VALHI INC /DE/
Form 10-Q
May 09, 2012
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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, 2012

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	¨	**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 May 4, 2012: 113,036,483.

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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, 2011	March 31, 2012 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 96.4	**$ 57.7**
Restricted cash equivalents	5.3	**5.3**
Marketable securities	22.5	**.9**
Accounts and other receivables, net	316.0	**451.4**
Inventories, net	464.5	**605.5**
Other current assets	20.7	**21.2**
Deferred income taxes	18.8	**18.8**
Total current assets	944.2	**1,160.8**
Other assets:		
Marketable securities	354.1	**343.4**
Investment in affiliates	105.7	**124.5**
Note receivable from affiliate	11.2	**11.2**
Goodwill	400.1	**400.3**
Deferred income taxes	132.7	**114.9**
Other noncurrent assets	166.2	**165.1**
Total other assets	1,170.0	**1,159.4**
Property and equipment:		
Land	53.0	**54.6**
Buildings	276.8	**282.2**
Equipment	1,188.3	**1,217.4**
Mining properties	63.5	**61.8**
Construction in progress	111.2	**118.8**
	1,692.8	**1,734.8**
Less accumulated depreciation	969.0	**994.3**
Net property and equipment	723.8	**740.5**
Total assets	$ 2,838.0	**$ 3,060.7**

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2011	March 31, 2012 (unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 19.0	**$ 18.9**
Accounts payable and accrued liabilities	363.7	**335.5**
Income taxes	26.5	**39.8**
Deferred income taxes	6.4	**6.6**
Total current liabilities	415.6	**400.8**
Noncurrent liabilities:		
Long-term debt	717.4	**833.4**
Deferred income taxes	457.2	**457.2**
Accrued pension costs	144.4	**143.9**
Accrued environmental remediation and related costs	34.6	**45.4**
Accrued postretirement benefits costs	20.4	**20.6**
Other liabilities	55.4	**56.8**
Total noncurrent liabilities	1,429.4	**1,557.3**
Equity:		
Valhi stockholders equity:		
Preferred stock	667.3	**667.3**
Common stock	1.2	**1.2**
Additional paid-in capital	81.0	**81.0**
Retained earnings (deficit)	(19.4)	**55.4**
Accumulated other comprehensive loss	(23.3)	**(13.2)**
Treasury stock	(49.6)	**(49.6)**
Total Valhi stockholders equity	657.2	**742.1**
Noncontrolling interest in subsidiaries	335.8	**360.5**
Total equity	993.0	**1,102.6**
Total liabilities and equity	$ 2,838.0	**$ 3,060.7**

Commitments and contingencies (Notes 12 and 14)

See accompanying Notes to Condensed Consolidated Financial Statements.

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended March 31, 2011	Three months ended March 31, 2012
	(unaudited)	
Revenues and other income:		
Net sales	$ 455.7	**$ 597.9**
Other income, net	16.8	**9.3**
Total revenues and other income	472.5	**607.2**
Costs and expenses:		
Cost of sales	306.8	**334.0**
Selling, general and administrative	61.3	**80.6**
Loss on prepayment of debt	3.3	
Interest	17.2	**13.5**
Total costs and expenses	388.6	**428.1**
Income before income taxes	83.9	**179.1**
Provision for income taxes	30.7	**59.6**
Net income	53.2	**119.5**
Noncontrolling interest in net income of subsidiaries	15.2	**30.6**
Net income attributable to Valhi stockholders	$ 38.0	**$ 88.9**
Amounts attributable to Valhi stockholders:		
Basic and diluted earnings per share	$ .33	**$ .78**
Cash dividends per share	$ .10	**$ .125**
Basic and diluted weighted average shares outstanding	114.2	**114.0**

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Three months ended March 31, 2011	Three months ended March 31, 2012
	(unaudited)	
Net income	$ 53.2	**$ 119.5**
Other comprehensive income (loss), net of tax:		
Currency translation	14.0	**18.3**
Marketable securities	7.7	**(11.1)**
Defined benefit pension plans	1.7	**2.0**
Other postretirement benefit plans	(.4)	**(.3)**
Total other comprehensive income, net	23.0	**8.9**
Comprehensive income	76.2	**128.4**
Comprehensive income attributable to noncontrolling interest	22.1	**29.4**
Comprehensive income attributable to Valhi stockholders	$ 54.1	**$ 99.0**

