VALHI INC /DE/
Form 10-Q
August 07, 2015

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 June 30, 2015

Commission file number 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

Delaware	87-0110150
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
5430 LBJ Freeway, Suite 1700, Dallas, Texas	75240-2697
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark:

Whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Number of shares of the Registrant's common stock outstanding on July 31, 2015: 339,142,949

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.

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2014	June 30, 2015 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 255.8	$ 211.3
Restricted cash equivalents	10.6	7.9
Marketable securities	2.7	.9
Accounts and other receivables, net	303.9	311.3
Inventories, net	443.0	418.4
Land held for development	15.0	12.4
Other current assets	17.6	14.9
Deferred income taxes	13.4	15.1
Total current assets	1,062.0	992.2
Other assets:		
Marketable securities	255.6	256.2
Investment in affiliates	89.0	84.4
Goodwill	379.7	379.7
Deferred income taxes	164.4	1.3
Other noncurrent assets	282.9	278.0
Total other assets	1,171.6	999.6
Property and equipment:		
Land	49.1	46.9
Buildings	263.1	246.5
Treatment, storage and disposal facility	159.9	159.9
Equipment	1,139.9	1,082.1
Mining properties	52.0	43.9
Construction in progress	26.2	28.9
	1,690.2	1,608.2
Less accumulated depreciation	956.6	923.5
Net property and equipment	733.6	684.7
Total assets	$ 2,967.2	$ 2,676.5

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2014	June 30, 2015 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 9.3	$ 9.1
Accounts payable and accrued liabilities	310.2	292.6
Income taxes	7.8	3.7
Deferred income taxes	3.9	.4
Total current liabilities	331.2	305.8
Noncurrent liabilities:		
Long-term debt	924.8	934.7
Deferred income taxes	412.8	358.6
Accrued pension costs	249.4	226.1
Accrued environmental remediation and related costs	108.3	110.8
Accrued postretirement benefits costs	14.1	13.4
Other liabilities	112.7	103.9
Total noncurrent liabilities	1,822.1	1,747.5
Equity:		
Valhi stockholders' equity:		
Preferred stock	667.3	667.3
Common stock	3.6	3.6
Additional paid-in capital	—	—
Retained earnings (deficit)	4.9	(100.4)
Accumulated other comprehensive loss	(148.6)	(183.3)
Treasury stock	(49.6)	(49.6)
Total Valhi stockholders' equity	477.6	337.6
Noncontrolling interest in subsidiaries	336.3	285.6
Total equity	813.9	623.2
Total liabilities and equity	$ 2,967.2	$ 2,676.5

Commitments and contingencies (Notes 12 and 15)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Revenues and other income:				
Net sales	$491.7	$408.8	$954.1	$824.9
Other income, net	10.2	7.4	15.3	19.5
Total revenues and other income	501.9	416.2	969.4	844.4
Costs and expenses:				
Cost of sales	387.5	352.5	764.1	679.3
Selling, general and administrative	74.6	78.0	143.4	143.2
Interest	14.6	14.5	28.3	29.1
Total costs and expenses	476.7	445.0	935.8	851.6
Income (loss) before income taxes	25.2	(28.8)	33.6	(7.2)
Income tax expense	1.5	110.6	5.3	114.9
Net income (loss)	23.7	(139.4)	28.3	(122.1)
Noncontrolling interest in net income (loss) of subsidiaries	8.2	(35.5)	12.0	(30.1)
Net income (loss) attributable to Valhi stockholders	$15.5	$(103.9)	$16.3	$(92.0)
Amounts attributable to Valhi stockholders:				
Basic and diluted net income (loss) per share	$.05	$(.30)	$.05	$(.27)
Cash dividends per share	$.02	$.02	$.07	$.04
Basic and diluted weighted average shares outstanding	342.0	342.0	342.0	342.0

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Three months ended June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Net income (loss)	$23.7	$(139.4)	$28.3	$(122.1)
Other comprehensive income (loss), net of tax:				
Currency translation	(4.5)	14.7	(7.2)	(52.9)
Marketable securities	(4.3)	(.8)	(21.4)	(1.4)
Defined benefit pension plans	2.0	3.7	4.1	6.5
Other postretirement benefit plans	(.3)	(.3)	(.7)	(.6)
Total other comprehensive income (loss), net	(7.1)	17.3	(25.2)	(48.4)
Comprehensive income (loss)	16.6	(122.0)	3.1	(170.5)
Comprehensive income (loss) attributable to noncontrolling interest	3.1	(34.0)	(9.5)	(43.8)
Comprehensive income (loss) attributable to Valhi stockholders	$13.5	$(88.0)	$12.6	$(126.7)

