

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934:

For the fiscal year ended December 31, 2015

Commission file number 1-31763

KRONOS WORLDWIDE, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

76-0294959
(IRS Employer
Identification No.)

5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
(Address of principal executive offices)

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

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

Title of each class	Name of each exchange on which registered
Common stock (\$.01 par value)	New York Stock Exchange

No securities are registered pursuant to Section 12(g) of the Act.

Indicate by check mark:

If the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Whether the Registrant has submitted electronically and posted on its corporate Website, 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

If disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the 21.0 million shares of voting stock held by nonaffiliates of Kronos Worldwide, Inc. as of June 30, 2015 (the last business day of the Registrant's most recently-completed second fiscal quarter) approximated \$229.7 million.

As of February 29, 2016, 115,880,598 shares of the Registrant's common stock were outstanding.

Documents incorporated by reference

The information required by Part III is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

Forward-Looking Information

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Annual Report that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. In some cases, you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Annual Report and those described from time to time in our other filings with the SEC include, but are not limited to, the following:

- Future supply and demand for our products
- The extent of the dependence of certain of our businesses on certain market sectors
- The cyclical nature of our business
- Customer and producer inventory levels
- Unexpected or earlier-than-expected industry capacity expansion
- Changes in raw material and other operating costs (such as energy and ore costs)
- Changes in the availability of raw materials (such as ore)
- General global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for TiO₂)
- Competitive products and substitute products
- Customer and competitor strategies
- Potential consolidation of our competitors
- Potential consolidation of our customers
- The impact of pricing and production decisions
- Competitive technology positions
- Potential difficulties in upgrading or implementing new accounting and manufacturing software systems
- The introduction of trade barriers
- Possible disruption of our business, or increases in our cost of doing business, resulting from terrorist activities or global conflicts
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar), or possible disruptions to our business resulting from potential instability resulting from uncertainties associated with the euro or other currencies
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions and cyber attacks)
- Our ability to renew or refinance credit facilities
- Our ability to maintain sufficient liquidity
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters

- Our ability to utilize income tax attributes, the benefits of which may not have been recognized under the more-likely-than-not recognition criteria
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities)
- Government laws and regulations and possible changes therein
- The ultimate resolution of pending litigation
- Possible future litigation.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of changes in information, future events or otherwise.

ITEM 1. BUSINESS

General

Kronos Worldwide, Inc. (NYSE: KRO) (Kronos), a Delaware corporation, is a leading global producer and marketer of value-added titanium dioxide pigments, or TiO₂, a base industrial product used in a wide range of applications. We, along with our distributors and agents, sell and provide technical services for our products to approximately 4,000 customers in 100 countries with the majority of sales in Europe and North America. We believe we have developed considerable expertise and efficiency in the manufacture, sale, shipment and service of our products in domestic and international markets.

TiO₂ is a white inorganic pigment used in a wide range of products for its exceptional durability and its ability to impart whiteness, brightness and opacity. TiO₂ is a critical component of everyday applications, such as coatings, plastics and paper, as well as many specialty products such as inks, food and cosmetics. TiO₂ is widely considered to be superior to alternative white pigments in large part due to its hiding power (or opacity), which is the ability to cover or mask other materials effectively and efficiently. TiO₂ is designed, marketed and sold based on specific end-use applications.

TiO₂ is the largest commercially used whitening pigment because it has a high refractive rating, giving it more hiding power than any other commercially produced white pigment. In addition, TiO₂ has excellent resistance to interaction with other chemicals, good thermal stability and resistance to ultraviolet degradation. Although there are other white pigments on the market, we believe there are no effective substitutes for TiO₂ because no other white pigment has the physical properties for achieving comparable opacity and brightness or can be incorporated in as cost-effective a manner. Pigment extenders such as kaolin clays, calcium carbonate and polymeric opacifiers are used together with TiO₂ in a number of end-use markets. However, these products are not able to duplicate the opacity performance characteristics of TiO₂ and we believe these products are unlikely to have a significant impact on the use of TiO₂.

TiO₂ is considered a “quality-of-life” product. Demand for TiO₂ has generally been driven by worldwide gross domestic product and has generally increased with rising standards of living in various regions of the world. According to industry estimates, TiO₂ consumption has grown at a compound annual growth rate of approximately 3.0% since 1990. Per capita consumption of TiO₂ in Western Europe and the United States far exceeds that in other areas of the world, and these regions are expected to continue to be the largest consumers of TiO₂ on a per capita basis. We believe that Western Europe and North America currently account for approximately 20% and 18% of global TiO₂ consumption, respectively. Markets for TiO₂ are generally increasing in South America, Eastern Europe, the Asia Pacific region and China and we believe these are significant markets where we expect continued growth as economies in these regions continue to develop and quality-of-life products, including TiO₂, experience greater demand.

At December 31, 2015, approximately 50% of our common stock was owned by Valhi, Inc. (NYSE: VHI) and approximately 30% was owned by NL Industries, Inc. (NYSE: NL). Valhi also owns approximately 83% of NL Industries’ outstanding common stock. A wholly-owned subsidiary of Contran Corporation held approximately 93% of Valhi’s outstanding common stock. As discussed in Note 1 to our Consolidated Financial Statements, Lisa K. Simmons and Serena Simmons Connelly may be deemed to control Contran, Valhi, NL and us.

Products and end-use markets

Including our predecessors, we have produced and marketed TiO₂ in North America and Europe, our primary markets, for almost 100 years. We believe that we are the largest producer of TiO₂ in Europe with approximately one-half of our sales volumes attributable to markets in Europe. The table below shows our market share for our significant markets, Europe and North America, for the last three years.

	2013	2014	2015
Europe	18%	18%	18%
North America	18%	17%	15%

We believe we are the leading seller of TiO₂ in several countries, including Germany, with an estimated 9% share of worldwide TiO₂ sales volume in 2015. Overall, we are one of the top five producers of TiO₂ in the world.

We offer our customers a broad portfolio of products that include over 40 different TiO₂ pigment grades under the *Kronos*[®] trademark, which provide a variety of performance properties to meet customers' specific requirements. Our major customers include domestic and international paint, plastics, decorative laminate and paper manufacturers. We ship TiO₂ to our customers in either a powder or slurry form via rail, truck and/or ocean carrier. Sales of our core TiO₂ pigments represented approximately 90% of our net sales in 2015. We and our agents and distributors primarily sell our products in three major end-use markets: coatings, plastics and paper.

The following tables show our approximate TiO₂ sales volume by geographic region and end use for the year ended December 31, 2015:

Sales volumes percentages by geographic region		Sales volumes percentages by end-use	
Europe	52%	Coatings	55%
North America	29%	Plastics	31%
Asia Pacific	8%	Other	9%
Rest of World	11%	Paper	5%

Some of the principal applications for our products include the following.

TiO₂ for coatings - Our TiO₂ is used to provide opacity, durability, tinting strength and brightness in industrial coatings, as well as coatings for commercial and residential interiors and exteriors, automobiles, aircraft, machines, appliances, traffic paint and other special purpose coatings. The amount of TiO₂ used in coatings varies widely depending on the opacity, color and quality desired. In general, the higher the opacity requirement of the coating, the greater the TiO₂ content.

TiO₂ for plastics - We produce TiO₂ pigments that improve the optical and physical properties in plastics, including whiteness and opacity. TiO₂ is used to provide opacity in items such as containers and packaging materials, and vinyl products such as windows, door profiles and siding. TiO₂ also generally provides hiding power, neutral undertone, brightness and surface durability for housewares, appliances, toys, computer cases and food packages. TiO₂'s high brightness along with its opacity, is used in some engineering plastics to help mask their undesirable natural color. TiO₂ is also used in masterbatch, which is a concentrate of TiO₂ and other additives and is one of the largest uses for TiO₂ in the plastics end-use market. In masterbatch, the TiO₂ is dispersed at high concentrations into a plastic resin and is then used by manufacturers of plastic containers, bottles, packaging and agricultural films.

TiO₂ for paper - Our TiO₂ is used in the production of several types of paper, including laminate (decorative) paper, filled paper and coated paper to provide whiteness, brightness, opacity and color stability. Although we sell our TiO₂ to all segments of the paper end-use market, our primary focus is on the TiO₂ grades used in paper laminates, where several layers of paper are laminated together using melamine resin under high temperature and pressure. The top layer of paper contains TiO₂ and plastic resin and is the layer that is printed with decorative patterns. Paper laminates are used to replace materials such as wood and tile for such applications as

counter tops, furniture and wallboard. TiO₂ is beneficial in these applications because it assists in preventing the material from fading or changing color after prolonged exposure to sunlight and other weathering agents.

TiO₂ for other applications - We produce TiO₂ to improve the opacity and hiding power of printing inks. TiO₂ allows inks to achieve very high print quality while not interfering with the technical requirements of printing machinery, including low abrasion, high printing speed and high temperatures. Our TiO₂ is also used in textile applications where TiO₂ functions as an opacifying and delustering agent. In man-made fibers such as rayon and polyester, TiO₂ corrects an otherwise undesirable glossy and translucent appearance. Without the presence of TiO₂, these materials would be unsuitable for use in many textile applications.

We produce high purity sulfate process anatase TiO₂ used to provide opacity, whiteness and brightness in a variety of cosmetic and personal care products, such as skin cream, lipstick, eye shadow and toothpaste. Our TiO₂ is also found in food products, such as candy and confectionaries, and in pet foods where it is used to obtain uniformity of color and appearance. In pharmaceuticals, our TiO₂ is used commonly as a colorant in pill and capsule coatings as well as in liquid medicines to provide uniformity of color and appearance. Kronos® purified anatase grades meet the applicable requirements of the CTFA (Cosmetics, Toiletries and Fragrances Association), USP and BP (United States Pharmacopoeia and British Pharmacopoeia) and the FDA (United States Food and Drug Administration).

Our TiO₂ business is enhanced by the following three complementary businesses, which comprised approximately 10% of our net sales in 2015:

- We own and operate two ilmenite mines in Norway pursuant to a governmental concession with an unlimited term. Ilmenite is a raw material used directly as a feedstock by some sulfate-process TiO₂ plants. We believe that we have a significant competitive advantage because our mines supply our feedstock requirements for all of our European sulfate-process plants. We also sell ilmenite ore to third parties, some of whom are our competitors, and we sell an ilmenite-based specialty product to the oil and gas industry. The mines have estimated ilmenite reserves that are expected to last at least 50 years.
- We manufacture and sell iron-based chemicals, which are co-products and processed co-products of the sulfate and chloride process TiO₂ pigment production. These co-product chemicals are marketed through our Ecochem division and are primarily used as treatment and conditioning agents for industrial effluents and municipal wastewater as well as in the manufacture of iron pigments, cement and agricultural products.
- We manufacture and sell titanium oxychloride and titanyl sulfate, which are side-stream specialty products from the production of TiO₂. Titanium oxychloride is used in specialty applications in the formulation of pearlescent pigments, production of electroceramic capacitors for cell phones and other electronic devices. Titanyl sulfate productions are used in pearlescent pigments, natural gas pipe and other specialty applications.

Manufacturing, operations and properties

We produce TiO₂ in two crystalline forms: rutile and anatase. Rutile TiO₂ is manufactured using both a chloride production process and a sulfate production process, whereas anatase TiO₂ is only produced using a sulfate production process. Manufacturers of many end-use applications can use either form, especially during periods of tight supply for TiO₂. The chloride process is the preferred form for use in coatings and plastics, the two largest end-use markets. Due to environmental factors and customer considerations, the proportion of TiO₂ industry sales represented by chloride process pigments has increased relative to sulfate process pigments, and in 2015, chloride process production facilities represented approximately 49% of industry capacity. The sulfate process is preferred for use in selected paper products, ceramics, rubber tires, man-made fibers, food products and cosmetics. Once an intermediate TiO₂ pigment has been produced by either the chloride or sulfate process, it is “finished” into products with specific performance characteristics for particular end-use applications through proprietary processes involving various chemical surface treatments and intensive micronizing (milling).

- *Chloride process* - The chloride process is a continuous process in which chlorine is used to extract rutile TiO₂. The chloride process produces less waste than the sulfate process because much of the chlorine is recycled and feedstock bearing higher titanium content is used. The chloride process also has lower energy requirements and is less labor-intensive than the sulfate process, although the chloride process requires a higher-skilled labor force. The chloride process produces an intermediate base pigment with a wide range of properties.
- *Sulfate process* - The sulfate process is a batch process in which sulfuric acid is used to extract the TiO₂ from ilmenite or titanium slag. After separation from the impurities in the ore (mainly iron), the TiO₂ is precipitated and calcined to form an intermediate base pigment ready for sale or can be upgraded through finishing treatments.

We produced 528,000 metric tons of TiO₂ in 2015, up from the 511,000 metric tons we produced in 2014. Our production amounts include our share of the output produced by our TiO₂ manufacturing joint venture discussed below in “TiO₂ Manufacturing Joint Venture.” Our average production capacity utilization rates were approximately 86%, 92% and 95% of capacity in 2013, 2014 and 2015, respectively. Our production utilization rates in 2013 were impacted by the previously-reported lockout at our Canadian production facility that began in June 2013. We operated our Canadian plant at approximately 15% of the plant’s capacity with non-union management employees during the lockout. Our production rates in 2014 were also impacted by such lockout, as restart of production at the facility did not begin until February 2014. Our production rates in 2014 and in the first quarter of 2015 were also impacted by the implementation of certain productivity-enhancing improvement projects at other facilities, as well as necessary improvements to ensure continued compliance with our permit regulations, which resulted in longer-than-normal maintenance shutdowns in some instances.

We operate four TiO₂ plants in Europe (one in each of Leverkusen, Germany; Nordenham, Germany; Langerbrugge, Belgium; and Fredrikstad, Norway). In North America, we have a TiO₂ plant in Varennes, Quebec, Canada and, through the manufacturing joint venture described below in “TiO₂ Manufacturing Joint Venture,” a 50% interest in a TiO₂ plant in Lake Charles, Louisiana.

Our production capacity in 2015 was 555,000 metric tons, approximately three-fourths of which was from the chloride production process.

The following table presents the division of our expected 2016 manufacturing capacity by plant location and type of manufacturing process:

Facility	Description	% of capacity by TiO ₂ manufacturing process	
		Chloride	Sulfate
Leverkusen, Germany (1)	TiO ₂ production, chloride and sulfate process, co-products	39%	25%
Nordenham, Germany	TiO ₂ production, sulfate process, co-products	-	39
Langerbrugge, Belgium	TiO ₂ production, chloride process, co-products, titanium chemicals products	21	-
Fredrikstad, Norway (2)	TiO ₂ production, sulfate process, co-products	-	23
Varennes, Canada	TiO ₂ production, chloride and sulfate process, slurry facility, titanium chemicals products	21	13
Lake Charles, LA, US (3)	TiO ₂ production, chloride process	19	-
Total		100%	100%

- (1) The Leverkusen facility is located within an extensive manufacturing complex owned by Bayer AG. We own the Leverkusen facility, which represents about one-third of our current TiO₂ production capacity, but we lease the land under the facility from Bayer under a long-term agreement which expires in 2050. Lease payments are periodically negotiated with Bayer for periods of at least two years at a time. A majority-owned subsidiary of Bayer provides some raw materials including chlorine, auxiliary and operating materials, utilities and services necessary to operate the Leverkusen facility under separate supplies and services agreements.
- (2) The Fredrikstad plant is located on public land and is leased until 2063.
- (3) We operate the Lake Charles facility in a joint venture with Tioxide Americas LLC (Tioxide), a subsidiary of Huntsman Corporation and the amount indicated in the table above represents the share of TiO₂ produced by the joint venture to which we are entitled. See Note 5 to our Consolidated Financial Statements and "TiO₂ Manufacturing Joint Venture."

We own the land underlying all of our principle production facilities unless otherwise indicated in the table above.

Our production capacity has increased by approximately 12% over the past ten years due to debottlenecking programs, with only moderate capital expenditures. We believe that our annual attainable production capacity for 2016 is approximately 555,000 metric tons, and we currently expect our production capacity rate will be at near-capacity levels in 2016.