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three months ended March 31, 2011	2012
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 53.2	**$ 119.5**
Depreciation and amortization	15.6	**15.7**
Loss on prepayment of debt	3.3	
Call premium paid	(2.5)	
Benefit plan expense greater (less) than cash funding requirements:		
Defined benefit pension expense	(2.1)	**.1**
Other postretirement benefit expense	(.5)	**(.5)**
Deferred income taxes	12.6	**25.2**
Net distributions from (contributions to) $Ti0_2$ manufacturing joint venture	1.1	**(18.8)**
Other, net	.4	
Change in assets and liabilities:		
Accounts and other receivables, net	(56.7)	**(163.4)**
Inventories, net	(38.6)	**(126.1)**
Accounts payable and accrued liabilities	13.4	**(8.0)**
Accounts with affiliates	1.6	**29.0**
Income taxes	9.9	**11.6**
Other, net	(8.2)	**1.3**
Net cash provided by (used in) operating activities	2.5	**(114.4)**
Cash flows from investing activities:		
Capital expenditures	(24.0)	**(34.6)**
Capitalized permit costs	(1.4)	**(.9)**
Purchases of:		
Mutual funds	(197.8)	
Other marketable securities	(2.2)	**(.5)**
Titanium Metals Corporation (TIMET) common stock	(20.4)	
Proceeds from:		
Disposal of mutual funds	92.0	**21.1**
Disposal of other marketable securities	2.9	**2.8**
Sale of business	.3	
Change in restricted cash equivalents, net	2.6	**(2.3)**
Other, net	(.8)	**2.1**
Net cash used in investing activities	(148.8)	**(12.3)**

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Three months ended March 31, 2011	2012
	(unaudited)	
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 113.3	**$ 108.5**
Principal payments	(121.3)	**(2.1)**
Valhi cash dividends paid	(11.4)	**(14.1)**
Distributions to noncontrolling interest in subsidiaries	(15.4)	**(4.7)**
Treasury stock acquired	(3.7)	
Issuance of subsidiary common stock	.3	
Other, net	(.1)	
Net cash provided by (used in) financing activities	(38.3)	**87.6**
Cash and cash equivalents net change from:		
Operating, investing and financing activities	(184.6)	**(39.1)**
Effect of exchange rate on cash	2.7	**.4**
Cash and cash equivalents at beginning of period	325.1	**96.4**
Cash and cash equivalents at end of period	$ 143.2	**$ 57.7**
Supplemental disclosures:		
Cash paid for:		
Interest, net of capitalized interest (including call premium paid)	$ 13.9	**$ 7.4**
Income taxes, net	11.6	**23.9**
Noncash investing activities:		
Accrual for capital expenditures	10.4	**6.1**
Accrual for capitalized permit costs	.5	**3.5**

See accompanying Notes to Condensed Consolidated Financial Statements.

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VALHI, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

Three months ended March 31, 2012

(In millions)

	Valhi Stockholders Equity							
	Preferred stock	**Common stock**	**Additional paid-in capital**	**Retained earnings (deficit)**	**Accumulated other comprehensive income(loss)**	**Treasury stock**	**Non-controlling interest**	**Total equity**
Balance at December 31, 2011	$ 667.3	$ 1.2	$ 81.0	$ (19.4)	$ (23.3)	$ (49.6)	$ 335.8	$ 993.0
Net income				88.9			30.6	119.5
Other comprehensive income (loss), net					10.1		(1.2)	8.9
Cash dividends				(14.1)			(4.7)	(18.8)
Balance at March 31, 2012	$ 667.3	$ 1.2	$ 81.0	$ 55.4	$ (13.2)	$ (49.6)	$ 360.5	$ 1,102.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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VALHI, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(unaudited)

Note 1 Organization and basis of presentation:

Organization We are majority owned by Contran Corporation and its subsidiaries, which own approximately 95% of our outstanding common stock at March 31, 2012. Substantially all of Contran s outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (for which Mr. Simmons is the sole trustee) or is held directly by Mr. Simmons or other persons or entities related to Mr. Simmons. Consequently, Mr. 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., Tremont LLC and Waste Control Specialists LLC (WCS). Kronos (NYSE: KRO), NL (NYSE: NL), and CompX (AMEX: 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, 2011 that we filed with the SEC on March 7, 2012 (the 2011 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, 2011 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, 2011) 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, 2012 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 2011 Consolidated Financial Statements contained in our 2011 Annual Report.

