendants' motion to dismiss all remaining claims. Plaintiffs appealed and the intermediate appellate court reinstated public nuisance, negligence, strict liability, and fraud claims in March 2006. A fourth amended complaint was filed in March 2011 on behalf of The People of California by the County Attorneys of Alameda, Ventura, Solano, San Mateo, Los Angeles and Santa Clara, and the City Attorneys of San Francisco, San Diego and Oakland. That complaint alleged that the presence of lead paint created a public nuisance in each of the prosecuting jurisdictions and sought its abatement. In July and August 2013, the case was tried. In January 2014, the judge issued a judgment finding NL, The Sherwin Williams Company and ConAgra Grocery Products Company jointly and severally liable for the abatement of lead paint in pre-1980 homes, and ordered the defendants to pay an aggregate $1.15 billion to the people of the State of California to fund such abatement. The trial court's judgment also found that to the extent any abatement funds remained unspent after four years, such funds were to be returned to the defendants. In February 2014, NL filed a motion for a new trial, and in March 2014 the trial court denied the motion. Subsequently in March 2014, NL filed a notice of appeal with the Sixth District Court of Appeal for the State of California. On November 14, 2017, the Sixth District Court of Appeal issued its opinion, upholding the trial court's judgment, except that it reversed the portion of the judgment requiring abatement of homes built between 1951 and 1980 which significantly reduced the number of homes subject to the abatement order. In addition, the appellate court ordered the case be remanded to the trial court to recalculate the amount of the abatement fund, to limit it to the amount necessary to cover the cost of investigating and remediating pre-1951 homes, and to hold an evidentiary hearing to appoint a suitable receiver. In addition, the appellate court found that NL and the other defendants had the right to seek recovery from liable parties that contributed to a hazardous condition at a particular property. Subsequently, NL and the other defendants filed a Petition with the California Supreme Court seeking its review of a number of issues. On February 14, 2018, the California Supreme Court denied such petition. NL and the other defendants have indicated they intend to file an appeal with the U.S. Supreme Court, seeking its review of two federal issues in the trial court's original judgment. Review by the U.S. Supreme Court is discretionary, and there can be no assurance that the U.S. Supreme Court would agree to hear any such appeal that we and the other defendants would file, or if they would agree to hear any such appeal, that the U.S. Supreme Court would rule in favor of NL and the other defendants. NL and the other defendants intend to seek a stay of the case in the trial court, pending its appeal to the U.S. Supreme Court. Granting of such a stay by the appellate court is discretionary. If no such stay is issued, the remand to the trial court would proceed, and under such remand the trial court would, among other things, (i) recalculate the amount of the abatement fund, excluding remediation of homes built between 1951 and 1980, (ii) hold an evidentiary hearing to appoint a suitable receiver for the abatement fund and (iii) enter an order setting forth its rulings on these issues. NL believes any party will have a right to appeal any of these new decisions made by the trial court from the remand of the case.

The Santa Clara case is unusual in that this is the second time that an adverse verdict in the lead pigment litigation has been entered against NL (the first adverse verdict against NL was ultimately overturned on appeal). Given the appellate court's November 2017 ruling, and the denial of an appeal by the California Supreme Court, we have concluded that the likelihood of a loss in this case has reached a standard of "probable" as contemplated by ASC 450. However, we have also concluded that the amount of such loss cannot be reasonably estimated at this time (nor can a range of loss be reasonably estimated) because, among other things:

- The appellate court has remanded the case back to the trial court to recalculate the total amount of the abatement, limiting the abatement to pre-1951 homes. Until the trial court has completed such recalculation, NL and the other defendants have no basis to estimate a liability;
- The appellate court upheld NL's and the other defendants' right to seek contribution from other liable parties (e.g. property owners who have violated the applicable housing code) on a house-by-house basis. The method by which the trial court would undertake to determine such house-by-house responsibility, and the outcome of such a house-by-house determination, is not presently known;
- Participation in any abatement program by each homeowner is voluntary, and each homeowner would need to consent to allowing someone to come into the home to undertake any inspection and abatement, as well as consent to the nature, timing and extent of any abatement. The original trial court's judgment unrealistically assumed 100% participation by the affected homeowners. Actual participation rates are likely to be less than 100% (the ultimate extent of participation is not presently known);
- The remedy ordered by the trial court is an abatement fund. The trial court ordered that any funds unspent after four years are to be returned to the defendants (this provision of the trial court's original judgment was not overturned by the appellate court). As noted above, the actual number of homes which would participate in any abatement, and the nature, timing and extent of any such abatement, is not presently known; and
- NL and the other two defendants are jointly and severally liable for the abatement, and NL does not believe any individual defendant would be 100% responsible for the cost of any abatement.