We also operate two ilmenite mines in Norway pursuant to a governmental concession with an unlimited term. In addition, we operate a rutile slurry manufacturing plant in Lake Charles, Louisiana, which converts dry pigment manufactured for us at the Lake Charles TiO₂ facility into a slurry form that is then shipped to customers.

We have various corporate and administrative offices located in the U.S., Germany, Norway, Canada and Belgium and various sales offices located in the U.S., Canada, Belgium, France, the Netherlands and the United Kingdom.

TiO₂ Manufacturing Joint Venture

Kronos Louisiana, Inc., one of our subsidiaries, and Tioxide each own a 50% interest in a manufacturing joint venture, Louisiana Pigment Company, L.P., or LPC. LPC owns and operates a chloride-process TiO₂ plant located in Lake Charles, Louisiana. We and Huntsman share production from the plant equally pursuant to separate offtake agreements, unless we and Huntsman otherwise agree (such as in 2015, when we purchased approximately 52% of the production from the plant).

A supervisory committee directs the business and affairs of the joint venture, including production and output decisions. This committee is composed of four members, two of whom we appoint and two of whom Huntsman appoints. Two general managers manage the operations of the joint venture acting under the direction of the supervisory committee. We appoint one general manager and Huntsman appoints the other.

The joint venture is not consolidated in our financial statements, because we do not control it. We account for our interest in the joint venture by the equity method. The joint venture operates on a break-even basis and therefore we do not have any equity in earnings of the joint venture. We are required to purchase one half of the TiO₂ produced by the joint venture. All costs and capital expenditures are shared equally with Huntsman with the exception of feedstock (purchased natural rutile ore or slag) and packaging costs for the pigment grades produced. Our share of net costs is reported as cost of sales as the TiO₂ is sold. See Notes 5 and 14 to our Consolidated Financial Statements.

Raw materials

The primary raw materials used in chloride process TiO₂ are titanium-containing feedstock (purchased natural rutile ore or slag), chlorine and coke. Chlorine is available from a number of suppliers, while petroleum coke is available from a limited number of suppliers. Titanium-containing feedstock suitable for use in the chloride process is available from a limited but increasing number of suppliers principally in Australia, South Africa, Canada, India and the United States. We purchase chloride process grade slag from Rio Tinto Iron and Titanium Limited under a long-term supply contract that expires at the end of 2018, subject to two-year renewal periods if both parties agree. We also purchase upgraded slag from Rio Tinto Iron and Titanium Limited under a long-term supply contract that expires at the end of 2019. We purchase natural rutile ore under contracts primarily from Iluka Resources, Limited and Sierra Rutile Limited, all of which expire in 2016. In the past we have been, and we expect that we will continue to be, successful in obtaining short-term and long-term extensions to these and other existing supply contracts prior to their expiration. We expect the raw materials purchased under these contracts, and contracts that we may enter into, will meet our chloride process feedstock requirements over the next several years.

The primary raw materials used in sulfate process TiO₂ are titanium-containing feedstock, primarily ilmenite or purchased sulfate grade slag and sulfuric acid. Sulfuric acid is available from a number of suppliers. Titanium-containing feedstock suitable for use in the sulfate process is available from a limited number of suppliers principally in Norway, Canada, Australia, India and South Africa. As one of the few vertically-integrated producers of sulfate process TiO₂, we operate two rock ilmenite mines in Norway, which provided all of the feedstock for our European sulfate process TiO₂ plants in 2015. We expect ilmenite production from our mines to meet our European sulfate process feedstock requirements for the foreseeable future. For our Canadian sulfate process plant, we purchase sulfate grade slag primarily from Rio Tinto Fer et Titane Inc. under a supply contract that renews annually, subject to termination upon twelve months written notice. We expect the raw materials purchased under these contracts, and contracts that we may enter into, to meet our sulfate process feedstock requirements over the next several years.

Many of our raw material contracts contain fixed quantities we are required to purchase, or specify a range of quantities within which we are required to purchase. The pricing under these agreements is generally negotiated quarterly.

The following table summarizes our raw materials purchased or mined in 2015.

Production process/raw material	Raw materials procured or mined (In thousands of metric tons)
Chloride process plants -	
Purchased slag or rutile ore	451
Sulfate process plants:	
Ilmenite ore mined and used internally	323
Purchased slag	10

Sales and marketing

Our marketing strategy is aimed at developing and maintaining strong customer relationships with new and existing accounts. Because TiO₂ represents a significant raw material cost for our customers, the purchasing decisions are often made by our customers' senior management. We work to maintain close relationships with the key decision makers, through in-depth and frequent in-person meetings. We endeavor to extend these commercial and technical relationships to multiple levels within our customers' organization using our direct sales force and technical service group to accomplish this objective. We believe this has helped build customer loyalty to Kronos and strengthened our competitive position. Close cooperation and strong customer relationships enable us to stay closely attuned to trends in our customers' businesses. Where appropriate, we work in conjunction with our customers to solve formulation or application problems by modifying specific product properties or developing new pigment grades. We also focus our sales and marketing efforts on those geographic and end-use market segments where we believe we can realize higher selling prices. This focus includes continuously reviewing and optimizing our customer and product portfolios.

Our marketing strategy is also aimed at working directly with customers to monitor the success of our products in their end-use applications, evaluate the need for improvements in product and process technology and identify opportunities to develop new product solutions for our customers. Our marketing staff closely coordinates with our sales force and technical specialists to ensure that the needs of our customers are met, and to help develop and commercialize new grades where appropriate.

We sell a majority of our products through our direct sales force operating from six sales offices in Europe and one sales office in North America. We also utilize sales agents and distributors who are authorized to sell our products in specific geographic areas. In Europe, our sales efforts are conducted primarily through our direct sales force and our sales agents. Our agents do not sell any TiO₂ products other than Kronos® brand products. In North America, our sales are made primarily through our direct sales force and supported by a network of distributors. In addition to our direct sales force and sales agents, many of our sales agents also act as distributors to service our smaller customers in all regions. We offer customer and technical service to the customers who purchase our products through distributors as well as to our larger customers serviced by our direct sales force.

We sell to a diverse customer base with only one customer representing 10% or more of our sales in 2015 (Behr Process Corporation – 10%). Our largest ten customers accounted for approximately 34% of sales in 2015.

Neither our business as a whole nor any of our principal product groups is seasonal to any significant extent. However, TiO₂ sales are generally higher in the second and third quarters of the year, due in part to the increase in paint production in the spring to meet demand during the spring and summer painting seasons. With certain exceptions, we have historically operated our production facilities at near full capacity rates throughout the entire year, which among other things helps to minimize our per-unit production costs. As a result, we normally will build inventories during the first and fourth quarters of each year, in order to maximize our product availability during the higher demand periods normally experienced in the second and third quarters.

Competition

The TiO₂ industry is highly competitive. We compete primarily on the basis of price, product quality, technical service and the availability of high performance pigment grades. Since TiO₂ is not a traded commodity, its pricing is largely a product of negotiation between suppliers and their respective customers. Although certain TiO₂ grades are considered specialty pigments, the majority of our grades and substantially all of our production are considered commodity pigments with price and availability being the most significant competitive factors along with quality and customer service. During 2015, we had an estimated 9% share of worldwide TiO₂ sales volume, and based on sales volumes, we believe we are the leading seller of TiO₂ in several countries, including Germany.

Our principal competitors are The Chemours Company, or Chemours (which was spun-off from E.I. du Pont de Nemours & Co. into a separate publicly-traded company in 2015); Millennium Inorganic Chemicals, Inc. (a subsidiary of National Titanium Dioxide Company Ltd.), or Cristal; Huntsman Corporation; and Tronox Incorporated. The top five TiO₂ producers (i.e. we and our four principal competitors) account for approximately 56% of the world's production capacity. Huntsman completed its purchase of the TiO₂ business of Sachtleben Chemie GmbH in 2014, and has also announced its intent to exit the TiO₂ business by December 31, 2016. In February 2015, Huntsman announced a plan to reduce its TiO₂ capacity by approximately 100,000 metric tons at one of its European sulfate process facilities. In August 2015, Chemours announced plans to close its plant in Delaware and shut down a production line at its facility in Tennessee, reducing its overall capacity by approximately 150,000 metric tons.

The following chart shows our estimate of worldwide production capacity in 2015:

Chemours	17%
Huntsman	12%
Cristal	12%
Kronos	8%
Tronox	7%
Other	44%

Chemours has over one-half of total North American TiO₂ production capacity and is our principal North American competitor.

Over the past ten years, we and our competitors increased industry capacity through debottlenecking projects, which in part compensated for the shut-down of various TiO₂ plants in France, the United States, the United Kingdom and China. Chemours has announced the scheduled production start-up of a 200,000 metric ton line at its plant in Mexico in mid-2016. Although overall industry demand is expected to be generally higher in 2016 as compared to 2015 as a result of improving worldwide economic conditions, we do not expect any other significant efforts will be undertaken by us or our principal competitors to further increase capacity for the foreseeable future, other than through debottlenecking projects. If actual developments differ from our expectations, the TiO₂ industry's performance and that of our own could be unfavorably affected.

The TiO₂ industry is characterized by high barriers to entry consisting of high capital costs, proprietary technology and significant lead times (typically three to five years in our experience) required to construct new facilities or to expand existing capacity. We believe it is unlikely any new TiO₂ plants will be constructed in Europe or North America in the foreseeable future.

Research and development

We employ scientists, chemists, process engineers and technicians who are engaged in research and development, process technology and quality assurance activities in Leverkusen, Germany. These individuals have the responsibility for improving our chloride and sulfate production processes, improving product quality and strengthening our competitive position by developing new applications. Our expenditures for these activities were approximately \$18 million in 2013, \$19 million in 2014 and \$16 million in 2015. We expect to spend approximately \$14 million on research and development in 2016.

We continually seek to improve the quality of our grades and have been successful at developing new grades for existing and new applications to meet the needs of our customers and increase product life cycles. Since 2010, we have added seven new grades for pigments and other applications.

Patents, trademarks, trade secrets and other intellectual property rights

We have a comprehensive intellectual property protection strategy that includes obtaining, maintaining and enforcing our patents, primarily in the United States, Canada and Europe. We also protect our trademark and trade secret rights and have entered into license agreements with third parties concerning various intellectual property matters. We have also from time to time been involved in disputes over intellectual property.

Patents - We have obtained patents and have numerous patent applications pending that cover our products and the technology used in the manufacture of our products. Our patent strategy is important to us and our continuing business activities. In addition to maintaining our patent portfolio, we seek patent protection for our technical developments, principally in the United States, Canada and Europe. U.S. Patents are generally in effect for 20 years from the date of filing. Our U.S. patent portfolio includes patents having remaining terms ranging from one year to 19 years.

Trademarks and trade secrets - Our trademarks, including Kronos®, are covered by issued and/or pending registrations, including in Canada and the United States. We protect the trademarks that we use in connection with the products we manufacture and sell and have developed goodwill in connection with our long-term use of our trademarks. We conduct research activities in secret and we protect the confidentiality of our trade secrets through reasonable measures, including confidentiality agreements and security procedures, including data security. We rely upon unpatented proprietary knowledge and continuing technological innovation and other trade secrets to develop and maintain our competitive position. Our proprietary chloride production process is an important part of our technology and our business could be harmed if we fail to maintain confidentiality of our trade secrets used in this technology.

Employees

As of December 31, 2015, we employed the following number of people:

Europe	1,890
Canada	345
United States (1)	45
Total	<u>2,280</u>

(1) Excludes employees of our Louisiana joint venture.

Certain employees at each of our production facilities are organized by labor unions. In Europe, our union employees are covered by master collective bargaining agreements for the chemical industry that are generally renewed annually. In Canada, our union employees are covered by a collective bargaining agreement that expires in June 2018. At December 31, 2015, approximately 87% of our worldwide workforce is organized under collective bargaining agreements. It is possible that there could be future work stoppages or other labor disruptions that could materially and adversely affect our business, results of operations, financial position or liquidity.

Regulatory and environmental matters

Our operations and properties are governed by various environmental laws and regulations, which are complex, change frequently and have tended to become stricter over time. These environmental laws govern, among other things, the generation, storage, handling, use and transportation of hazardous materials; the emission and discharge of hazardous materials into the ground, air or water; and the health and safety of our employees. Certain of our operations are, or have been, engaged in the generation, storage, 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 comply with applicable environmental laws and regulations at all our facilities and to strive to improve our environmental performance. It is possible that future developments, such as stricter requirements in environmental laws and enforcement policies, could adversely affect our operations, including production, handling, use, storage, transportation, sale or disposal of hazardous or toxic substances or require us to make capital and other expenditures to comply, and could adversely affect our consolidated financial position and results of operations or liquidity.

Our U.S. manufacturing operations are governed by federal, state and local environmental and worker health and safety laws and regulations. These include the Resource Conservation and Recovery Act, or RCRA, the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, or CERCLA, as well as the state counterparts of these statutes. Some of these laws hold current or previous owners or operators of real property liable for the costs of cleaning up contamination, even if these owners or operators did not know of, and were not responsible for, such contamination. These laws also assess liability on any person who arranges for the disposal or treatment of hazardous substances, regardless of whether the affected site is owned or operated by such person. Although we have not incurred and do not currently anticipate any material liabilities in connection with such environmental laws, we may be required to make expenditures for environmental remediation in the future.

While the laws regulating operations of industrial facilities in Europe vary from country to country, a common regulatory framework is provided by the European Union, or the EU. Germany and Belgium are members of the EU and follow its initiatives. Norway is not a member but generally patterns its environmental regulatory actions after the EU.

At our sulfate plant facilities in Germany, we recycle spent sulfuric acid either through contracts with third parties or at our own facilities. In addition, at our German locations we have a contract with a third-party to treat certain sulfate-process effluents. At our Norwegian plant, we ship spent acid to a third party location where it is used as a neutralization agent. These contracts may be terminated by either party after giving three or four years advance notice, depending on the contract.

From time to time, our facilities may be subject to environmental regulatory enforcement under U.S. and non-U.S. statutes. Typically we establish compliance programs to resolve these matters. Occasionally, we may pay penalties. To date such penalties have not involved amounts having a material adverse effect on our consolidated financial position, results of operations or liquidity. We believe that all of our facilities are in substantial compliance with applicable environmental laws.

Our capital expenditures related to ongoing environmental compliance, protection and improvement programs, including capital expenditures which are primarily focused on increased operating efficiency but also result in improved environmental protection such as lower emissions from our manufacturing facilities, were \$6.9 million in 2015 and are currently expected to be approximately \$9 million in 2016.

Website and other available information

Our fiscal year ends December 31. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available on our website at kronostio2.com. These reports are available on the website, without charge, as soon as is reasonably practicable after we file or

furnish them electronically with the Securities and Exchange Commission, or SEC. Additional information regarding us, including our Audit Committee charter, Code of Business Conduct and Ethics and our Corporate Governance Guidelines, can also be found at this website. Information contained on our website is not part of this report. We will also provide free copies of such documents upon written request. Such requests should be directed to the Corporate Secretary at our address on the cover page of this Form 10-K.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer and the SEC maintains an internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

Below are certain risk factors associated with our business. See also certain risk factors discussed in Item 7- "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates.*" In addition to the potential effect of these risk factors, any risk factor which could result in reduced earnings or operating losses, or reduced liquidity, could in turn adversely affect our ability to service our liabilities or pay dividends on our common stock or adversely affect the quoted market prices for our securities.

Demand for, and prices of, certain of our products are influenced by changing market conditions for our products, which may result in reduced earnings or in operating losses.