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six months ended June 30,	
	2014	2015
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$28.3	$(122.1)
Depreciation and amortization	39.2	35.8
Benefit plan expense less than cash funding	(2.0)	.9
Deferred income taxes	(7.4)	96.1
Distributions from TiO_2 manufacturing joint venture, net	13.7	4.6
Other, net	1.7	2.5
Change in assets and liabilities:		
Accounts and other receivables, net	(88.7)	(39.7)
Inventories, net	12.3	(2.5)
Land held for development, net	(3.4)	7.0
Accounts payable and accrued liabilities	3.3	5.2
Accounts with affiliates	6.8	26.0
Income taxes	(4.7)	(5.1)
Other, net	4.2	(13.9)
Net cash provided by (used in) operating activities	3.3	(5.2)
Cash flows from investing activities:		
Capital expenditures	(35.2)	(23.0)
Capitalized permit costs	(.1)	(.4)
Purchases of marketable securities	(8.1)	(6.4)
Disposal of marketable securities	6.3	7.7
Change in restricted cash equivalents, net	17.2	(.2)
Net cash used in investing activities	(19.9)	(22.3)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	480.2	38.7
Principal payments	(309.2)	(28.8)
Deferred financing costs paid	(6.1)	—
Valhi cash dividends paid	(23.7)	(13.6)
Distributions to noncontrolling interest in subsidiaries	(12.0)	(7.3)
Net cash provided by (used in) financing activities	129.2	(11.0)
Cash and cash equivalents – net change from:		
Operating, investing and financing activities	112.6	(38.5)
Effect of exchange rate on cash	(.3)	(6.0)
Cash and cash equivalents at beginning of period	142.8	255.8
Cash and cash equivalents at end of period	$255.1	$211.3
Supplemental disclosures:		

Cash paid for:		
Interest, net of capitalized interest	$25.9	$28.0
Income taxes, net	27.0	13.6
Noncash investing activities:		
Change in accruals for capital expenditures	3.3	2.0
Accrual for capital lease additions	6.1	—

See accompanying Notes to Condensed Consolidated Financial Statements.

VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Six months ended June 30, 2015

(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, 2014	$667.3	$ 3.6	$ —	$4.9	$ (148.6)	$ (49.6)	$ 336.3	$813.9
Net loss	—	—	—	(92.0)	—	—	(30.1)	(122.1)
Other comprehensive loss, net	—	—	—	—	(34.7)	—	(13.7)	(48.4)
Dividends	—	—	(.3)	(13.3)	—	—	(7.0)	(20.6)
Other	—	—	.3	—	—	—	.1	.4
Balance at June 30, 2015	$667.3	$ 3.6	$ —	$(100.4)	$ (183.3)	$ (49.6)	$ 285.6	$623.2

See accompanying Notes to Condensed Consolidated Financial Statements.

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VALHI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(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 June 30, 2015. Substantially 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, daughters of Harold C. Simmons, and their children (for which Ms. Lisa Simmons and Ms. Connelly are co-trustees) or is held directly by Ms. Lisa Simmons and Ms. Connelly or persons or entities related to them, including their step-mother Annette C. Simmons, the widow of Mr. Simmons. Under a voting agreement entered into by all of the voting stockholders of Contran, effective in February 2014 and as amended, the size of the board of directors of Contran was fixed at five members, Ms. Lisa Simmons, Ms. Connelly and Ms. Annette Simmons (and in the event of their death, their heirs) each has the right to designate one of the five members of the Contran board and the remaining two members of the Contran board must consist of members of Contran management. Ms. Lisa Simmons, Ms. Connelly, and Ms. Annette Simmons each serve as members of the Contran board. The voting agreement expires in February 2017 (unless Ms. Lisa Simmons, Ms. Connelly and Ms. Annette Simmons otherwise mutually agree), and the ability of Ms. Lisa Simmons, Ms. Connelly, and Ms. Annette Simmons to each designate one member of the Contran board is dependent upon each of their continued beneficial ownership of at least 5% of the combined voting stock of Contran. Consequently, Ms. Lisa Simmons, Ms. Connelly and Ms. Annette Simmons may be deemed to control Contran and us.

Basis of Presentation—Consolidated in this Quarterly Report are the results of our majority-owned and wholly-owned subsidiaries, including NL Industries, Inc., Kronos Worldwide, Inc., CompX International Inc., Waste Control Specialists LLC (“WCS”), 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”).