Accordingly, the total ultimate amount of any abatement fund, and NL's share of any abatement is not presently known. For all the reasons noted above, NL has concluded that the amount of loss for this matter cannot be reasonably estimated at this time (nor can any reasonable range of loss be estimated). However, as with any legal proceeding, there is no assurance that any appeal would be successful, and it is reasonably possible, based on the outcome of the appeals process and the remand proceedings in the trial court, that NL may in the future incur some liability resulting in the recognition of a loss contingency accrual that could have a material adverse impact on our results of operations, financial position and liquidity.

New cases may continue to be filed against NL. We cannot assure you that we will not incur liability in the future in respect of 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 NL's 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, 2017 and March 31, 2018, receivables for recoveries were not significant.

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.

The table below presents a summary of the activity in our accrued environmental costs during the first three months of 2018 are presented below.

	Amount (In millions)
Balance at the beginning of the year	$ 117.5
Additions charged to expense, net	4.3
Payments, net	(.5)
Balance at the end of period	$ 121.3
Amounts recognized in our Condensed Consolidated Balance Sheet at the end of the period:	
Current liabilities	$ 19.7
Noncurrent liabilities	101.6
Total	$ 121.3

NL – On a quarterly basis, NL evaluates the potential range of its liability for environmental remediation and related costs at sites where it has been named as a PRP or defendant. At March 31, 2018, NL had accrued approximately $116 million related to approximately 38 sites associated with remediation and related matters that it believes are at the present time and/or in their current phase reasonably estimable. The upper end of the range of reasonably possible costs to NL for remediation and related matters for which we believe it is possible to estimate costs is approximately $147 million, including the amount currently accrued.

NL believes that it is not reasonably possible to estimate the range of costs for certain sites. At March 31, 2018, there were approximately 5 sites for which NL is not currently able to estimate a range of costs. For these sites, generally the investigation is in the early stages, and NL is unable to determine whether or not NL actually had any association with the site, the nature of its responsibility, if any, for the contamination at the site 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, NL has received general and special notices of liability from the EPA and/or state agencies alleging that NL, 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 NL, 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.

Other – We have also accrued approximately $5.3 million at March 31, 2018 for other environmental cleanup matters.

Insurance coverage claims

We are involved in certain legal proceedings with a number of our former insurance carriers regarding the nature and extent of the carriers’ obligations to us under insurance policies with respect to certain lead pigment and asbestos lawsuits. The issue of whether insurance coverage for defense costs or indemnity or both will be found to exist for our lead pigment and asbestos litigation depends upon a variety of factors and we cannot assure you that such insurance coverage will be available.

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

For additional discussion of certain litigation involving NL and certain of its former insurance carriers, please refer to our 2017 Annual Report.

Other litigation

NL—– NL has been named as a defendant in various lawsuits in several jurisdictions, alleging personal injuries as a result of occupational exposure primarily to products manufactured by our former operations containing asbestos, silica and/or mixed dust. In addition, some plaintiffs allege exposure to asbestos from working in various facilities previously owned and/or operated by NL. There are 106 of these types of cases pending, involving a total of approximately 579 plaintiffs. In addition, the claims of approximately 8,676 plaintiffs have been administratively dismissed or placed on the inactive docket in Ohio courts. We do not expect these claims will be re-opened unless the plaintiffs meet the courts' medical criteria for asbestos-related claims. We have not accrued any amounts for this litigation because of the uncertainty of liability and inability to reasonably estimate the liability, if any. To date, we have not been adjudicated liable in any of these matters. Based on information available to us, including:

- facts concerning historical operations,
- the rate of new claims,
- the number of claims from which we have been dismissed, and
- our prior experience in the defense of these matters,

We believe that the range of reasonably possible outcomes of these matters will be consistent with our historical costs (which are not material). Furthermore, we do not expect any reasonably possible outcome would involve amounts material to our consolidated financial position, results of operations or liquidity. We have sought and will continue to vigorously seek, dismissal and/or a finding of no liability from each claim. In addition, from time to time, we have received notices regarding asbestos or silica claims purporting to be brought against former subsidiaries, including notices provided to insurers with which we have entered into settlements extinguishing certain insurance policies. These insurers may seek indemnification from us.