Approximately 90% of our revenues are attributable to sales of TiO₂. Pricing within the global TiO₂ industry over the long term is cyclical and changes in economic conditions, especially in Western industrialized nations, can significantly impact our earnings and operating cash flows. Historically, the markets for many of our products have experienced alternating periods of increasing and decreasing demand. Relative changes in the selling prices for our products are one of the main factors that affect the level of our profitability. In periods of increasing demand, our selling prices and profit margins generally will tend to increase, while in periods of decreasing demand our selling prices and profit margins generally tend to decrease. In addition, pricing may affect customer inventory levels as customers may from time to time accelerate purchases of TiO₂ in advance of anticipated price increases or defer purchases of TiO₂ in advance of anticipated price decreases. Our ability to further increase capacity without additional investment in greenfield or brownfield capacity increases may be limited and as a result, our profitability may become even more dependent upon the selling prices of our products.

The TiO₂ industry is concentrated and highly competitive and we face price pressures in the markets in which we operate, which may result in reduced earnings or operating losses.

The global market in which we operate our business is concentrated with the top five TiO₂ producers accounting for over 50% of the world's production capacity and is highly competitive. Competition is based on a number of factors, such as price, product quality and service. Some of our competitors may be able to drive down prices for our products if their costs are lower than our costs. In addition, some of our competitors' financial, technological and other resources may be greater than our resources and such competitors may be better able to withstand changes in market conditions. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Further, consolidation of our competitors or customers may result in reduced demand for our products or make it more difficult for us to compete with our competitors. The occurrence of any of these events could result in reduced earnings or operating losses.

Higher costs or limited availability of our raw materials may reduce our earnings and decrease our liquidity. In addition, many of our raw material contracts contain fixed quantities we are required to purchase.

The number of sources for and availability of certain raw materials is specific to the particular geographical region in which a facility is located. For example, titanium-containing feedstocks suitable for use in our TiO₂ facilities are available from a limited number of suppliers around the world. Political and economic instability in the countries from which we purchase our raw material supplies could adversely affect their availability. If our

worldwide vendors were unable to meet their contractual obligations and we were unable to obtain necessary raw materials, we could incur higher costs for raw materials or may be required to reduce production levels. We experienced significantly higher ore costs in 2012 which carried over into 2013. We have seen moderation in the purchase cost of third-party feedstock ore in 2013 and throughout 2014 and 2015, but such reductions did not begin to be significantly reflected in our cost of sales until the third quarter of 2013. We may also experience higher operating costs such as energy costs, which could affect our profitability. We may not always be able to increase our selling prices to offset the impact of any higher costs or reduced production levels, which could reduce our earnings and decrease our liquidity.

We have long-term supply contracts that provide for our TiO₂ feedstock requirements that currently expire through 2019. While we believe we will be able to renew these contracts, there can be no assurance we will be successful in renewing these contracts or in obtaining long-term extensions to these contracts prior to expiration. Our current agreements (including those entered into through February 2016) require us to purchase certain minimum quantities of feedstock with minimum purchase commitments aggregating approximately \$865 million in years subsequent to December 31, 2015. In addition, we have other long-term supply and service contracts that provide for various raw materials and services. These agreements require us to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately \$147 million at December 31, 2015. Our commitments under these contracts could adversely affect our financial results if we significantly reduce our production and were unable to modify the contractual commitments.

Our leverage may impair our financial condition or limit our ability to operate our businesses.

As of December 31, 2015, our total consolidated debt was approximately \$341.0 million, which relates primarily to a term loan entered into in February 2014. Our level of debt could have important consequences to our stockholders and creditors, including:

- making it more difficult for us to satisfy our obligations with respect to our liabilities;
- increasing our vulnerability to adverse general economic and industry conditions;
- requiring that a portion of our cash flows from operations be used for the payment of interest on our debt, which reduces our ability to use our cash flow to fund working capital, capital expenditures, dividends on our common stock, acquisitions or general corporate requirements;
- limiting the ability of our subsidiaries to pay dividends to us;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage relative to other less leveraged competitors.

In addition to our indebtedness, at December 31, 2015 we are party to various lease and other agreements (including feedstock ore purchase contracts and other long-term supply and service contracts, as discussed above) pursuant to which, along with our indebtedness, we are committed to pay approximately \$453 million in 2016. Our ability to make payments on and refinance our debt and to fund planned capital expenditures depends on our future ability to generate cash flow. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds under our revolving credit facilities in the future will, in some instances, depend in part on our ability to maintain specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement.

Our business may not generate cash flows from operating activities sufficient to enable us to pay our debts when they become due and to fund our other liquidity needs. As a result, we may need to refinance all or a portion of our debt before maturity. We may not be able to refinance any of our debt in a timely manner on favorable terms, if at all, in the current credit markets. Any inability to generate sufficient cash flows or to refinance our debt on favorable terms could have a material adverse effect on our financial condition.

Global climate change legislation could negatively impact our financial results or limit our ability to operate our businesses.

We operate production facilities in several countries. In many of the countries in which we operate, legislation has been passed, or proposed legislation is being considered, to limit greenhouse gases through various means, including emissions permits and/or energy taxes. In several of our production facilities, we consume large amounts of energy, primarily electricity and natural gas. To date, the permit system in effect in the various countries in which we operate has not had a material adverse effect on our financial results. However, if further greenhouse gas legislation were to be enacted in one or more countries, it could negatively impact our future results from operations through increased costs of production, particularly as it relates to our energy requirements or our need to obtain emissions permits. If such increased costs of production were to materialize, we may be unable to pass price increases onto our customers to compensate for increased production costs, which may decrease our liquidity, operating income and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Information on our properties is incorporated by reference to Item 1: Manufacturing, Operations and Properties above. Our corporate headquarters is located in Dallas, Texas. See Note 15 to our Consolidated Financial Statements for information on our leases.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various environmental, contractual, intellectual property, product liability and other claims and disputes incidental to our business. Information called for by this Item is incorporated by reference to Note 15 to our Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed and traded on the New York Stock Exchange (symbol: KRO). As of February 29, 2016, there were approximately 2,200 holders of record of our common stock. The following table sets forth the high and low closing per share sales price for our common stock for the periods indicated according to Bloomberg and dividends paid during such periods. On February 29, 2016 the closing price of our common stock was \$6.37.

	High	Low	Cash dividends paid
<i>Year ended December 31, 2014</i>			
First Quarter	\$ 18.80	\$ 14.74	\$.15
Second Quarter	16.96	14.29	.15
Third Quarter	16.00	13.78	.15
Fourth Quarter	13.87	11.88	.15
<i>Year ended December 31, 2015</i>			
First Quarter	\$ 13.07	\$ 11.12	\$.15
Second Quarter	13.63	10.96	.15
Third Quarter	10.90	5.84	.15
Fourth Quarter	8.35	5.13	.15
<i>January 1, 2016 through February 29, 2016</i>	\$ 6.37	\$ 4.00	\$ -

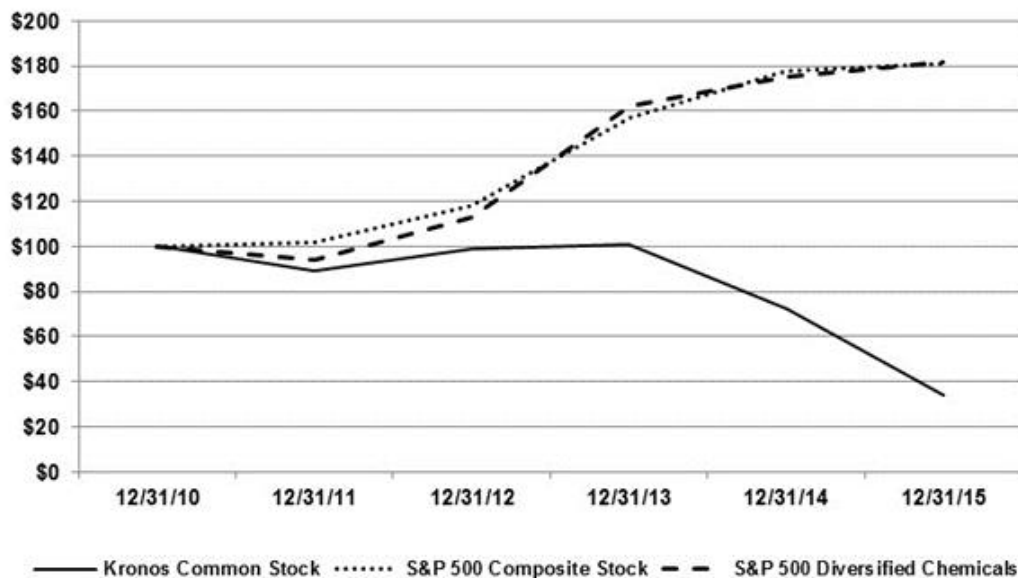
In February 2016, our board of directors declared a first quarter 2016 regular quarterly dividend of \$.15 per share, payable on March 17, 2016 to stockholders of record as of March 7, 2016. The declaration and payment of future dividends is discretionary, and the amount, if any, will be dependent upon our results of operations, financial condition, cash requirements for our business, the current long-term outlook for our business and other factors deemed relevant by our board. There are currently no restrictions on our ability to pay dividends, although provisions in certain credit agreements to which we are a party could in the future limit or restrict our ability to pay dividends.

In December 2010 our board of directors authorized the repurchase of up to 2.0 million shares of our common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We have 1,951,000 shares available for repurchase under the plan at December 31, 2015. See Note 13 to our Consolidated Financial Statements.

Performance graph

Set forth below is a table and line graph comparing the yearly change in our cumulative total stockholder return on our common stock against the cumulative total return of the S&P Composite 500 Stock Index and the S&P 500 Diversified Chemicals Index. The graph shows the value at December 31 of each year, assuming an original investment of \$100 at December 31, 2010 and reinvestment of cash dividends and other distributions to stockholders.

	2010	2011	2012	2013	2014	2015
Kronos common stock	\$ 100	\$ 89	\$ 99	\$ 101	\$ 72	\$ 34
S&P 500 Composite Stock Index	100	102	118	157	178	181
S&P 500 Diversified Chemicals Index	100	94	113	162	175	182



The information contained in the performance graph shall not be deemed “soliciting material” or “filed” with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act, except to the extent we specifically request that the material be treated as soliciting material or specifically incorporate this performance graph by reference into a document filed under the Securities Act or the Securities Exchange Act.

Equity compensation plan information

We have an equity compensation plan, which was approved by our stockholders, pursuant to which an aggregate of 200,000 shares of our common stock can be awarded to members of our board of directors. At December 31, 2015, 177,000 shares are available for award under this plan. See Note 13 to our Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our Consolidated Financial Statements and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Years ended December 31,				
	2011	2012	2013	2014	2015
(In millions, except per share data and TiO ₂ operating statistics)					
STATEMENTS OF OPERATIONS DATA:					
Net sales	\$ 1,943.3	\$ 1,976.3	\$ 1,732.4	\$ 1,651.9	\$ 1,348.8
Gross margin	748.4	560.4	112.2	349.7	192.3
Income (loss) from operations	546.5	359.6	(132.6)	149.7	(1.1)
Net income (loss)	321.0	218.5	(102.0)	99.2	(173.6)
Net income (loss) per share (1)	2.77	1.89	(.88)	.86	(1.50)
Cash dividends per share (1)	1.075	.60	.60	.60	.60
BALANCE SHEET DATA (at year end):					
Total assets (2) (3)	\$ 1,809.5	\$ 2,013.6	\$ 1,610.0	\$ 1,633.1	\$ 1,242.7
Notes payable and long-term debt including current maturities (2)	363.9	396.2	183.5	343.6	341.0
Common stockholders' equity	924.3	1,062.1	935.1	781.1	461.9
STATEMENTS OF CASH FLOW DATA:					
Net cash provided by (used in):					
Operating activities	\$ 295.6	\$ 76.9	\$ 130.4	\$ 87.7	\$ 52.1
Investing activities	(218.1)	149.8	(68.2)	(54.0)	(46.8)
Financing activities	(299.6)	(28.1)	(292.3)	89.6	(72.1)
TiO₂ OPERATING STATISTICS:					
Sales volume (4)	503	470	498	496	525
Production volume (4)	550	469	474	511	528
Production capacity at beginning of year (4)	532	550	550	555	555
Production rate as a percentage of capacity	103%	85%	86%	92%	95%

(1) In May 2011, we implemented a 2-for-1 stock split of our common stock effected in the form of a stock dividend. All per share disclosures above reflect this stock split. Cash dividends in 2011 include a \$.50 per share special dividend paid to stockholders in the first quarter of 2011. See Note 13 to our Consolidated Financial Statements.

(2) Prior period amounts have been reclassified to reflect the change in the balance sheet classifications of unamortized debt issuance costs effective December 31, 2015. See Note 18 to our Consolidated Financial Statements. As a result, deferred financing costs of \$1.2 million at December 31, 2011, \$3.9 million at December 31, 2012 and \$5.0 million at December 31, 2014, previously recognized as a noncurrent asset, are now classified as a direct deduction from the carrying value of its related debt liability.

(3) Prior period amounts have been reclassified to reflect the change in the balance sheet classification of deferred income taxes effective December 31, 2015. See Note 18 to our Consolidated Financial Statements. As a result, total assets decreased as compared to previously reported amounts by \$13.2 million at December 31, 2011, \$9.5 million at December 31, 2012, \$9.1 million at December 31, 2013 and \$4.4 million at December 31, 2014.

(4) Metric tons in thousands

RESULTS OF OPERATIONS

Business overview

We are a leading global producer and marketer of value-added TiO₂. TiO₂ is used for a variety of manufacturing applications, including plastics, paints, paper and other industrial products. During 2015, approximately one-half of our sales volumes were sold into European markets. We believe we are the largest producer of TiO₂ in Europe with an estimated 18% share of European TiO₂ sales volumes in 2015. In addition, we estimate we have a 15% share of North American TiO₂ sales volumes in 2015. Our production facilities are located throughout Europe and North America.

We consider TiO₂ to be a "quality of life" product, with demand affected by gross domestic product, or GDP, and overall economic conditions in our markets located in various regions of the world. Over the long-term, we expect demand for TiO₂ will grow by 2% to 3% per year, consistent with our expectations for the long-term growth in GDP. However, even if we and our competitors maintain consistent shares of the worldwide market, demand for TiO₂ in any interim or annual period may not change in the same proportion as the change in GDP, in part due to relative changes in the TiO₂ inventory levels of our customers. We believe that our customers' inventory levels are influenced in part by their expectation for future changes in market TiO₂ selling prices as well as their expectation for future availability of product. Although certain of our TiO₂ grades are considered specialty pigments, the majority of our grades and substantially all of our production are considered commodity pigment products with price and availability being the most significant competitive factors along with quality and customer service.

The factors having the most impact on our reported operating results are:

- Our TiO₂ sales and production volumes,
- TiO₂ selling prices,
- Manufacturing costs, particularly raw materials such as third-party feedstock ore, maintenance and energy-related expenses, and
- Currency exchange rates (particularly the exchange rate for the U.S. dollar relative to the euro, the Norwegian krone and the Canadian dollar).

Our key performance indicators are our TiO₂ average selling prices, our level of TiO₂ sales and production volumes and the cost of our third-party feedstock ore. TiO₂ selling prices generally follow industry trends and the selling prices will increase or decrease generally as a result of competitive market pressures.

In addition, our effective income tax rate in both 2014 and 2015 was impacted by certain favorable and unfavorable developments discussed below.

Executive summary

We reported a net loss of \$173.6 million, or \$1.50 per share for 2015 compared to net income of \$99.2 million, or \$.86 per share for 2014. We reported a net loss in 2015 primarily due to lower income from operations, the recognition of an aggregate \$159.0 million non-cash deferred income tax asset valuation allowance related to our German and Belgian operations, the recognition of an aggregate \$12.0 million pre-tax other-than-temporary impairment (OTTI) charge on our investment in a marketable equity security, and a \$21.7 million charge associated with the implementation of certain workforce reductions. Comparability of our results was also impacted by lower average selling prices in 2015, partially offset by the favorable effects of higher sales volumes, lower manufacturing and other production costs (primarily raw materials) and the net effect of changes in currency exchange rates.