In March 2012, our board of directors approved a 3-for-1 split of our common stock to be effected in the form of a stock dividend. Holders of record of Valhi s common stock at the close of business on May 2, 2012 will receive two additional shares for each Valhi share held as of the close of business on that date. The distribution of the additional Valhi shares is subject to certain customary regulatory approvals, and is expected to occur on the close of business on May 10, 2012. Also in March 2012 our board of directors and the holders of a majority of our common stock approved an amendment to our certificate of incorporation to increase the authorized number of shares of our common stock to 500 million. The filing of the amendment with the Delaware Secretary of State is required in order to effectuate the stock split, which we filed on May 1, 2012.

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Once the stock split has been implemented, we will adjust all share and per-share disclosures for all periods presented in our consolidated financial statements to give effect to the split. On a pro forma basis and assuming the split had been implemented, our basic and diluted earnings per share for the first quarter of 2011 and 2012 would have been $.11 and $.26, respectively, based on 342.6 million and 342.0 million, respectively, basic and diluted weighted average shares outstanding during such periods, and our cash dividends per share would have been $.033 and $.042 per share, respectively.

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, 2012**
Chemicals	Kronos	80%
Component products	CompX	87%
Waste management	WCS	100%

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.

	Three months ended March 31, 2011	**2012**
	(In millions)	
Net sales:		
Chemicals	$ 420.4	**$ 561.3**
Component products	34.8	**35.5**
Waste management	.5	**1.1**
Total net sales	$ 455.7	**$ 597.9**
Cost of sales:		
Chemicals	$ 274.6	**$ 300.4**
Component products	26.1	**26.0**
Waste management	6.1	**7.6**
Total cost of sales	$ 306.8	**$ 334.0**
Gross margin:		
Chemicals	$ 145.8	**$ 260.9**
Component products	8.7	**9.5**
Waste management	(5.6)	**(6.5)**
Total gross margin	$ 148.9	**$ 263.9**

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	Three months ended March 31, 2011	2012
	(In millions)	
Operating income (loss):		
Chemicals	$ 103.5	**$ 211.3**
Component products	8.8	**2.9**
Waste management	(9.0)	**(9.6)**
Total operating income	103.3	**204.6**
Equity in earnings of investee	(.1)	**.1**
General corporate items:		
Securities earnings	7.4	**7.1**
Insurance recoveries	.4	**1.1**
General expenses, net	(6.6)	**(20.3)**
Loss on prepayment of debt	(3.3)	
Interest expense	(17.2)	**(13.5)**
Income before income taxes	$ 83.9	**$ 179.1**

Segment results we report may differ from amounts separately reported by our various subsidiaries and affiliates due to purchase accounting adjustments and related amortization or differences in the way we define operating income. Intersegment sales are not material. We received approximately $7.5 million for a patent litigation settlement in the first quarter of 2011, which is included in the determination of Component Products operating income, see Note 11.

Note 3 Marketable securities:

	Market value	Cost basis	Unrealized gains/ (losses), net
		(In millions)	
December 31, 2011:			
Current assets:			
Mutual funds	**$ 20.9**	**$ 21.1**	**$ (.2)**
Other	**1.6**	**1.6**	
Total	**$ 22.5**	**$ 22.7**	**$ (.2)**
Noncurrent assets:			
The Amalgamated Sugar Company LLC	$ 250.0	$ 250.0	$
TIMET common stock	97.7	86.0	11.7
Other	6.4	6.5	(.1)
Total	$ 354.1	$ 342.5	$ 11.6

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March 31, 2012:			
Current assets	**$ .9**	**$ .9**	**$**
Noncurrent assets:			
The Amalgamated Sugar Company LLC	**$ 250.0**	**$ 250.0**	**$**
TIMET common stock	**88.4**	**86.0**	**2.4**
Other	**5.0**	**4.9**	**.1**
Total	**$ 343.4**	**$ 340.9**	**$ 2.5**

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 Accounting Standards Codification (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 4 in our 2011 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 15.