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, 2014 that we filed with the SEC on March 13, 2015 (the “2014 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, 2014 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, 2014) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Our results of operations for the interim periods ended June 30, 2015 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 2014 Consolidated Financial Statements contained in our 2014 Annual Report.

In May 2014, after considering our results of operations, financial conditions, cash requirements for our businesses and our current expectations regarding reduced aggregate dividend distributions to be received from our subsidiaries, our Board of Directors reduced our regular quarterly dividend to $.02 per share effective with the second quarter 2014 dividend payment. The declaration and payment of future dividends, and the amount thereof, is discretionary and is dependent upon these and other factors deemed relevant by our Board of Directors.

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 June 30, 2015	
Chemicals	Kronos	80	%
Component products	CompX	87	%
Waste management	WCS	100	%
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 June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(unaudited) (In millions)			
Net sales:				
Chemicals	$443.5	$360.2	$863.6	$725.3
Component products	26.8	28.9	52.6	56.8
Waste management	11.9	10.0	18.9	25.0
Real estate management and development	9.5	9.7	19.0	17.8
Total net sales	$491.7	$408.8	$954.1	$824.9
Cost of sales:				
Chemicals	$350.3	$314.2	$690.5	$602.4
Component products	18.3	19.8	36.3	39.1
Waste management	11.9	12.4	22.6	24.5
Real estate management and development	7.0	6.1	14.7	13.3
Total cost of sales	$387.5	$352.5	$764.1	$679.3
Gross margin:				
Chemicals	$93.2	$46.0	$173.1	$122.9
Component products	8.5	9.1	16.3	17.7
Waste management	—	(2.4)	(3.7)	.5
Real estate management and development	2.5	3.6	4.3	4.5
Total gross margin	$104.2	$56.3	$190.0	$145.6
Operating income (loss):				
Chemicals	$46.3	$(7.9)	$73.9	$26.1
Component products	3.9	4.3	7.2	8.0
Waste management	(5.0)	(8.1)	(13.5)	(11.0)
Real estate management and development	1.5	1.6	1.9	1.4
Total operating income (loss)	46.7	(10.1)	69.5	24.5
General corporate items:				
Securities earnings	6.6	6.7	13.4	13.4
Insurance recoveries	.4	.3	1.2	3.4
General expenses, net	(13.9)	(11.2)	(22.2)	(19.4)
Interest expense	(14.6)	(14.5)	(28.3)	(29.1)
Income (loss) before income taxes	$25.2	$(28.8)	$33.6	$(7.2)

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. Our Chemicals Segment recognized an aggregate $21.1 million charge in the second quarter of 2015 for workforce reductions, see Note 17.

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Note 3—Marketable securities:

	Market value	Cost basis	Unrealized losses, net
	(In millions)		
December 31, 2014:			
Current assets	$2.7	$2.7	$ —
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$250.0	$250.0	$ —
Other	5.6	5.8	(.2)
Total	$255.6	$255.8	$ (.2)
June 30, 2015:			
Current assets	$.9	$.9	$ —
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$250.0	$250.0	$ —
Other	6.2	6.5	(.3)
Total	$256.2	$256.5	$ (.3)

All of our marketable securities are accounted for as available-for-sale, which are carried at fair value, with any unrealized gains or losses recognized through accumulated other comprehensive income. Our marketable securities are carried at fair value using quoted market prices, primarily Level 1 inputs as defined by ASC Topic 820, Fair Value Measurements and Disclosures, except for our investment in The Amalgamated Sugar Company LLC ("Amalgamated"). Our current marketable securities are included with "other current assets" on our Condensed Consolidated Balance Sheets. Our investment in Amalgamated is measured using significant unobservable inputs, which are Level 3 inputs. Please refer to Note 4 in our 2014 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 16.

Note 4—Accounts and other receivables, net:

	December 31, 2014	June 30, 2015
	(In millions)	
Trade accounts receivable:		
Kronos	$230.9	$256.1
CompX	8.8	13.2
WCS	7.7	4.3
BMI and LandWell	1.4	1.6
VAT and other receivables	24.3	24.6
Refundable income taxes	8.7	9.7
Receivable from affiliates:		

LPC – trade items	13.0	—
Contran – trade items	.2	.2
Contran – income taxes	9.2	—
Other	1.5	2.8
Allowance for doubtful accounts	(1.8)	(1.2)
Total	$303.9	$311.3

Note 5—Inventories, net:

	December 31, 2014	June 30, 2015
	(In millions)	
Raw materials:		
Chemicals	$76.0	$79.5
Component products	3.4	3.5
Total raw materials	79.4	83.0
Work in process:		
Chemicals	32.9	30.8
Component products	10.3	10.3
Total in-process products	43.2	41.1
Finished products:		
Chemicals	253.2	229.9
Component products	3.2	2.3
Total finished products	256.4	232.2
Supplies (primarily chemicals)	64.0	62.1
Total	$443.0	$418.4

Note 6—Investment in affiliate and other assets:

	December 31, 2014	June 30, 2015
	(In millions)	
Investment in TiO_2 manufacturing joint venture, Louisiana Pigment Company, L.P. ("LPC")	$89.0	$84.4
Other assets:		
Land held for development	$165.1	$161.3
Waste disposal site operating permits, net	53.2	50.4
Restricted cash	13.9	16.3
Deferred financing costs	6.9	6.7
IBNR receivables	6.8	7.0
Capital lease deposit	6.2	6.2
Intangible assets	5.1	5.1
Other	25.7	25.0
Total	$282.9	$278.0

Note 7—Accounts payable and accrued liabilities:

	December 31, 2014	June 30, 2015
	(In millions)	
Accounts payable:		
Kronos	$121.4	$99.0
CompX	3.9	2.9
WCS	1.4	.8
BMI and LandWell	7.0	4.2
NL	2.3	6.6
Other	.2	.5
Payable to affiliates:		
Contran – trade items	26.1	26.1
Contran – income taxes	—	5.6
LPC – trade items	19.9	13.8
Employee benefits	34.6	26.0
Deferred income	19.8	23.0
Accrued workforce reduction costs	—	18.3
Accrued sales discounts and rebates	23.0	15.1
Environmental remediation and related costs	10.2	9.9
Other	40.4	40.8
Total	$310.2	$292.6

See Note 17 for a discussion of accrued workforce reduction costs

Note 8—Other noncurrent liabilities:

	December 31, 2014	June 30, 2015
	(In millions)	
Reserve for uncertain tax positions	$34.1	$29.1
Asset retirement obligations	27.2	28.1
Deferred income	18.9	11.5
Employee benefits	8.1	7.4
Insurance claims and expenses	9.5	9.6
Deferred payment obligation	8.5	8.6

Accrued workforce reduction costs	—	2.9
Other	6.4	6.7
Total	$112.7	$103.9

Note 9—Long-term debt:

	December 31, 2014	June 30, 2015
	(In millions)	
Valhi:		
Snake River Sugar Company	$250.0	$250.0
Contran credit facility	223.7	237.2
Total Valhi debt	473.7	487.2
Subsidiary debt:		
Kronos:		
Term loan	345.9	344.3
WCS:		
Financing capital lease	67.1	66.4
Tremont:		
Promissory note payable	17.4	17.3
BMI:		
Bank note payable	10.3	9.9
LandWell:		
Note payable to the City of Henderson	3.1	3.1
Other	16.6	15.6
Total subsidiary debt	460.4	456.6
Total debt	934.1	943.8
Less current maturities	9.3	9.1
Total long-term debt	$924.8	$934.7

Valhi – Contran credit facility – During the first six months of 2015, we had net borrowings of $13.5 million under our Contran credit facility. The average interest rate on the existing balance as of and for the six months ended June 30, 2015 was 4.25%. At June 30, 2015 $37.8 million was available for borrowing under this facility.

Kronos – Term loan – On May 21, 2015 Kronos entered into an amendment to its term loan due in February 2020. As a result of the amendment:

- The applicable margin on outstanding LIBOR-based borrowings was reduced from 3.75% to 3.00%, and the applicable margin on outstanding base rate borrowings was reduced from 2.75% to 2.00%; and
- A provision was added whereby if Kronos elected to call all or a portion of the outstanding principal balance within six months of completing the amendment (i.e. before November 21, 2015), a 1% call premium of the aggregate principal amount so prepaid would apply.

We accounted for such amendment to the term loan as a modification of the terms of the term loan. All other terms of the term loan, including principal repayments, maturity and collateral remain unchanged. We paid a $750,000 refinancing fee in connection with this amendment, which along with the existing unamortized deferred financing costs associated with the term loan are being amortized over the remaining term of the loan.

During the first six months of 2015, Kronos made its required quarterly principal payments aggregating $1.8 million. The average interest rate on the term loan borrowings as of and for the quarter ended June 30, 2015 was 4.0%

and 4.58%, respectively. The carrying value of the term loan at June 30, 2015 includes unamortized original issue discount of $1.3 million.