We reported net income of \$99.2 million, or \$.86 per share for 2014 compared to a net loss of \$102.0 million, or \$.88 per share for 2013. We reported net income in 2014 compared to a loss in 2013 principally due to improved results from operations primarily resulting from lower raw material costs and higher production volumes, partially offset by lower average selling prices in 2014 as well as a 2013 litigation settlement charge and unabsorbed fixed production and other costs associated with the labor lockout at our Canadian plant as further discussed below.

Our net loss in 2015 includes:

- the recognition of an aggregate non-cash deferred income tax asset valuation allowance related to our German and Belgian operations of \$159.0 million (\$1.37 per share), mostly recognized in the second quarter,
- the third quarter recognition of an aggregate pre-tax OTTI loss on our investment in a marketable equity security of \$12.0 million (\$7.8 million, or \$.07 per share, net of income tax benefit), and
- a pre-tax charge of \$21.7 million (\$18.5 million, or \$.16 per share, net of income tax benefit) related to workforce reduction costs, mostly recognized in the second quarter.

Our net income in 2014 includes an aggregate non-cash income tax benefit of \$5.1 million (\$.04 per share) related to a net reduction in our reserve for uncertain tax positions (mostly in the second quarter).

Our net loss in 2013 includes:

- a pre-tax litigation settlement charge of \$35 million (\$22.5 million, or \$.19 per share, net of income tax benefit),
- approximately \$28 million aggregate costs (\$21 million, or \$.18 per share, net of income tax benefit) related to unabsorbed fixed production and other costs as a result of the Canadian plant lockout, and costs associated with the terms of a new collective bargaining agreement reached with our Canadian workforce, and
- an aggregate charge of \$8.9 million (\$5.8 million, or \$.05 per share, net of income tax benefit) related to the voluntary prepayment of \$390 million principal amount of our term loan, consisting of the write-off of original issue discount costs and deferred financing costs.

Critical accounting policies and estimates

The accompanying “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is based upon our Consolidated Financial Statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. On an ongoing basis we evaluate our estimates, including those related to the recoverability of long-lived assets, pension and other postretirement benefit obligations and the underlying actuarial assumptions related thereto, the realization of deferred income tax assets and accruals for litigation, income tax and other contingencies. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ significantly from previously-estimated amounts under different assumptions or conditions.

The following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

- *Long-lived assets* - We recognize an impairment charge associated with our long-lived assets, including property and equipment, whenever we determine that recovery of such long-lived asset is not probable. Such determination is made in accordance with the applicable GAAP requirements of Accounting Standard Codification, or ASC, Topic 360-10-35 *Property, Plant and Equipment* and is based upon, among other things, estimates of the amount of future net cash flows to be generated by the long-lived asset and estimates of the current fair value of the asset. Significant judgment is

required in estimating such cash flows. Adverse changes in such estimates of future net cash flows or estimates of fair value could result in an inability to recover the carrying value of the long-lived asset, thereby possibly requiring an impairment charge to be recognized in the future. We do not assess our property and equipment for impairment unless certain impairment indicators specified in ASC Topic 360-10-35 are present. We did not evaluate any long-lived assets for impairment during 2015 because no such impairment indicators were present.

Benefit plans - We maintain various defined benefit pension plans and postretirement benefits other than pensions, or OPEB, plans. The amounts recognized as defined benefit pension and OPEB expenses and the reported amounts of pension asset and accrued pension and OPEB costs are actuarially determined based on several assumptions, including discount rates, expected rates of return on plan assets, expected health care trend rates and expected mortality. Variances from these actuarially assumed rates will result in increases or decreases, as applicable, in the recognized pension and OPEB obligations, pension and OPEB expenses and funding requirements. These assumptions are more fully described below under “Defined Benefit Pension Plans” and “OPEB Plans.”

Income taxes - We recognize deferred taxes for future tax effects of temporary differences between financial and income tax reporting. Deferred income tax assets and liabilities for each tax-paying jurisdiction in which we operate are netted and presented as either a noncurrent deferred income tax asset or liability, as applicable. We record a valuation allowance to reduce our deferred income tax assets to the amount that is believed to be realized under the more-likely-than-not recognition criteria. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, it is possible that we may change our estimate of the amount of the deferred income tax assets that would more-likely-than-not be realized in the future, resulting in an adjustment to the deferred income tax asset valuation allowance that would either increase or decrease, as applicable, reported net income in the period such change in estimate was made.

For example, at December 31, 2015 we have substantial net operating loss (NOL) carryforwards in Germany (the equivalent of \$683 million for German corporate purposes and \$96 million for German trade tax purposes) and in Belgium (the equivalent of \$86 million for Belgian corporate tax purposes), 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.

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 carryforwards have an indefinite carryforward period, (ii) we utilized a portion of such carryforwards during the most recent three-year period, and (iii) we expect to utilize the remainder of the carryforwards over the long term. We had also previously indicated that facts and circumstances could change, which might in the future result in the recognition of a valuation allowance against some or all of such deferred income tax assets. However, as of June 30, 2015, and given our operating results during the second quarter of 2015 and our expectations at that time for our operating results for the remainder of 2015, which as discussed elsewhere in this Annual Report have been driven in large part by the trend in our average TiO₂ selling prices over such periods as well as the \$21.1 million pre-tax charge recognized in the second quarter of 2015 in connection with the implementation of certain workforce reductions, we did not have sufficient positive evidence to overcome the significant negative evidence of having cumulative losses in the most recent twelve consecutive quarters in both our German and Belgian jurisdictions at June 30, 2015 (even considering that the carryforward period of our German and Belgian NOL carryforwards is indefinite, one piece of positive evidence). Accordingly, at 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 German and Belgian net deferred income tax assets. Such valuation allowance aggregated \$150.3 million at June 30, 2015. We recognized an additional \$8.7 million non-cash deferred income tax asset valuation allowance under the more-likely-than-not recognition criteria during the second half of 2015, due to losses recognized by our German and Belgian operations during such period.

We record a reserve for uncertain tax positions where we believe it is more-likely-than-not our tax positions will not prevail with the applicable tax authorities. It is possible that in the future we may change our assessment regarding the probability that our tax positions will prevail that would require an adjustment to the amount of our reserve for uncertain tax positions that could either increase or decrease, as applicable, reported net income in the period the change in assessment was made.

In addition, we evaluate at the end of each reporting period as to whether or not some or all of the undistributed earnings of our non-U.S. subsidiaries are permanently reinvested (as that term is defined in GAAP). While we may have concluded in the past that some of such undistributed earnings are permanently reinvested, facts and circumstances can change in the future and it is possible that a change in facts and circumstances, such as a change in the expectation regarding the capital needs of our non-U.S. subsidiaries, could result in a conclusion that some or all of such undistributed earnings are no longer permanently reinvested. In such an event, we would be required to recognize a deferred income tax liability in an amount equal to the estimated incremental U.S. income tax and withholding tax liability that would be generated if all of such previously-considered permanently reinvested undistributed earnings were to be distributed to the U.S.

Contingencies - We record accruals for legal and other contingencies when estimated future expenditures associated with such contingencies and commitments become probable and the amounts can be reasonably estimated. However, new information may become available or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount required to be accrued for such matters (and therefore a decrease or increase in reported net income in the period of such change).

Results from operations is impacted by certain of these and other significant judgments and estimates, such as allowance for doubtful accounts, reserves for obsolete or unmarketable inventories, impairment of equity method investments and long-lived assets, defined benefit pension plans and loss accruals. In addition, net income is impacted by the significant judgments and estimates for deferred income tax asset valuation allowances and loss accruals.

Comparison of 2015 to 2014 Results of Operations

	Year ended December 31,			
	2014		2015	
	(Dollars in millions)			
Net sales	\$ 1,651.9	100 %	\$ 1,348.8	100 %
Cost of sales	1,302.2	79	1,156.5	86
Gross margin	349.7	21	192.3	14
Other operating expense, net	200.0	12	193.4	14
Income (loss) from operations	\$ 149.7	9 %	\$ (1.1)	- %
				% Change
TiO₂ operating statistics:				
Sales volumes*	496		525	6 %
Production volumes*	511		528	3 %
Percentage change in net sales:				
TiO ₂ product pricing				(14) %
TiO ₂ sales volumes				6
TiO ₂ product mix				(2)
Changes in currency exchange rates				(8)
Total				(18) %

* Thousands of metric tons

Industry conditions and 2015 overview – Due to competitive pressures, our average TiO₂ selling prices decreased throughout 2014 and 2015. Our average selling prices at the end of 2015 were 17% lower than at the end of 2014, with lower prices in all major markets, most notably in North American and certain export markets. Our average selling prices in 2015 were also impacted by a higher percentage of sales to lower-priced export markets in 2015 compared to 2014. We experienced higher sales volumes in European and export markets in 2015 as compared to 2014, partially offset by lower volumes in North American markets in 2015 as compared to 2014.

The following table shows our capacity utilization rates during 2014 and 2015.

	<u>2014</u>	<u>2015</u>
First Quarter	90%	93%
Second Quarter	97%	100%
Third Quarter	96%	95%
Fourth Quarter	86%	92%
Overall	92%	95%

Our production capacity utilization rates in the first quarter of 2014 were impacted by a union labor lockout at our Canadian production facility that ended in December 2013, as restart of production at the facility did not begin until February 2014. Our production rates in the fourth quarter of 2014 and the first and fourth quarters of 2015 were impacted by the implementation of certain productivity-enhancing improvement projects at certain facilities, as well as necessary improvements to ensure continued compliance with our permit regulations, which resulted in longer-than-normal maintenance shutdowns in some instances.

We continued to experience moderation in the cost of TiO₂ feedstock ore procured from third parties in 2014 and 2015. Given the time lag between when third-party feedstock ore is procured and when the TiO₂ product produced with such ore is sold and recognized in our cost of sales, our cost of sales per metric ton of TiO₂ sold declined throughout 2014 and 2015. Consequently, our cost of sales per metric ton of TiO₂ sold in 2015 was slightly lower than our cost of sales per metric ton of TiO₂ sold in 2014 (excluding the effect of changes in currency exchange rates).

In the second quarter of 2015, we initiated a restructuring plan designed to improve our long-term cost structure. A portion of such expected cost savings are planned to occur through workforce reductions. During the second, third and fourth quarters of 2015, we implemented certain voluntary and involuntary workforce reductions at certain of our facilities impacting approximately 160 individuals. We recognized an aggregate \$21.7 million charge in 2015 (substantially all of which was recognized in the second quarter) for such workforce reductions we had implemented through December 31, 2015, \$10.8 million of which is classified as part of cost of sales and \$10.9 million of which is classified in selling, general and administrative expense. The charge associated with the workforce reductions implemented in the third and fourth quarters of 2015, which impacted approximately 50 individuals, was not material due to the applicable law affecting such individuals, which generally provides for a short notice period (if any) and the payment of a nominal amount of severance (if any). See Note 17 to our Consolidated Financial Statements.

Net sales - Our net sales decreased 18% or \$303.1 million in 2015 compared to 2014, primarily due to the net effect of a 14% decrease in average TiO₂ selling prices (which decreased net sales by approximately \$231 million) and a 6% increase in sales volumes (which increased net sales by approximately \$99 million). TiO₂ selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes increased primarily due to higher sales in certain European and export markets, partially offset by lower sales in North American markets. We estimate that changes in currency exchange rates decreased our net sales by approximately \$138 million, or 8%, as compared to 2014.

Cost of sales - Cost of sales decreased \$145.7 million or 11% in 2015 compared to 2014 due to the net impact of lower raw materials and other production costs of approximately \$26 million (primarily caused by the lower third-party feedstock ore costs, as discussed above), a 3% increase in TiO₂ production volumes and currency

fluctuations (primarily the euro). In addition, cost of sales in 2015 includes approximately \$10.8 million of severance costs related to the workforce reduction plan discussed above.

Our cost of sales as a percentage of net sales increased to 86% in 2015 compared to 79% in 2014, as the unfavorable impact of lower average selling prices and the workforce reduction charge more than offset the favorable effects of lower raw material costs and efficiencies related to higher production volumes, as discussed above.

Gross margin and income (loss) from operations - Income from operations decreased by \$150.8 million, from income of \$149.7 million in 2014 to a loss from operations of \$1.1 million in 2015. Income (loss) from operations as a percentage of net sales decreased to (1)% in 2015 from 9% in 2014. This decrease was driven by the decline in gross margin, which decreased to 14% in 2015 compared to 21% in 2014, as well as the negative impact of the workforce reduction charge classified as part of other operating expense (\$10.9 million). As discussed and quantified above, our gross margin decreased primarily due to the net effect of lower selling prices, workforce reduction costs classified as part of cost of sales (\$10.8 million), lower manufacturing costs (primarily raw materials), higher production volumes, and higher sales volumes. We estimate that changes in currency exchange rates increased income from operations by approximately \$40 million in 2015 as compared to 2014.

Selling, general and administrative expenses were approximately 13% and 12% of net sales for 2015 and 2014, respectively. As discussed above, the relative increase in 2015 is primarily due to the workforce reduction charge classified as part of selling, general and administrative expense (\$10.9 million).

Other non-operating income (expense) - We recognized a \$12.0 million pre-tax impairment charge in the third quarter of 2015 due to other-than-temporary impairment on our investment in a marketable equity security available for sale. See Note 6 to our Consolidated Financial Statements.

Interest expense increased \$1.5 million from \$17.0 million in 2014 to \$18.5 million in 2015 primarily due to higher average debt levels mostly offset by lower average interest rates in 2015. See Note 9 to our Consolidated Financial Statements.

Income tax expense - We recognized income tax expense of \$142.8 million in 2015 compared to income tax expense of \$34.5 million in 2014. As discussed above in "Critical Accounting Policies and Estimates" subsection, our income tax expense in 2015 includes an aggregate non-cash deferred income tax expense of \$159.0 million related to the recognition of a deferred income tax asset valuation allowance for our German and Belgian operations (mostly recognized in the second quarter). We continue to believe we will ultimately realize the full benefit of our German and Belgian NOL carryforwards, in part because of their indefinite carryforward period. However, our ability to reverse all or a portion of such valuation allowance in the future is dependent on the presence of sufficient positive evidence, such as the existence of cumulative profits in the most recent twelve consecutive quarters, and the ability to demonstrate future profitability for a sustainable period. Until such time as we are able to reverse the valuation allowance in full, to the extent we generate additional losses in Germany or Belgium in the intervening periods, our effective income tax rate would be impacted by the existence of such valuation allowance, because such losses would effectively be recognized without any associated net income tax benefit, as such losses would result in a further increase in the deferred income tax asset valuation allowance. Alternatively, until such time as we are able to reverse the valuation allowance in full, to the extent we generate income in Germany or Belgium in the intervening periods, our effective income tax rate would also be impacted by the existence of such valuation allowance, because such income would effectively be recognized without any associated net income tax expense, as we would reverse a portion of the valuation allowance to offset the income tax expense attributable to such income. In addition, any change in tax law related to the indefinite carryforward period of these NOLs could adversely impact our ability to reverse the valuation allowance in full. Consistent with our expectation regarding our consolidated results of operations in 2016 (as discussed below under the "Outlook" subsection), we currently believe it is likely our German and Belgian operations will report improved operating results in 2016 as compared to 2015. However, we currently do not expect that our German and Belgian operating results would improve to such an extent in 2016 that reversal of the valuation allowance in full would be supported by the presence of sufficient positive evidence.

In 2014, our income tax expense was favorably impacted by an aggregate non-cash income tax benefit of \$5.1 million related to a net reduction in our reserve for uncertain tax positions. Our earnings are subject to income tax in various U.S. and non-U.S. jurisdictions, and the income tax rates applicable to our pre-tax earnings (losses) of our non-U.S. operations are generally lower than the income tax rates applicable to our U.S. operations. Excluding the impact of the net reduction in our reserve for uncertain tax positions in 2014, our effective tax rate in such period was lower than the U.S. federal statutory tax rate of 35% primarily due to our non-U.S. earnings. Our effective income tax rate in 2015, excluding the impact of the deferred income tax asset valuation allowance, was higher than the U.S. federal statutory tax rate of 35%, primarily due to a current U.S. income tax benefit attributable to current year losses of one of our non-U.S. subsidiaries. See Note 10 to our Consolidated Financial Statements for a tabular reconciliation of our statutory income tax provision to our actual tax provision.