At December 31, 2011 and March 31, 2012, we, Kronos and NL and its subsidiaries held an aggregate of 6.5 million shares of TIMET common stock, and the quoted per share market price of TIMET s common stock was $14.98 and $13.56, respectively. Contran, Mr. Harold Simmons and persons and other entities related to Mr. Simmons own a majority of TIMET s outstanding common stock. The TIMET common stock we own is subject to the restrictions on resale pursuant to certain provisions of SEC Rule 144.

At December 31, 2011, we held investments in various mutual funds which had a primary investment objective of holding corporate and government debt securities from U.S. and other markets. These funds were liquidated for cash proceeds in the first quarter of 2012.

Note 4 Accounts and other receivables, net:

	December 31, 2011	March 31, 2012
	(In millions)	
Accounts receivable	$ 283.6	**$ 447.1**
Notes receivable	2.4	**1.6**
Refundable income taxes	2.1	**2.7**
Receivable from affiliates:		
Contran - income taxes		1.6
LPC	29.6	
Other		**.1**
Allowance for doubtful accounts	(1.7)	**(1.7)**
Total	$ 316.0	**$ 451.4**

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Note 5 Inventories, net:

	December 31, 2011	March 31, 2012
	(In millions)	
Raw materials:		
Chemicals	$ 89.6	**$ 138.0**
Component products	6.7	**6.8**
Total raw materials	96.3	**144.8**
Work in process:		
Chemicals	17.3	**21.9**
Component products	7.4	**7.6**
Total in-process products	24.7	**29.5**
Finished products:		
Chemicals	281.5	**365.6**
Component products	5.4	**5.3**
Total finished products	286.9	**370.9**
Supplies (primarily chemicals)	56.6	**60.3**
Total	$ 464.5	**$ 605.5**

Note 6 Other noncurrent assets:

	December 31, 2011	March 31, 2012
	(In millions)	
Investment in affiliates:		
TiO_2 manufacturing joint venture, Louisiana Pigment Company, L.P. (LPC)	$ 89.2	**$ 108.0**
Other	16.5	**16.5**
Total	$ 105.7	**$ 124.5**
Other assets:		
Waste disposal site operating permits, net	$ 66.6	**$ 70.0**
Restricted cash	7.6	**10.1**
Assets held for sale	7.3	**7.3**
IBNR receivables	6.5	**6.7**
Capital lease deposit	6.2	**6.2**
Deferred financing costs	2.0	**1.7**
Other intangible assets	2.1	**1.9**
Other	67.9	**61.2**
Total	$ 166.2	**$ 165.1**

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Note 7 Accounts payable and accrued liabilities:

	December 31, 2011	March 31, 2012
	(In millions)	
Accounts payable	$ 196.3	**$ 171.2**
Payable to affiliates:		
Contran income taxes	.1	
Contran trade items	21.1	**22.4**
LPC		**2.8**
Other	.2	**.3**
Employee benefits	45.4	**38.1**
Accrued sales discounts and rebates	11.8	**10.2**
Environmental remediation and related costs	8.6	**9.9**
Interest	5.0	**11.3**
Deferred income	3.5	**1.8**
Other	71.7	**67.5**
Total	$ 363.7	**$ 335.5**

Note 8 Other noncurrent liabilities:

	December 31, 2011	March 31, 2012
	(In millions)	
Reserve for uncertain tax positions	$ 26.9	**$ 27.6**
Insurance claims and expenses	9.7	**9.7**
Employee benefits	10.3	**10.5**
Deferred income	1.1	**1.0**
Other	7.4	**8.0**
Total	$ 55.4	**$ 56.8**

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Note 9 Long-term debt:

	December 31, 2011	March 31, 2012
	(In millions)	
Valhi:		
Snake River Sugar Company	$ 250.0	**$ 250.0**
Subsidiary debt:		
Kronos International:		
6.5% Senior Secured Notes	360.6	**371.0**
European revolving credit facility		**106.4**
CompX promissory note payable to TIMET	22.2	**21.2**
CompX bank credit facility	2.0	**2.0**
NL promissory note	9.0	**9.0**
WCS financing capital lease	71.1	**70.8**
WCS 6% promissory notes	11.7	**11.7**
Other	9.8	**10.2**
Total subsidiary debt	486.4	**602.3**
Total debt	736.4	**852.3**
Less current maturities	19.0	**18.9**
Total long-term debt	$ 717.4	**$ 833.4**