Kronos— In March 2013, Kronos was served with the complaint, Los Gatos Mercantile, Inc. d/b/a Los Gatos Ace Hardware, et al v. E.I. Du Pont de Nemours and Company, et al. (United States District Court, for the Northern District of California, Case No. 3:13-cv-01180-SI). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC and Millennium Inorganic Chemicals, Inc. As amended by plaintiffs' third amended complaint (Harrison, Jan, et al v. E.I. Du Pont de Nemours and Company, et al), plaintiffs seek to represent a class consisting of indirect purchasers of titanium dioxide in the states of Arizona, Arkansas, California, the District of Columbia, Florida, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oregon and Tennessee that indirectly purchased titanium dioxide from one or more of the defendants on or after March 1, 2002. The complaint alleges that the defendants conspired and combined to fix, raise, maintain, and stabilize the price at which titanium dioxide was sold in the United States and engaged in other anticompetitive conduct. In December 2017, the Court preliminarily approved a settlement agreement with the class plaintiffs. Without admitting any fault or wrongdoing, Kronos agreed to pay an immaterial amount in full settlement of this matter. We expect final approval of the settlement in 2018.

In September 2016, Kronos was served with the complaint, Home Depot U.S.A., Inc. v. E.I. Dupont Nemours and Company, et al. (United States District Court, for the Northern District of California, Case No. 3:16-cv-04865). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC and Millennium Inorganic Chemicals, Inc. The plaintiff alleges that it indirectly purchased titanium dioxide from one or more of the defendants on or after March 1, 2002. The complaint alleges that the defendants conspired and combined to fix, raise, maintain, and stabilize the price at which titanium dioxide was sold in the United States and engaged in other anticompetitive conduct. The case is now proceeding in the trial court. We believe the action is without merit, will deny all allegations of wrongdoing and liability and intend to defend against the action vigorously. Based on our quarterly status evaluation of this case, we have determined that it is not reasonably possible that a loss has been incurred in this case.

Other—In addition to the litigation described above, we and our affiliates are involved in various other environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our present and former businesses. In certain cases, we have insurance coverage for these items, although we do not expect any additional material insurance coverage for our environmental claims. We currently believe that the disposition of all of these various other claims and disputes (including asbestos-related claims), individually or 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 18—Fair value measurements and financial instruments:

The following table summarizes the valuation of our marketable securities, financial instruments and other items recorded on a fair value basis as of:

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In millions)			
Asset				
December 31, 2017:				
Marketable securities:				
Current	$3.0	$ —	$ 3.0	$ —
Noncurrent	255.7	1.3	4.4	250.0
March 31, 2018:				
Marketable securities:				
Current	$.6	$ —	$ .6	$ —
Noncurrent	258.1	3.0	5.1	250.0

See Note 6 for information on how we determine fair value of our noncurrent marketable securities.

Certain of our sales generated by Chemicals Segment's non-U.S. operations are denominated in U.S. dollars. Our Chemicals Segment periodically uses currency forward contracts to manage a very nominal portion of currency exchange rate risk associated with trade receivables denominated in a currency other than the holder's functional currency or similar exchange rate risk associated with future sales. Derivatives that we use are primarily currency forward contracts and interest rate swaps. We have not entered into these contracts for trading or speculative purposes in the past, nor do we currently anticipate entering into such contracts for trading or speculative purposes in the future. Derivatives used to hedge forecasted transactions and specific cash flows associated with financial assets and liabilities denominated in currencies other than the U.S. dollar and which meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive income (loss) and is recognized in earnings at the time the hedged item affects earnings. Contracts that do not meet the criteria for hedge accounting are marked-to-market at each balance sheet date with any resulting gain or loss recognized in income currently as part of net currency transactions. The fair value of the currency forward contracts is determined using Level 1 inputs based on the currency spot forward rates quoted by banks or currency dealers. During 2017 and the first quarter of 2018, Kronos had no currency forward contracts outstanding.

Interest rate swap contract - See the 2017 Annual Report for a discussion of the interest rate swap Kronos had entered into in August 2015, and which was voluntarily terminated in September 2017.

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

	December 31, 2017		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash equivalents	$461.7	$461.7	$503.5	$503.5
Deferred payment obligation	9.3	9.3	9.4	9.4
Long-term debt (excluding capitalized leases):				
Kronos Senior Notes	471.1	495.1	485.0	506.6