Comparison of 2014 to 2013 Results of Operations

	Year ended December 31,			
	2013		2014	
	(Dollars in millions)			
Net sales	\$ 1,732.4	100 %	\$ 1,651.9	100 %
Cost of sales	1,620.2	94	1,302.2	79
Gross margin	112.2	6	349.7	21
Other operating expense, net	244.8	14	200.0	12
Income (loss) from operations	\$ (132.6)	(8) %	\$ 149.7	9 %
				% Change
TiO ₂ operating statistics:				
Sales volumes*	498		496	- %
Production volumes*	474		511	8 %
Percentage change in net sales:				
TiO ₂ product pricing				(6) %
TiO ₂ sales volumes				-
TiO ₂ product mix				-
Changes in currency exchange rates				1
Total				(5) %

* Thousands of metric tons

Net sales - Our net sales decreased 5% or \$80.5 million in 2014 compared to 2013, primarily due a 6% decrease in average TiO₂ selling prices (which decreased net sales by approximately \$104 million). TiO₂ selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes in 2014 remained relatively stable compared to 2013 as slightly higher sales in Europe were offset by lower sales in certain export markets. In addition, we estimate the favorable effect of changes in currency exchange rates increased our net sales by approximately \$12 million, or 1%, as compared to 2013.

Cost of sales - Cost of sales decreased \$318.0 million or 20% in 2014 compared to 2013 due to the net impact of lower raw materials and other production costs of approximately \$250 million (primarily caused by the lower third-party feedstock ore costs, as discussed above), an 8% increase in TiO₂ production volumes and currency fluctuations (primarily the euro). Our cost of sales as a percentage of net sales decreased to 79% in 2014 compared to 94% in 2013, primarily due to the net effects of lower raw material and other production costs and the lower average TiO₂ selling prices discussed above. In addition, cost of sales in 2013 includes approximately \$19 million of unabsorbed fixed production and other manufacturing costs associated with the lockout at the Canadian TiO₂ production facility and approximately \$9 million of one-time costs resulting from the terms of the new collective

bargaining agreement for our Canadian workforce, each of which were charged directly to cost of sales as discussed below.

Unionized employees in our Canadian TiO₂ production facility were covered by a collective bargaining agreement that expired June 15, 2013. The Canadian facility represents approximately 19% of our worldwide TiO₂ production capacity. The union employees represented by the Confederation des Syndicat National (CSN) rejected our revised global offer, and we declared a lockout of unionized employees upon the expiration of the existing contract. Effective the end of November 2013, a new collective bargaining agreement was reached with CSN and production at the facility resumed in February 2014. During the lockout we operated our Canadian plant at approximately 15% of the plant's capacity with non-union management employees. The reduction in our TiO₂ production volumes at our Canadian facility resulted in approximately \$19 million of unabsorbed fixed production and other manufacturing costs that were charged directly to cost of sales. In addition, we recognized approximately \$9 million in expenses associated with reaching a new collective bargaining agreement, consisting of a net \$7 million non-cash charge due to the curtailment of one of our Canadian defined benefit pension plans and our Canadian other postretirement benefit plan and approximately \$2 million of severance and other back-to-work expenses.

Other operating expense, net – Other operating expense in 2013 includes a previously-reported third quarter litigation settlement charge of \$35 million.

Gross margin and income (loss) from operations - Income from operations increased by \$282.3 million from a loss of \$132.6 million in 2013 to income of \$149.7 in 2014. Income (loss) from operations as a percentage of net sales increased to 9% in 2014 from (8)% in 2013. This increase was driven by the improvement in gross margin, which increased to 21% in 2014 compared to 6% in 2013 and by the 2013 litigation settlement charge as discussed above. As discussed and quantified above, our gross margin increased primarily due to the net effect of lower manufacturing costs (primarily raw materials), lower selling prices, higher production volumes and 2013 costs associated with reaching a new Canadian collective bargaining agreement and related unabsorbed fixed costs charged directly to cost of sales. Additionally, changes in currency exchange rates have positively affected our gross margin and income from operations. We estimate that changes in currency exchange rates increased income from operations by approximately \$42 million in 2014 as compared to 2013.

As a percentage of net sales, selling, general and administrative expenses were relatively consistent at approximately 12% and 11% for 2014 and 2013 respectively.

Other non-operating income (expense) – In 2013, we recognized an aggregate \$8.9 million pre-tax charge, consisting of the write-off of unamortized original issue discount costs and deferred financing costs related to the voluntary prepayment of our prior term loan by \$290 million in the first quarter of 2013 and the remaining \$100 million in the third quarter of 2013. See Note 9 to our Consolidated Financial Statements.

Interest expense decreased \$2.6 million from \$19.6 million in 2013 to \$17.0 million in 2014 primarily due to lower average interest rates on outstanding borrowings in 2014 partially offset by higher average debt levels. See Note 9 to our Consolidated Financial Statements.

Income tax expense (benefit) - We recognized income tax expense of \$34.5 million in 2014 compared to an income tax benefit of \$57.9 million in 2013. This difference is primarily due to our increased earnings in 2014. In addition, our income tax expense in 2014 was favorably impacted by an aggregate non-cash income tax benefit of \$5.1 million related to a net reduction in our reserve for uncertain tax positions. See Note 10 to our Consolidated Financial Statements for a tabular reconciliation of our statutory income tax provision to our actual tax provision.

Effects of currency exchange rates

We have substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar (and consequently our non-

U.S. operations will generally hold U.S. dollars from time to time). Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased primarily in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to (i) the difference between the currency exchange rates in effect when non-local currency sales or operating costs (primarily U.S. dollar denominated) are initially accrued and when such amounts are settled with the non-local currency, (ii) changes in currency exchange rates during time periods when our non-U.S. operations are holding non-local currency (primarily U.S. dollars), and (iii) relative changes in the aggregate fair value of currency forward contracts held from time to time. As discussed in Note 16 to our Consolidated Financial Statements, we periodically use currency forward contracts to manage a portion of our currency exchange risk, and relative changes in the aggregate fair value of any currency forward contracts we hold from time to time serves in part to mitigate the currency transaction gains or losses we would otherwise recognize from the first two items described above.

Overall, we estimate that fluctuations in currency exchange rates had the following effects on our sales and income from operations for the periods indicated.

Impact of changes in currency exchange rates - 2015 vs. 2014

	<u>Transaction gains/(losses) recognized</u>			<u>Translation gain/loss- impact of rate changes</u>	<u>Total currency impact 2015 vs. 2014</u>
	<u>2014</u>	<u>2015</u>	<u>Change</u>		
	(In millions)				
Impact on:					
Net sales	\$ -	\$ -	\$ -	\$ (138)	\$ (138)
Income from operations	4	-	(4)	44	40

The \$138 million reduction in net sales (translation loss) was caused primarily by a strengthening of the U.S. dollar relative to the euro, as our euro-denominated sales were translated into fewer U.S. dollars in 2015 as compared to 2014. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2015 did not have a significant effect on the reported amount of our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations are denominated in the U.S. dollar.

The \$40 million increase in income from operations comprised the following net effects:

- A reduction in the amount of net currency transaction gains during the two periods of approximately \$4 million. Such net currency transaction gains (losses) result primarily from U.S. dollar-denominated receivables and U.S. dollar currency held by our non-U.S. operations, which are translated into the applicable local currency at each balance sheet date. During 2014, a relative strengthening of the U.S. dollar relative to the euro and the Norwegian krone gave rise to a net \$4 million currency transaction gain, whereas we recognized a nominal currency transaction loss during 2015, and
- Approximately \$44 million from net currency translation gains caused primarily by a strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone, as their local currency-denominated operating costs were translated into fewer U.S. dollars in 2015 as compared to 2014. Overall, the strengthening of the U.S. dollar relative to the euro in 2015 did not have a significant impact on our income from operations, as the reduction in net sales caused by such strengthening was substantially offset by the effect of our euro-denominated operating costs being translated into fewer U.S. dollars.

Impact of changes in currency exchange rates - 2014 vs. 2013

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact 2014 vs. 2013
	2013	2014	Change		
	(In millions)				
Impact on:					
Net sales	\$ -	\$ -	\$ -	\$ 12	\$ 12
Income from operations	(4)	4	8	34	42

The \$12 million increase in net sales (translation gain) was caused primarily by a weakening of the U.S. dollar relative to the euro, as our euro-denominated sales were translated into more U.S. dollars in 2014 as compared to 2013. The strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone in 2014 did not have a significant effect on the reported amount of our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations are denominated in the U.S. dollar.

The \$42 million increase in income from operations comprised the following net effects:

- An increase in the amount of net currency transaction gains (losses) during the two periods of approximately \$8 million. Such net currency transaction gains (losses) result primarily from U.S. dollar-denominated receivables and U.S. dollar currency held by our non-U.S. operations, which are translated into the applicable local currency at each balance sheet date. During 2013, a relative strengthening of the U.S. dollar relative to the Canadian dollar and the krone, partially offset by a relative weakening of the USD to the euro, gave rise to a net \$4 million currency transaction loss, whereas we recognized a \$4 million currency transaction gain during 2014, and
- Approximately \$34 million from net currency translation gains caused primarily by a strengthening of the U.S. dollar relative to the Canadian dollar and the Norwegian krone, as their local currency-denominated operating costs were translated into fewer U.S. dollars in 2014 as compared to 2013, and the weakening of the U.S. dollar relative to the euro in 2014 as their U.S. dollar denominated raw materials purchases resulted in a favorable currency impact relative to 2013.

Outlook

During 2015 we operated our production facilities at 95% of practical capacity compared to 92% in 2014. We expect our production volumes to be higher in 2016 as compared to 2015, as our production rates in 2015 were impacted by the implementation of certain productivity-enhancing improvement projects at certain facilities, as well as necessary improvements to ensure continued compliance with our permit regulations, which resulted in longer-than-normal maintenance shutdowns in some instances. Assuming economic conditions do not deteriorate in the various regions of the world, we expect our sales volumes to be higher in 2016 as compared to 2015. We will continue to monitor current and anticipated near-term customer demand levels and align our production and inventories accordingly.

We continued to experience moderation in the cost of TiO₂ feedstock ore procured from third parties in 2014 and 2015. Given the time lag between when third-party feedstock ore is procured and when the TiO₂ product produced with such ore is sold and recognized in our cost of sales, our cost of sales per metric ton of TiO₂ sold in 2015 was slightly lower than our cost of sales per metric ton of TiO₂ sold in 2014 (excluding the effect of changes in currency exchange rates). We expect our cost of sales per metric ton of TiO₂ sold in 2016 will be lower than our per-metric ton cost in 2015, due in part to the favorable effect of the workforce reductions and other cost reduction initiatives we are undertaking as well as some modest improvement in the cost of feedstock ore.

We started 2015 with selling prices 9% lower than the beginning of 2014, and prices declined by an additional 17% during 2015. Industry data indicates that overall TiO₂ inventory held by producers has declined significantly during 2015. In addition, we believe most customers hold very low inventories of TiO₂ with many

operating on a just-in-time basis. With the improvement in sales volumes experienced in 2015, we continue to see evidence of strengthening demand for our TiO₂ products in certain of our primary markets. We and our major competitors announced a price increase in late 2015, which is expected to be implemented in the first quarter of 2016, or as contracts allow. The extent to which we will be able to achieve any price increases in the near term will depend on market conditions.

We initiated a restructuring plan in 2015 designed to improve our long-term cost structure. A portion of such expected cost savings is planned to occur through workforce reductions. During 2015, we implemented certain voluntary and involuntary workforce reductions at certain of our facilities impacting approximately 160 individuals. As of December 31, 2015 we have recognized an aggregate \$21.7 million charge for such workforce reductions we had implemented through that date, \$10.8 million of which is classified as part of cost of sales and \$10.9 million of which is classified in selling, general and administrative expense. The workforce reductions we have implemented through December 31, 2015 are not expected to negatively impact our ability to operate our production facilities at their practical capacity rates.

In addition to the workforce reductions implemented through December 31, 2015, we are also in the process of implementing other cost reduction initiatives throughout the organization, including the implementation of continued process productivity improvements. The workforce reductions we have implemented through December 31, 2015, combined with certain open positions that are not expected to be filled and cost savings expected to be realized from our other cost reduction initiatives we are undertaking, are expected to result in a payback of the aggregate workforce reduction charge accrued at December 31, 2015 within approximately one year, the benefit of which we began to recognize in the second half of 2015.

Overall, we expect income from operations in 2016 will be higher as compared to 2015 as a result of:

- the favorable effects of anticipated higher sales and production volumes in 2015,
- the favorable effect of lower-cost feedstock ore, and
- the expected cost savings from workforce reductions and other cost reduction initiatives throughout the organization.

However, given, among other things, the level of our average selling prices at the beginning of 2016, we believe it is possible we would report a loss from operations in the first quarter of 2016.

Due to the constraints of high capital costs and extended lead time associated with adding significant new TiO₂ production capacity, especially for premium grades of TiO₂ products produced from the chloride process, we believe increased and sustained profit margins will be necessary to financially justify major expansions of TiO₂ production capacity required to meet expected future growth in demand. As a result of customer decisions over the last year and the resulting adverse effect on global TiO₂ pricing, some industry projects to increase TiO₂ production capacity have been cancelled or deferred indefinitely, and announcements have been made regarding the closure of certain facilities. Given the lead time required for production capacity expansions, a shortage of TiO₂ products could occur if economic conditions improve and global demand levels for TiO₂ increase sufficiently.

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

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

Operating activities

Trends in cash flows as a result of our operating activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in our earnings. In addition to the impact of the operating, investing and financing cash flows discussed below, changes in the amount of cash and cash equivalents we report from year to year can be impacted by changes in currency exchange rates, since a portion of our cash and cash equivalents is held by our non-U.S. subsidiaries. For example, during 2015, relative changes in currency exchange rates resulted in an \$8.4 million decrease in the reported amount of our cash and cash equivalents compared to \$9.4 million decrease in 2014 and a \$1.2 million increase in 2013.

Cash provided by operating activities was \$52.1 million in 2015 compared to \$87.7 million in 2014. This \$35.6 million decrease was primarily due to the net effects of the following:

- lower income from operations in 2015 of \$150.8 million,
- lower cash used in 2015 of \$122.6 million associated with relative changes in our inventories, receivables, prepaids, payables and accruals,
- lower net cash paid for income taxes in 2015 of \$16.1 million due to decreased profits,
- lower net distributions from our TiO₂ joint venture in 2015 of \$4.1 million, primarily due to the timing of the joint venture's working capital needs, and
- higher cash paid for interest in 2015 of \$1.9 million, primarily due to higher average debt levels mostly offset by lower average interest rates on borrowings.

Cash provided by operating activities was \$87.7 million in 2014 compared to \$130.4 million in 2013. This \$42.7 million decrease was primarily due to the net effects of the following:

- higher income from operations in 2014 of \$282.3 million,
- net cash used in 2014 of \$106.1 million associated with relative changes in our inventories, receivables, prepaids, payables and accruals as compared to net cash provided by such relative changes in 2013 of \$219.8 million, primarily due to a significant amount of cash provided by relative changes in our inventories in 2013 resulting principally from lower inventory costs,
- lower net cash paid for income taxes in 2014 of \$15.7 million due to the timing of payments,
- lower cash paid for interest in 2014 of \$3.9 million, primarily due to lower average interest rates on borrowings, and
- lower cash funding of pension plans in 2014 of \$6.9 million.

Changes in working capital are affected by accounts receivable and inventory changes. As shown below:

- Our average days sales outstanding, or DSO, increased from December 31, 2014 to December 31, 2015 due to higher sales volume in 2015, partially offset by the effect of lower sales prices in the fourth quarter of 2015 as compared to the fourth quarter of 2014, and
- Our average days sales in inventory, or DSI, increased from December 31, 2014 to December 31, 2015, due to higher inventory volumes offset by lower inventory raw material costs.