Kronos Senior Secured Notes In March 2011, Kronos redeemed 80 million of its 400 million 6.5% Senior Secured Notes at 102.17% of the principal amount for an aggregate of $115.7 million, including a $2.5 million call premium. During the third and fourth quarters of 2011, Kronos repurchased in open market transactions an aggregate of 40.8 million principal amount of the Senior Notes for an aggregate of 40.6 million (an aggregate of $57.6 million when repurchased). Following such partial redemption and repurchases, 279.2 million principal amount of Senior Notes remain outstanding. We recognized a $3.3 million pre-tax interest charge related to the prepayment of the Senior Notes in the first quarter of 2011, consisting of the call premium and the write-off of unamortized deferred financing costs and original issue discount associated with the redeemed Senior Notes.

Revolving European credit facility During the first three months of 2012, Kronos borrowed 80 million ($107.4 million when borrowed) under its European credit facility. The average interest rate on these borrowings at March 31, 2012 was 1.94%.

Canada At March 31, 2012, an aggregate of Cdn. $7.3 million letters of credit were outstanding under Kronos Canadian subsidiary s loan agreement with the Bank of Montreal which provides solely for the issuance of up to Cdn. $10.0 million in letters of credit.

CompX The interest rate on the balance outstanding under the credit facility at March 31, 2012 was 3.4%. CompX prepaid $1.0 million of principal on the promissory note payable to affiliate during the first quarter of 2012. The interest rate on the promissory note at March 31, 2012 was 1.6%.

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, 2012. We believe we will be able to comply with the financial covenants contained in all of our credit facilities through the maturity of the respective facility; however, if future operating results differ materially from our expectations, we may be unable to maintain compliance.

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 March 31,	
	2011	2012
	(In millions)	
Service cost	$ 2.7	**$ 2.6**
Interest cost	6.6	**6.4**
Expected return on plan assets	(5.6)	**(5.5)**
Amortization of unrecognized:		
Prior service cost	.4	**.4**
Net transition obligations	.1	**.1**
Recognized actuarial losses	1.8	**2.3**
Total	$ 6.0	**$ 6.3**

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

	Three months ended March 31,	
	2011	2012
	(In millions)	
Service cost	$ .1	**$ .1**
Interest cost	.2	**.2**
Amortization of prior service credit	(.6)	**(.5)**
Recognized actuarial losses	.1	
Total	$ (.2)	**$ (.2)**

Contributions We expect to contribute the equivalent of $29.1 million and $1.7 million, respectively, to all of our defined benefit pension plans and other postretirement benefit plans during 2012.

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Note 11 Other income, net:

	Three months ended March 31, 2011	2012
	(In millions)	
Securities earnings:		
Dividends and interest	$ 7.3	**$ 7.1**
Securities transactions, net	.1	
Total	7.4	**7.1**
Equity in earnings of investee	(.1)	**.1**
Currency transactions, net	1.4	
Insurance recoveries	.4	**1.1**
Patent litigation settlement gain	7.5	
Other, net	.2	**1.0**
Total	$ 16.8	**$ 9.3**

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

In March 2011, CompX entered into a confidential settlement agreement under which CompX s Canadian subsidiary received approximately $7.5 million in cash which was recognized as a patent litigation settlement gain.

In May 2012, we reached an agreement with the New Jersey governmental authority and the real estate developer pursuant to which NL received an aggregate of $15.6 million cash for the third and final closing contemplated by the October 2008 settlement agreement associated with certain real property NL owned in New Jersey, as more fully described in Note 15 in our 2011 Annual Report. Upon NL s receipt of these cash proceeds, NL s equitable lien on a portion of such property was released. We expect to recognize a pre-tax gain of approximately $14.9 million in the second quarter of 2012, based on the excess of the cash proceeds received over our carrying value of the property from which our equitable lien was released.

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Note 12 Income taxes:

	Three months ended March 31, 2011	2012
	(In millions)	
Expected tax expense, at U.S. federal statutory income tax rate of 35%	$ 29.4	**$ 62.7**
Incremental tax on earnings of non-U.S. companies	3.8	**4.4**
Non-U.S. tax rates	(3.7)	**(7.9)**
Adjustment to the reserve for uncertain tax positions, net	.4	