Revolving credit facilities – 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 June 30, 2015 and the net debt to EBITDA financial test, Kronos' borrowing availability at June 30, 2015 is 46% of the credit facility, or €54.9 million ($61.5 million). In addition, at June 30, 2015 Kronos had approximately $87.2 million available for borrowing under its North American revolving facility.

Tremont – Promissory note payable – In February 2015, and following Tremont's receipt of dividend distributions from BMI and LandWell, Tremont prepaid (without penalty) $.1 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 June 30, 2015.

Note 10—Employee benefit plans:

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(In millions)			
Service cost	$2.5	$2.7	$5.1	$ 5.6
Interest cost	6.4	4.4	12.7	9.0
Expected return on plan assets	(6.3)	(5.3)	(12.5)	(10.7)
Amortization if unrecognized prior service cost	.2	.2	.4	.4
Recognized actuarial losses	2.8	3.8	5.6	7.6
Total	$5.6	$5.8	$11.3	$ 11.9

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(In millions)			
Service cost	$ .1	$ .1	$ .1	$ .1
Interest cost	.1	—	.3	.2
Amortization of prior service credit	(.6)	(.4)	(1.1)	(.9)
Recognized actuarial gains	(.1)	(.1)	(.1)	(.1)
Total	$(.5)	$ (.4)	$(.8)	$ (.7)

Contributions – We expect to contribute the equivalent of $19.6 million and $1.3 million, respectively, to all of our defined benefit pension plans and other postretirement benefit plans during 2015.

Note 11—Other income, net:

	Six months ended June 30,	
	2014	2015
	(In millions)	
Securities earnings:		
Dividends and interest	$ 13.3	$ 13.2
Securities transactions, net	.1	.2
Total	13.4	13.4
currency transactions, net	(.1)	1.3
Insurance recoveries	1.2	3.4
Other, net	.8	1.4
Total	$ 15.3	$ 19.5

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.

Note 12—Income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2014	2015	2014	2015
	(In millions)			
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 35%	$8.9	$(10.1)	$11.8	$(2.5)
Incremental net benefit on earnings and losses of non-U.S. and non-tax group companies	(1.1)	(28.6)	(1.2)	(28.1)
Non-U.S. tax rates	(1.0)	.5	(1.7)	(.6)
Valuation allowance		150.3		150.3
Adjustment to the reserve for uncertain tax positions, net	(5.9)	(.2)	(5.6)	(2.9)
Nondeductible expenses	.9	(.6)	1.2	(.1)
Domestic manufacturing credit	(.6)	(.2)	(.7)	(1.0)
U.S. state income taxes and other, net	.3	(.5)	1.5	(.2)
Income tax expense	$1.5	$110.6	$5.3	$114.9
Comprehensive provision for income taxes (benefit) allocable to:				
Income tax expense	$1.5	$110.6	$5.3	$114.9
Other comprehensive income (loss):				
Marketable securities	(2.4)	(.5)	(11.2)	(.7)
Currency translation	(.9)	8.1	(1.6)	(8.1)
Pension plans	.9	.2	1.9	1.5
OPEB plans	(.2)	(.2)	(.4)	(.4)
Total	$(1.1)	$118.2	$(6.0)	$107.2

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 Chemicals Segment's 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%. The amount shown on such table for incremental net benefit on earnings and losses on non-U.S. companies includes, as applicable, (i) current income taxes (including withholding taxes, if applicable), if any, associated with any current-year earnings of our Chemicals Segment's non-U.S. subsidiaries to the extent such current-year earnings were distributed to us in the current year, (ii) deferred income taxes (or deferred income tax benefit) associated with the current-year change in the aggregate amount of undistributed earnings of our Chemicals Segment's Canadian subsidiary, which earnings are not subject to a permanent reinvestment plan, in an amount representing the current-year change in the aggregate current income tax that would be generated (including withholding taxes, if applicable) when such aggregate undistributed earnings are distributed to us, and (iii) 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 our Chemicals Segment's 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.

As previously disclosed, our Chemicals Segment has substantial net operating loss ("NOL") carryforwards in Germany (the equivalent of $738 million and $94 million for German corporate and trade tax purposes, respectively, at

December 31, 2014) and in Belgium (the equivalent of $87 million for Belgian corporate tax purposes at December 31, 2014), both of which have an indefinite carryforward period. As a result, we have net deferred income tax assets recognized with respect to these two jurisdictions, primarily related to these NOL carryforwards. Prior to June 30, 2015, and using all available evidence, we had concluded no deferred income tax asset valuation allowance was required to be recognized with respect to these net deferred income tax assets under the more-likely-than-not recognition criteria, primarily because (i) the carr