For comparative purposes, we have provided prior year numbers below.

	December 31, 2013	December 31, 2014	December 31, 2015
Days sales outstanding	62 days	61 days	66 days
Days sales in inventory	75 days	76 days	80 days

Investing activities

Our capital expenditures were \$67.6 million in 2013, \$61.2 million in 2014 and \$47.1 in 2015. Capital expenditures are primarily incurred to maintain and improve the cost effectiveness of our manufacturing facilities. In addition, approximately \$5 million of our 2015 capital expenditure relates to the implementation of a new accounting and manufacturing system. Our capital expenditures during the past three years include an aggregate of approximately \$44.0 million (including \$6.9 million in 2015) for our ongoing environmental protection and compliance programs. We had a net reduction in restricted cash of \$7.2 million in 2014, principally related to the release of certain restricted cash deposits upon the cancellation of certain letters of credit issued in connection with the appeal of a Canadian income tax assessment which was completed in our favor. See Notes 9 and 10 to our Consolidated Financial Statements.

Financing activities

During 2015, we paid quarterly dividends aggregating \$.60 per share (\$69.5 million).

During 2014, we:

- borrowed \$348.3 million on our new term loan and subsequently repaid \$2.6 million,
- repaid \$170.0 million under our note payable with Contran,
- borrowed \$81.0 million on our revolving North American credit facility and subsequently repaid \$92.1 million,
- borrowed \$1.1 million from a Canadian economic development agency, and
- paid quarterly dividends to stockholders aggregating \$.60 per share (\$69.5 million).

During 2013, we:

- voluntarily prepaid \$390.0 million principal amount on our prior term loan,
- borrowed \$190.0 million and subsequently repaid \$20 million on our note payable with Contran entered into in February 2013,
- borrowed \$162.1 million and subsequently repaid \$151.0 million on our revolving North American credit facility,
- borrowed €10 million (\$12.8 million when borrowed) on our European credit facility and subsequently repaid an aggregate €20 million (\$26.5 million when repaid),
- borrowed \$1.7 million from a Canadian economic development agency,
- purchased 49,000 shares of our common stock in open market transactions for \$.7 million, and
- paid quarterly dividends to stockholders aggregating \$.60 per share (\$69.5 million).

In February 2016, our board of directors declared a first quarter 2016 regular quarterly dividend of \$.15 per share, payable March 17, 2016 to stockholders of record as of March 7, 2016.

Outstanding debt obligations and borrowing availability

At December 31, 2015, our consolidated debt comprised:

- \$343.9 million aggregate borrowing under our term loan (\$338.0 million carrying amount, net of unamortized original issue discount and debt issuance costs) due in February 2020, and
- approximately \$3.0 million of other indebtedness.

Our North American and European revolvers and our term loan contain a number of covenants and restrictions which, among other things, restrict our ability to incur additional debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer substantially all of our assets to, another entity, and contains other provisions and restrictive covenants customary in lending transactions of this type. Certain of our credit agreements contain provisions which could result in the acceleration of indebtedness prior to their stated maturity for reasons other than defaults for failure to comply with typical financial or payment covenants. For example, certain credit agreements allow the lender to accelerate the maturity of the indebtedness upon a change of control (as defined in the agreement) of the borrower. In addition, certain credit agreements could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside the ordinary course of business. Our European revolving credit facility also requires the maintenance of certain financial ratios, and one of such requirements is based on the ratio of net debt to the last twelve months EBITDA of the borrowers. The terms of all of our debt instruments (including revolving lines of credit for which we have no outstanding borrowings at December 31, 2015) are discussed in Note 9 to our Consolidated Financial Statements. We are in compliance with all of our debt covenants at December 31, 2015. We believe that we will be able to continue to comply with the financial covenants contained in our credit facilities through their maturity.

In addition to the outstanding indebtedness indicated above, at December 31, 2015 we had \$68.3 million available for borrowing under our North American revolving credit facility, and we could borrow all such available amount without violating any of the facility's covenants. At December 31, 2015, based upon the last twelve months EBITDA and the net debt to EBITDA financial test for our European revolving credit facility, our borrowing availability under such facility is approximately 19% of the credit facility, or €23.1 million (\$25.3 million).

Our assets consist primarily of investments in operating subsidiaries, and our ability to service parent-level obligations depends in part upon the distribution of earnings of our subsidiaries, whether in the form of dividends, advances or payments on account of intercompany obligations or otherwise. Our term loan is collateralized, by, among other things, a first priority lien on (i) 100% of the common stock of certain of our U.S. wholly-owned subsidiaries, (ii) 65% of the common stock or other ownership interest of our Canadian subsidiary (Kronos Canada, Inc.) and certain first-tier European subsidiaries (Kronos Titan GmbH and Kronos Denmark ApS) and (iii) a \$395.7 million unsecured promissory note issued by our wholly-owned subsidiary, Kronos International, Inc. (KII). The term loan is also collateralized by a second priority lien on our U.S. assets which collateralize our North American revolving facility. Our North American revolving credit facility is collateralized by, among other things, a first priority lien on the borrower's trade receivables and inventories. Our European revolving credit facility is collateralized by, among other things, the accounts receivable and inventories of the borrowers plus a limited pledge of all the other assets of the Belgian borrower. See Note 9 to our Consolidated Financial Statements.

Liquidity

Our primary source of liquidity on an ongoing basis is cash flows from operating activities which is generally used to (i) fund working capital expenditures, (ii) repay any short-term indebtedness incurred for working capital purposes and (iii) provide for the payment of dividends. From time-to-time we will incur indebtedness, generally to (i) fund short-term working capital needs, (ii) refinance existing indebtedness or (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business. We will also from time-to-time sell assets outside the ordinary course of business and use the proceeds to (i) repay existing indebtedness, (ii) make investments in marketable and other securities, (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business or (iv) pay dividends.

The TiO₂ industry is cyclical, and changes in industry economic conditions significantly impact earnings and operating cash flows. Changes in TiO₂ pricing, production volumes and customer demand, among other things, could significantly affect our liquidity.

We routinely evaluate our liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, our dividend policy, our debt service, our capital expenditure requirements and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, repurchase shares of our common stock, modify our dividend policy, restructure ownership interests, sell interests in our subsidiaries or other assets, or take a combination of these steps or other steps to manage our liquidity and capital

resources. Such activities have in the past and may in the future involve related companies. In the normal course of our business, we may investigate, evaluate, discuss and engage in acquisition, joint venture, strategic relationship and other business combination opportunities in the TiO₂ industry. In the event of any future acquisition or joint venture opportunity, we may consider using then-available liquidity, issuing our equity securities or incurring additional indebtedness.

Based upon our expectation for the TiO₂ industry and anticipated demands on cash resources, we expect to have sufficient liquidity to meet our short term obligations (defined as the twelve-month period ending December 31, 2016) and our long-term obligations (defined as the five-year period ending December 31, 2020, our time period for long-term budgeting). If actual developments differ from our expectations, our liquidity could be adversely affected.

Cash, cash equivalents, restricted cash and marketable securities

At December 31, 2015 we had:

	Held by		Total
	U.S. entities	Non-U.S. entities	
	(In millions)		
Cash and cash equivalents	\$ 16.2	\$ 76.3	\$ 92.5
Restricted cash	-	1.8	1.8
Noncurrent marketable securities	2.4	-	2.4

Stock repurchase program

At December 31, 2015, we have 1,951,000 shares available for repurchase under a stock repurchase program authorized by our board of directors. See Note 13 to our Consolidated Financial Statements.

Capital expenditures

We intend to spend approximately \$63 million primarily to maintain and improve our existing facilities during 2016, including approximately \$9 million in the area of environmental compliance, protection and improvement. The majority of our expenditures in 2016 will be to maintain and improve the cost-effectiveness of our manufacturing facilities. In addition, a significant portion of planned capital expenditures in 2016 relates to the implementation of a new accounting and manufacturing system. Our capital expenditures in the area of environmental compliance, protection and improvement include expenditures which are primarily focused on increased operating efficiency but also result in improved environmental protection, such as lower emissions from our manufacturing plants. Capital spending for 2016 is expected to be funded through cash on hand or borrowing under existing credit facilities.

Off-balance sheet financing

Other than operating lease commitments disclosed in Note 15 to our Consolidated Financial Statements, we are not party to any material off-balance sheet financing arrangements.

Related party transactions

We are party to certain transactions with related parties. See Note 14 to our Consolidated Financial Statements. It is our policy to engage in transactions with related parties on terms, in our opinion, no less favorable to us than could be obtained from unrelated parties.

Commitments and contingencies

See Notes 10 and 15 to our Consolidated Financial Statements for a description of certain income tax examinations currently underway, certain legal proceedings and other commitments.

Recent accounting pronouncements

See Note 18 to our Consolidated Financial Statements.

Debt and other contractual commitments

As more fully described in the Notes to the Consolidated Financial Statements, we are a party to various debt, lease and other agreements which contractually and unconditionally commit us to pay certain amounts in the future. See Notes 9, 14, 15 and 16 to our Consolidated Financial Statements. The timing and amount shown for our commitments in the table below are based upon the contractual payment amount and the contractual payment date for such commitments. The following table summarizes such contractual commitments of ours and our consolidated subsidiaries as of December 31, 2015.

Contractual commitment	Payment due date				Total
	2016	2017/ 2018	2019/ 2020	2021 and after	
Indebtedness:					
Principal (1)	\$ 3.8	\$ 7.6	\$ 334.7	\$ 1.3	\$ 347.4
Interest payments (2)	17.4	34.3	19.2	-	70.9
Operating leases	11.0	13.1	7.8	23.7	55.6
Long-term supply contracts for the purchase of TiO ₂ feedstock (3)	340.5	456.4	68.0	-	864.9
Long-term service and other supply contracts (4)	50.4	71.1	15.7	9.5	146.7
Fixed asset acquisitions	24.5	2.7	-	-	27.2
Estimated tax obligations (5)	5.7	-	-	-	5.7
	<u>\$ 453.3</u>	<u>\$ 585.2</u>	<u>\$ 445.4</u>	<u>\$ 34.5</u>	<u>\$ 1,518.4</u>

- (1) At December 31, 2015, a significant portion of the amount shown for indebtedness relates to our term loan (\$343.9 million at December 31, 2015 which includes \$5.9 million unamortized original issue discount and debt issuance costs). The timing and amount shown for principal payments on our term loan is based on the mandatory contractual principal repayment schedule, and assumes no voluntary prepayments. See Item 7A - "Quantitative and Qualitative Disclosures About Market Risk" and Note 9 to the Consolidated Financial Statements.
- (2) The amounts shown for interest payments relate to outstanding variable-rate indebtedness, and reflect the net impact of the associated interest rate swap. Interest payments assume that variable-rate indebtedness remains outstanding until maturity.
- (3) Our contracts for the purchase of TiO₂ feedstock contain fixed quantities that we are required to purchase, or specify a range of quantities within which we are required to purchase based on our feedstock requirements. The pricing under these agreements is generally negotiated quarterly or semi-annually. The timing and amount shown for our commitments related to the supply contracts for TiO₂ feedstock are based upon our current estimate of the quantity of material that will be purchased in each time period shown, the payment that would be due based upon such estimated purchased quantity and an estimate of the prices for the various suppliers which is primarily based on first half 2016 pricing. The actual amount of material purchased and the actual amount that would be payable by us, may vary from such estimated amounts. Our obligation for the purchase of TiO₂ feedstock is more fully described in Note 15 to our Consolidated Financial Statements and above in "Business – raw materials." The amounts shown in the table above include the feedstock ore requirements from contracts we entered into through February 2016.

- (4) The amounts shown for the long-term service and other supply contracts primarily pertain to agreements we have entered into with various providers of products or services which help to run our plant facilities (electricity, natural gas, etc.), utilizing December 31, 2015 exchange rates. See Note 15 to our Consolidated Financial Statements.
- (5) The amount shown for estimated tax obligations is the consolidated amount of income taxes payable at December 31, 2015, which is assumed to be paid during 2016.

The above table does not reflect:

- Any amounts we might pay to fund our defined benefit pension plans and OPEB plans, as the timing and amount of any such future fundings are unknown and dependent on, among other things, the future performance of defined benefit pension plan assets, interest rate assumptions and actual future retiree medical costs. We expect to be required to contribute an aggregate of approximately \$16 million to our defined benefit pension plans and OPEB plans during 2016. Such defined benefit pension plans and OPEB plans are discussed below in greater detail. See Note 11 to our Consolidated Financial Statements.
- Any amounts we might pay to settle any of our uncertain tax positions, as the timing and amount of any such future settlements are unknown and dependent on, among other things, the timing of tax audits. See Note 10 to our Consolidated Financial Statements; and
- Any amounts we might pay to acquire TiO₂ from our TiO₂ manufacturing joint venture, as the timing and amount of such purchases are unknown and dependent on, among other things, the amount of TiO₂ produced by the joint venture in the future and the joint venture's future cost of producing such TiO₂. However, the table does include amounts related to our share of the joint venture's ore requirements necessary to produce TiO₂ for us. See Item 1, "Business" and Note 5 to our Consolidated Financial Statements.

We occasionally enter into raw material supply arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not necessarily commit us to a minimum volume of purchase, they generally provide for stated unit prices based upon achievement of specified volume purchase levels. This allows us to stabilize raw material purchase prices to a certain extent, provided the specified minimum monthly purchase quantities are met.

Defined benefit pension plans

We maintain various defined benefit pension plans in the U.S., Europe and Canada. See Note 11 to our Consolidated Financial Statements.

Under defined benefit pension plan accounting, defined benefit pension plan expense, pension assets and accrued pension costs are each recognized based on certain actuarial assumptions. These assumptions are principally the assumed discount rate, the assumed long-term rate of return on plan assets and the assumed increase in future compensation levels. We recognize the full funded status of our defined benefit pension plans as either an asset (for overfunded plans) or a liability (for underfunded plans) in our Consolidated Balance Sheet.

We recognized consolidated defined benefit pension plan expense of \$36.8 million in 2013, \$21.8 million in 2014 and \$23.4 million in 2015. Included in our 2013 defined benefit plan expense is a curtailment charge of \$7.3 million resulting from amendments to one of our Canadian plans. Certain non-U.S. employees are covered by plans in their respective countries, principally in Germany, Canada and Norway. Participation in the defined benefit pension plan in Germany was closed to new participants effective in 2005. German employees hired beginning in 2005 participate in a new plan in which the retirement benefit is based upon the amount of employee and employer contributions to the plan, but for which in accordance with German law the employer guarantees a minimum rate of return on invested assets and a guaranteed indexed lifetime benefit payment after retirement based on the participant's account balance at the time of retirement. In accordance with GAAP, the new pension plan is accounted for as a defined benefit plan, principally because of such guaranteed minimum rate of return and guaranteed lifetime benefit payment. Participation in the defined benefit plan in Canada with respect to hourly and

salaried workers was closed to new participants in December 2013 and 2014, respectively, and existing hourly and salaried plan participants will no longer accrue additional defined pension benefits after December 2013 and 2014, respectively. Our U.S. plan was closed to new participants in 1996, and existing participants no longer accrued any additional benefits after that date. The amount of funding requirements for these defined benefit pension plans is generally based upon applicable regulations (such as ERISA in the U.S.) and will generally differ from pension expense for financial reporting purposes. We made contributions to all of our plans which aggregated \$27.0 million in 2013, \$20.1 million in 2014 and \$17.2 million in 2015.

The discount rates we use for determining defined benefit pension expense and the related pension obligations are based on current interest rates earned on long-term bonds that receive one of the two highest ratings given by recognized rating agencies in the applicable country where the defined benefit pension benefits are being paid. In addition, we receive third-party advice about appropriate discount rates and these advisors may in some cases use their own market indices. We adjust these discount rates as of each December 31 valuation date to reflect then-current interest rates on such long-term bonds. We use these discount rates to determine the actuarial present value of the pension obligations as of December 31 of that year. We also use these discount rates to determine the interest component of defined benefit pension expense for the following year.

At December 31, 2015, approximately 69%, 16%, 8% and 3% of the projected benefit obligations related to our plans in Germany, Canada, Norway and the U.S., respectively. We use several different discount rate assumptions in determining our consolidated defined benefit pension plan obligation and expense. This is because we maintain defined benefit pension plans in several different countries in Europe and North America and the interest rate environment differs from country to country.

We used the following discount rates for our defined benefit pension plans:

	Discount rates used for:		
	Obligations at December 31, 2013 and expense in 2014	Obligations at December 31, 2014 and expense in 2015	Obligations at December 31, 2015 and expense in 2016
Germany	3.5%	2.3%	2.3%
Canada	4.7%	3.8%	3.9%
Norway	4.0%	2.3%	2.8%
U.S.	4.5%	3.8%	4.1%

The assumed long-term rate of return on plan assets represents the estimated average rate of earnings expected to be earned on the funds invested or to be invested in the plans' assets provided to fund the benefit payments inherent in the projected benefit obligations. Unlike the discount rate, which is adjusted each year based on changes in current long-term interest rates, the assumed long-term rate of return on plan assets will not necessarily change based upon the actual short-term performance of the plan assets in any given year. Defined benefit pension expense each year is based upon the assumed long-term rate of return on plan assets for each plan, the actual fair value of the plan assets as of the beginning of the year and an estimate of the amount of contributions to and distributions from the plan during the year. Differences between the expected return on plan assets for a given year and the actual return are deferred and amortized over future periods based either upon the expected average remaining service life of the active plan participants (for plans for which benefits are still being earned by active employees) or the average remaining life expectancy of the inactive participants (for plans for which benefits are not still being earned by active employees).

At December 31, 2015, approximately 58%, 24%, 12% and 4% of the plan assets related to our plans in Germany, Canada, Norway and the U.S., respectively. We use several different long-term rates of return on plan asset assumptions in determining our consolidated defined benefit pension plan expense. This is because the plan assets in different countries are invested in a different mix of investments and the long-term rates of return for different investments differ from country to country.

In determining the expected long-term rate of return on plan asset assumptions, we consider the long-term asset mix (e.g. equity vs. fixed income) for the assets for each of our plans and the expected long-term rates of return

for such asset components. In addition, we receive third-party advice about appropriate long-term rates of return. Substantially all of the assets of our U.S. plan are invested in the Combined Master Retirement Trust (CMRT), a collective investment trust sponsored by Contran to permit the collective investment by certain master trusts which fund certain employee benefits sponsored by Contran and certain of its affiliates, including us. Such assumed asset mixes are discussed in Note 11 to our Consolidated Financial Statements.

Our pension plan weighted average asset allocations by asset category were as follows:

	December 31, 2015			
	Germany	Canada	Norway	CMRT
Equity securities and limited partnerships	20%	36%	12%	56%
Fixed income securities	70	56	62	38
Real estate	9	-	9	-
Other	1	8	17	6
Total	100%	100%	100%	100%

	December 31, 2014			
	Germany	Canada	Norway	CMRT
Equity securities and limited partnerships	19%	43%	13%	60%
Fixed income securities	67	47	60	32
Real estate	11	-	8	-
Other	3	10	19	8
Total	100%	100%	100%	100%

We regularly review our actual asset allocation for each non-US plan and will periodically rebalance the investments in each plan to more accurately reflect the targeted allocation when considered appropriate. The CMRT trustee and investment committee do not maintain a specific target asset allocation in order to achieve their objectives, but instead they periodically change the asset mix of the CMRT based upon, among other things, advice they receive from third-party advisors and their expectations regarding potential returns for various investment alternatives and what asset mix will generate the greatest overall return.

Our assumed long-term rates of return on plan assets for 2013, 2014 and 2015 were as follows:

	2013	2014	2015
Germany	4.8%	4.3%	4.3%
Canada	5.8%	5.5%	5.8%
Norway	4.8%	3.8%	3.8%
U.S.	10.0%	7.5%	7.5%

We currently expect to use the same long-term rate of return on plan asset assumptions in 2016 as we used in 2015 for purposes of determining the 2016 defined benefit pension plan expense.

To the extent that a plan's particular pension benefit formula calculates the pension benefit in whole or in part based upon future compensation levels, the projected benefit obligations and the pension expense will be based in part upon expected increases in future compensation levels. For all of our plans for which the benefit formula is so calculated, we generally base the assumed expected increase in future compensation levels upon average long-term inflation rates for the applicable country.

In addition to the actuarial assumptions discussed above, the amount of recognized defined benefit pension expense and the amount of net pension asset and net pension liability will vary based upon relative changes in currency exchange rates.

A reduction in the assumed discount rate generally results in an actuarial loss, as the actuarially-determined present value of estimated future benefit payments will increase. Conversely, an increase in the assumed discount rate generally results in an actuarial gain. In addition, an actual return on plan assets for a given year that is greater than the assumed return on plan assets results in an actuarial gain, while an actual return on plan assets that is less than the assumed return results in an actuarial loss. Other actual outcomes that differ from previous assumptions, such as individuals living longer or shorter than assumed in mortality tables, which are also used to determine the actuarially-determined present value of estimated future benefit payments, changes in such mortality table themselves or plan amendments, will also result in actuarial losses or gains. These amounts are recognized in other comprehensive income. In addition, any actuarial gains generated in future periods would reduce the negative amortization effect of any cumulative unrecognized actuarial losses, while any actuarial losses generated in future periods would reduce the favorable amortization effect of any cumulative unrecognized actuarial gains.

During 2015, all of our defined benefit pension plans generated a combined net actuarial gain of approximately \$2.7 million. This actuarial gain resulted primarily from the increase in discount rates from December 31, 2014 to December 31, 2015, partially offset by an actual return on plan assets during 2015 below the expected return.

Based on the actuarial assumptions described above and our current expectation for what actual average currency exchange rates will be during 2016, we expect our defined benefit pension expense will approximate \$21 million in 2016. In comparison, we expect to be required to contribute approximately \$15.2 million to such plans during 2016.

As noted above, defined benefit pension expense and the amounts recognized as accrued pension costs are based upon the actuarial assumptions discussed above. We believe all of the actuarial assumptions used are reasonable and appropriate. However, if we had lowered the assumed discount rate by 25 basis points for all plans as of December 31, 2015, our aggregate projected benefit obligations would have increased by approximately \$27.3 million at that date and our defined benefit pension expense would be expected to increase by approximately \$2.3 million during 2015. Similarly, if we lowered the assumed long-term rate of return on plan assets by 25 basis points for all of our plans, our defined benefit pension expense would be expected to increase by approximately \$1.1 million during 2015.

OPEB plans

Certain of our subsidiaries in the U.S. and Canada currently provide certain health care and life insurance benefits for eligible retired employees. Under other postretirement employee benefits (OPEB) accounting, OPEB expense and accrued OPEB costs are based on certain actuarial assumptions, principally the assumed discount rate and the assumed rate of increases in future health care costs. We recognize the full unfunded status of our OPEB plans as a liability. See Note 11 to the Consolidated Financial Statements for a discussion of the consolidated OPEB cost we recognized during the last three years, the amount of our accrued OPEB costs, and the associated actuarial assumptions utilized.

Based on such actuarial assumptions and our current expectation for what actual average currency exchange rates will be during 2015, we expect our consolidated OPEB benefit will approximate \$.2 million in 2016. In comparison, we expect to be required to make approximately \$.4 million of contributions to such plans during 2016.

We believe that all of the actuarial assumptions used are reasonable and appropriate. However, if we had lowered the assumed discount rate by 25 basis points for all plans as of December 31, 2015, our aggregate projected benefit obligations at that date and our OPEB cost during 2015 would not be materially impacted. Similarly, a one percent assumed change in health care trend rates for all plans would not materially impact our OPEB costs.

Operations outside the United States

As discussed above, we have substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amount of our assets and liabilities related to our non-U.S. operations, and therefore our consolidated net assets, will fluctuate based upon changes in currency exchange rates. At December 31, 2015, we had substantial net assets denominated in the euro, Canadian dollar and Norwegian krone.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

We are exposed to market risk from changes in interest rates, currency exchange rates, equity security and raw materials prices.

Interest rates

At December 31, 2015, our variable-rate term loan comprised the majority of our aggregate indebtedness. The following table presents principal amounts and weighted average interest rates for our aggregate outstanding indebtedness at December 31, 2014 and 2015. See Note 9 to our Consolidated Financial Statements.

	<u>Indebtedness Amount</u>		<u>Year-end</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity date</u>
(In millions)				
December 31, 2015				
Variable rate indebtedness - term loan	\$ 338.0	\$ 309.5	4.0 %	2020
December 31, 2014				
Variable rate indebtedness - term loan	\$ 340.9	\$ 341.5	4.75 %	2020

As part of our interest rate risk management strategy, in 2015 we entered into a pay-fixed/receive-variable interest rate swap contract to minimize our exposure to volatility in the benchmark LIBOR interest rate as it relates to our forecasted outstanding variable-rate indebtedness. As a result of this swap the amount of interest expense we will incur is fixed at the swap rate, consequently a change in LIBOR rate will not impact the amount of interest expense recognized. See Note 16 to our Consolidated Financial Statements for a discussion of this interest rate swap.

Currency exchange rates

We are exposed to market risk arising from changes in currency exchange rates as a result of manufacturing and selling our products worldwide. Earnings are primarily affected by fluctuations in the value of the U.S. dollar relative to the euro, the Canadian dollar, the Norwegian krone and the United Kingdom pound sterling.

The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar (and consequently our non-U.S. operations will generally hold U.S. dollars from time to time). Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased primarily in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to (i) the difference between the currency exchange rates in effect when non-local currency sales or operating costs (primarily U.S. dollar denominated) are initially accrued and when such amounts are settled with the non-local currency, (ii) changes in currency exchange

rates during time periods when our non-U.S. operations are holding non-local currency (primarily U.S. dollars), and (iii) relative changes in the aggregate fair value of currency forward contracts held from time to time.

We periodically use 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. 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. See Note 16 to our Consolidated Financial Statements for a discussion of certain currency forward contracts to which we are a party at December 31, 2015.

Marketable security prices

We are exposed to market risk due to changes in prices of the marketable securities which we own. In this regard, during 2015, we recorded a \$12.0 million pre-tax impairment charge due to other-than-temporary impairment on our investment in a marketable security available for sale. See Note 6 to our Consolidated Financial Statements. The fair value of securities which includes investments in publicly-traded shares of related parties was \$11.1 million and \$2.4 million, respectively, at December 31, 2014 and December 31, 2015. The potential change in the aggregate fair value of these investments, assuming a 10% change in prices, would be approximately \$1 million and \$.2 million, respectively, at December 31, 2014 and December 31, 2015.

Raw materials

We are exposed to market risk from changes in commodity prices relating to our raw materials. As discussed in Item 1 we generally enter into long-term supply agreements for certain of our raw material requirements. Many of our raw material contracts contain fixed quantities we are required to purchase, or specify a range of quantities within which we are required to purchase. Raw material pricing under these agreements is generally negotiated quarterly or semi-annually depending upon the suppliers. For certain raw material requirements we do not have long-term supply agreements either because we have assessed the risk of the unavailability of those raw materials and/or the risk of a significant change in the cost of those raw materials to be low, or because long-term supply agreements for those raw materials are generally not available.

Other

We believe there may be a certain amount of incompleteness in the sensitivity analyses presented above. For example, the hypothetical effect of changes in exchange rates discussed above ignores the potential effect on other variables which affect our results of operations and cash flows, such as demand for our products, sales volumes and selling prices and operating expenses. Accordingly, the amounts presented above are not necessarily an accurate reflection of the potential losses we would incur assuming the hypothetical changes in exchange rates were actually to occur.

The above discussion and estimated sensitivity analysis amounts include forward-looking statements of market risk which assume hypothetical changes in currency exchange rates. Actual future market conditions will likely differ materially from such assumptions. Accordingly, such forward-looking statements should not be considered to be projections by us of future events, gains or losses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in a separate section of this Annual Report. See "Index of Financial Statements" (page F-1).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Bobby D. O'Brien, our Vice Chairman of the Board, President and Chief Executive Officer and Gregory M. Swalwell, our Executive Vice President and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2015. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Management's report on internal control over financial reporting

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

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

Our evaluation of the effectiveness of internal control over financial reporting is based upon the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (commonly referred to as the "2013 COSO" framework). Based on our evaluation under that framework, we have concluded that our internal control over financial reporting was effective as of December 31, 2015.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that has audited our consolidated financial statements included in this Annual Report, has audited the effectiveness of our internal control over financial reporting as of December 31, 2015, as stated in their report, which is included in this Annual Report on Form 10-K.

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

Changes in internal control over financial reporting

There has been no change to our internal control over financial reporting during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Certifications

Our chief executive officer is required to annually file a certification with the New York Stock Exchange, or NYSE, certifying our compliance with the corporate governance listing standards of the NYSE. During 2015, our chief executive officer filed such annual certification with the NYSE. The 2015 certification was unqualified.

Our chief executive officer and chief financial officer are also required to, among other things, file quarterly certifications with the SEC regarding the quality of our public disclosures, as required by Section 302 of the Sarbanes-Oxley Act of 2002. The certifications for the quarter ended December 31, 2015 have been filed as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to our 2016 definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our 2016 proxy statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to our 2016 proxy statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our 2016 proxy statement. See also Note 14 to our Consolidated Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by the Item is incorporated by reference to our 2016 proxy statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) and (c) **Financial Statements**

The Registrant

The consolidated financial statements of the Registrant listed on the accompanying Index of Financial Statements (see page F-1) are filed as part of this Annual Report.

50%-or-less owned persons

We are not required to provide any consolidated financial statements pursuant to Rule 3-09 of Regulation S-X.

(b) **Exhibits**

Included as exhibits are the items listed in the Exhibit Index. We will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover our costs to furnish the exhibits. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, any instrument defining the rights of holders of long-term debt issues and other agreements related to indebtedness which do not exceed 10% of consolidated total assets as of December 31, 2015 will be furnished to the Commission upon request.

Item No.	Exhibit Index
3.1+	Restated First Amended and Restated Certificate of Incorporation of Kronos Worldwide, Inc., as amended on May 12, 2011 - incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-31763) filed on May 12, 2011.
3.2	Amended and Restated Bylaws of Kronos Worldwide, Inc. as of October 25, 2007 - incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-31763) filed with the U.S. Securities and Exchange Commission on October 31, 2007.
10.1	Amended and Restated Tax Agreement between Valhi, Inc. and Kronos Worldwide, Inc. dated as of December 1, 2012 - incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K (File No. 001-31763) for the year ended December 31, 2012.
10.2	Intercorporate Services Agreement by and between Contran Corporation and Kronos Worldwide, Inc., effective as of January 1, 2004 - incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of the Registrant (File No. 001-31763) for the quarter ended March 31, 2004.
10.3*	Kronos Worldwide, Inc. 2012 Director Stock Plan - incorporated by reference to Exhibit 4.4 of the Registration statement on Form S-8 of the Registrant (File No. 333-113425).
10.4	€80,000,000 Facility Agreement, dated June 25, 2002, among Kronos Titan GmbH & Co. OHG, Kronos Europe S.A./N.V., Kronos Titan A/S and Titania A/S, as borrowers, Kronos Titan GmbH & Co. OHG, Kronos Europe S.A./N.V. and Kronos Norge AS, as guarantors, Kronos Denmark ApS, as security provider, Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent and security agent, and KBC Bank NV, as fronting bank, and the financial institutions listed in Schedule 1 thereto, as lenders - incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of NL Industries, Inc. (File No. 001-00640) for the quarter ended June 30, 2002.
10.5	First Amendment Agreement, dated September 3, 2004, Relating to a Facility Agreement dated June 25, 2002 among Kronos Titan GmbH, Kronos Europe S.A./N.V., Kronos Titan AS and Titania A/S, as borrowers, Kronos Titan GmbH, Kronos Europe S.A./N.V. and Kronos Norge AS, as guarantors, Kronos Denmark ApS, as security provider, with Deutsche Bank Luxembourg S.A., acting as agent - incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K of the Registrant dated November 17, 2004 (File No. 333-119639).

Item No.	Exhibit Index
10.6	Second Amendment Agreement Relating to a Facility Agreement dated June 25, 2002 executed as of June 14, 2005 by and among Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A. as agent, the participating lenders, Kronos Titan GmbH, Kronos Europe S.A./N.V, Kronos Titan AS, Kronos Norge AS, Titania AS and Kronos Denmark ApS – incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-K of Kronos International, Inc. (File No. 333-100047) for the year ended December 31, 2009.
10.7	Third Amendment Agreement Relating to a Facility Agreement dated June 25, 2002 executed as of May 26, 2008 by and among Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent, the participating lenders, Kronos Titan GmbH, Kronos Europe S.A./N.V, Kronos Titan AS, Kronos Norge AS, Titania AS and Kronos Denmark ApS - incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K of Kronos International, Inc. (File No. 333-100047) for the year ended December 31, 2009.
10.8	Fourth Amendment Agreement Relating to a Facility Agreement dated June 25, 2002 executed as of September 15, 2009 by and among Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent, the participating lenders, Kronos Titan GmbH, Kronos Europe S.A./N.V., Kronos Titan AS, Kronos Norge AS, Titania AS and Kronos Denmark ApS - incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K of Kronos International, Inc. (File No. 333-1000947) for the year ended December 31, 2009.
10.9	Fifth Amendment Agreement Relating to a Facility Agreement dated June 25, 2002 executed as of October 28, 2010 by and among Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent, the participating lenders, Kronos Titan GmbH, Kronos Europe S.A./N.V., Kronos Titan AS, Kronos Norge AS, Titania AS and Kronos Denmark ApS - incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Kronos International, Inc. dated October 28, 2010 (File No. 333-100047).
10.10	Sixth Amendment Agreement Relating to a Facility Agreement dated June 25, 2002 executed as of September 27, 2012 by and among Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent, the participating lenders, Kronos Titan GmbH, Kronos Europe S.A./N.V, Kronos Titan AS, Titania AS, Kronos Norge AS, and Kronos Denmark ApS - incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 001-31763) filed with the U.S. Securities and Exchange Commission on October 3, 2012.
10.11	Credit Agreement, dated June 13, 2012, by and among Kronos Worldwide, Inc. and Wells Fargo Bank, National Association - incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-31763) dated June 13, 2012 and filed by the registrant on June 18, 2012.
10.12	Lease Contract, dated June 21, 1952, between Farbenfabriken Bayer Aktiengesellschaft and Titangesellschaft mit beschränkter Haftung (German language version and English translation thereof)- incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K (File No. 001-00640)of NL Industries, Inc. for the year ended December 31, 1985.
10.13	Master Technology Exchange Agreement, dated as of October 18, 1993, among Kronos Worldwide, Inc. (f/k/a Kronos, Inc.), Kronos Louisiana, Inc., Kronos International, Inc., Tioxide Group Limited and Tioxide Group Services Limited - incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q (File No. 001-00640) of NL Industries, Inc. for the quarter ended September 30, 1993.
10.14	Form of Assignment and Assumption Agreement, dated as of January 1, 1999, between Kronos Inc. (formerly known as Kronos (USA), Inc.) and Kronos International, Inc. - incorporated by reference to Exhibit 10.9 to Kronos International, Inc.'s Registration Statement on Form S-4 (File No. 333-100047).
10.15	Form of Cross License Agreement, effective as of January 1, 1999, between Kronos Inc. (formerly known as Kronos (USA), Inc.) and Kronos International, Inc. - incorporated by reference to Exhibit to Kronos International, Inc.'s Registration Statement on Form S-4 (File No. 333-100047).

Item No.	Exhibit Index
10.16	Formation Agreement dated as of October 18, 1993 among Tioxide Americas Inc., Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.2 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.17	Joint Venture Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.3 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.18	Kronos Offtake Agreement dated as of October 18, 1993 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.4 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.19	Amendment No. 1 to Kronos Offtake Agreement dated as of December 20, 1995 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.22 to NL Industries, Inc.'s Annual Report on Form 10-K (File No. 001-00640) for the year ended December 31, 1995.
10.20	Tioxide Americas Offtake Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.5 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.21	Amendment No. 1 to Tioxide Americas Offtake Agreement dated as of December 20, 1995 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.24 to NL Industries, Inc.'s Annual Report on Form 10-K (File No. 001-00640) for the year ended December 31, 1995.
10.22	Parents' Undertaking dated as of October 18, 1993 between ICI American Holdings Inc. and Kronos Worldwide, Inc. (f/k/a Kronos, Inc.) - incorporated by reference to Exhibit 10.9 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.23	Allocation Agreement dated as of October 18, 1993 between Tioxide Americas Inc., ICI American Holdings, Inc., Kronos Worldwide, Inc. (f/k/a Kronos, Inc.) and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.10 to NL Industries, Inc.'s Quarterly Report on Form 10-Q (File No. 001-00640) for the quarter ended September 30, 1993.
10.24**	First amended and Restated Agreement Regarding Shared Insurance among CompX International Inc., Contran Corporation, Keystone Consolidated Industries, Inc., Kronos Worldwide, Inc., NL Industries, Inc., and Valhi, Inc. dated October 15, 2015.
10.25**	Eighth Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2015 in the original principal amount of \$100.0 million executed by Valhi, Inc. and payable to the order of Kronos Worldwide, Inc.
10.26** ***	Restated and Amended Agreement by and between Richards Bay Titanium (Proprietary) Limited (acting through its sales agent Rio Tinto Iron & Titanium Limited) and Kronos (US), Inc. effective January 1, 2016. The exhibits to this Exhibit 10.26 have not been filed because they relate to procedures for sampling and analyzing the ore under contract and are not an integral part of the agreement. Upon request, the Registrant will furnish supplementally to the Commission a copy of any omitted exhibit.
10.27	Credit Agreement, dated February 18, 2014, by and among Kronos Worldwide, Inc. and Deutsche Bank AG New York Branch - incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-31763) dated February 18, 2014 and filed by the registrant on February 18, 2014.

Item No.	Exhibit Index
10.28	First Amendment to Credit Agreement dated May 21, 2015 among the registrant, Deutsche Bank AG New York Branch, as Administrative Agent, and the lenders a party thereto - incorporated by reference to Exhibit 10.1 to the current report on Form 8-K (File No. 001-31763) dated May 21, 2015 and filed by the registrant on May 21, 2015.
10.29	Guaranty and Security Agreement, dated February 18, 2014, among Kronos Worldwide, Inc., Kronos Louisiana, Inc., Kronos (US), Inc., Kronos International, Inc. and Deutsche Bank AG New York Branch - incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-31763) dated February 18, 2014 and filed by the registrant on February 18, 2014.
10.30	Intercreditor Agreement dated as of February 18, 2014, by and between Wells Fargo Capital Finance and Deutsche Bank AG New York Branch, and acknowledged by Kronos Worldwide, Inc., Kronos Louisiana, Inc. and Kronos (US), Inc. - incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-31763) dated February 18, 2014 and filed by the registrant on February 18, 2014.
21.1**	Subsidiaries.
23.1**	Consent of PricewaterhouseCoopers LLP.
31.1**	Certification.
31.2**	Certification.
32.1**	Certification.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
+	Exhibit 3.1 is restated for the purposes of the disclosure requirements of Item 601 of Regulation S-K promulgated by the U.S. Securities and Exchange Commission and does not represent a restated certificate of incorporation that has been filed with the Delaware Secretary of State.
*	Management contract, compensatory plan or arrangement
**	Filed herewith
***	Portions of the exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kronos Worldwide, Inc.
(Registrant)

By: /s/ Bobby D. O'Brien
Bobby D. O'Brien, March 10, 2016
(Vice Chairman, President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

/s/ Steven L. Watson
Steven L. Watson, March 10, 2016
(Chairman of the Board)

/s/ Bobby D. O'Brien
Bobby D. O'Brien, March 10, 2016
(Vice Chairman, President and Chief Executive Officer)

/s/ Thomas P. Stafford
Thomas P. Stafford, March 10, 2016
(Director)

/s/ C. H. Moore, Jr.
C. H. Moore, Jr., March 10, 2016
(Director)

/s/ C. Kern Wildenthal
C. Kern Wildenthal, March 10, 2016
(Director)

/s/ Keith R. Coogan
Keith R. Coogan, March 10, 2016
(Director)

/s/ Loretta J. Feehan
Loretta J. Feehan, March 10, 2016
(Director)

/s/ R. Gerald Turner
R. Gerald Turner, March 10, 2016
(Director)

/s/ Tim C. Hafer
Tim C. Hafer, March 10, 2016
(Vice President, Controller,
Principal Accounting Officer)

/s/ Gregory M. Swalwell
Gregory M. Swalwell, March 10, 2016
(Executive Vice President and
Chief Financial Officer, Principal Financial Officer)

KRONOS WORLDWIDE, INC.

Annual Report on Form 10-K

Items 8, 15(a) and 15(c)

Index of Financial Statements

Financial Statements

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<u>Notes to Consolidated Financial Statements</u>	F-10

All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the Notes to the Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Kronos Worldwide, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Kronos Worldwide, Inc. and its subsidiaries at December 31, 2014 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 18 to the consolidated financial statements, the Company changed the classification and presentation of debt issuance costs and deferred income taxes in 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 10, 2016

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)

ASSETS	December 31,	
	2014	2015
Current assets:		
Cash and cash equivalents	\$ 167.7	\$ 92.5
Restricted cash	2.2	1.8
Accounts and other receivables	260.2	218.3
Receivable from affiliate	18.0	2.5
Inventories, net	423.6	387.2
Prepaid expenses and other	8.2	8.5
Total current assets	879.9	710.8
Other assets:		
Investment in TiO ₂ manufacturing joint venture	89.0	82.9
Marketable securities	11.1	2.4
Deferred income taxes	167.3	14.0
Other	6.1	3.1
Total other assets	273.5	102.4
Property and equipment:		
Land	42.6	37.8
Buildings	220.6	197.4
Equipment	1,035.6	941.6
Mining properties	116.7	102.6
Construction in progress	24.4	29.2
	1,439.9	1,308.6
Less accumulated depreciation and amortization	960.2	879.1
Net property and equipment	479.7	429.5
Total assets	\$ 1,633.1	\$ 1,242.7

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In millions, except per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2014	2015
Current liabilities:		
Current maturities of long-term debt	\$ 3.9	\$ 3.8
Accounts payable and accrued liabilities	202.6	172.7
Payables to affiliates	19.9	19.5
Income taxes	7.8	5.7
Total current liabilities	234.2	201.7
Noncurrent liabilities:		
Long-term debt	339.7	337.2
Deferred income taxes	6.1	8.1
Accrued pension cost	237.1	202.7
Accrued postretirement benefits cost	8.1	6.7
Other	26.8	24.4
Total noncurrent liabilities	617.8	579.1
Stockholders' equity:		
Common stock, \$.01 par value; 240.0 shares authorized; 115.9 shares issued	1.2	1.2
Additional paid-in capital	1,398.6	1,398.7
Retained deficit	(282.9)	(526.0)
Accumulated other comprehensive loss	(335.8)	(412.0)
Total stockholders' equity	781.1	461.9
Total liabilities and stockholders' equity	\$ 1,633.1	\$ 1,242.7

Commitments and contingencies (Notes 10 and 15)

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Years ended December 31,		
	2013	2014	2015
Net sales	\$ 1,732.4	\$ 1,651.9	\$ 1,348.8
Cost of sales	1,620.2	1,302.2	1,156.5
Gross margin	112.2	349.7	192.3
Selling, general and administrative expense	190.4	191.9	178.0
Other operating income (expense):			
Currency transaction gains (losses), net	(3.8)	4.0	(.1)
Disposition of property and equipment	(.8)	(.9)	(.8)
Other expense, net	(1.1)	(.7)	(.9)
Corporate expense	(48.7)	(10.5)	(13.6)
Income (loss) from operations	(132.6)	149.7	(1.1)
Other income (expense):			
Interest and dividend income	1.2	1.0	.8
Securities transactions, net	-	-	(12.0)
Loss on prepayment of debt, net	(8.9)	-	-
Interest expense	(19.6)	(17.0)	(18.5)
Income (loss) before income taxes	(159.9)	133.7	(30.8)
Income tax expense (benefit)	(57.9)	34.5	142.8
Net income (loss)	<u>\$ (102.0)</u>	<u>\$ 99.2</u>	<u>\$ (173.6)</u>
Net income (loss) per basic and diluted share	<u>\$(.88)</u>	<u>\$.86</u>	<u>\$(1.50)</u>
Cash dividends per share	<u>\$.60</u>	<u>\$.60</u>	<u>\$.60</u>
Weighted average shares used in the calculation of net income (loss) per share	<u>115.9</u>	<u>115.9</u>	<u>115.9</u>

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years ended December 31,		
	2013	2014	2015
Net income (loss)	\$ (102.0)	\$ 99.2	\$ (173.6)
Other comprehensive income (loss), net of tax:			
Currency translation	6.7	(103.0)	(92.2)
Marketable securities	6.6	(13.7)	2.3
Defined benefit pension plans	27.9	(66.0)	16.2
Other postretirement benefit plans	3.9	(1.1)	(.2)
Interest rate swap	-	-	(2.3)
Total other comprehensive income (loss), net	45.1	(183.8)	(76.2)
Comprehensive loss	\$ (56.9)	\$ (84.6)	\$ (249.8)

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2013, 2014 and 2015

(In millions)

	Common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Treasury stock	Total
Balance at December 31, 2012	\$ 1.2	\$ 1,399.1	\$ (141.1)	\$ (197.1)	\$ -	\$ 1,062.1
Net loss	-	-	(102.0)	-	-	(102.0)
Other comprehensive income, net of tax	-	-	-	45.1	-	45.1
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - \$.60 per share	-	-	(69.5)	-	-	(69.5)
Treasury stock acquired	-	-	-	-	(.7)	(.7)
Treasury stock retired	-	(.7)	-	-	.7	-
Balance at December 31, 2013	1.2	1,398.5	(312.6)	(152.0)	-	935.1
Net income	-	-	99.2	-	-	99.2
Other comprehensive loss, net of tax	-	-	-	(183.8)	-	(183.8)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - \$.60 per share	-	-	(69.5)	-	-	(69.5)
Balance at December 31, 2014	1.2	1,398.6	(282.9)	(335.8)	-	781.1
Net loss	-	-	(173.6)	-	-	(173.6)
Other comprehensive loss, net of tax	-	-	-	(76.2)	-	(76.2)
Issuance of common stock	-	.1	-	-	-	.1
Dividends paid - \$.60 per share	-	-	(69.5)	-	-	(69.5)
Balance at December 31, 2015	<u>\$ 1.2</u>	<u>\$ 1,398.7</u>	<u>\$ (526.0)</u>	<u>\$ (412.0)</u>	<u>\$ -</u>	<u>\$ 461.9</u>

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years ended December 31,		
	2013	2014	2015
Cash flows from operating activities:			
Net income (loss)	\$ (102.0)	\$ 99.2	\$ (173.6)
Depreciation and amortization	50.2	49.2	42.1
Deferred income taxes	(67.9)	19.6	138.5
Loss on prepayment of debt, net	8.9	-	-
Securities transactions, net	-	-	12.0
Benefit plan expense greater than cash funding	9.2	.5	5.1
Distributions from TiO ₂ manufacturing joint venture, net	10.9	10.6	6.5
Other, net	8.2	10.7	6.3
Change in assets and liabilities:			
Accounts and other receivables	24.8	(27.8)	20.1
Inventories	222.2	(52.3)	(9.5)
Prepaid expenses	.8	(.4)	(1.6)
Accounts payable and accrued liabilities	9.1	(21.1)	(12.0)
Income taxes	(9.6)	6.3	(1.5)
Accounts with affiliates	(37.2)	(4.1)	19.2
Other noncurrent assets	(1.5)	2.6	.3
Other noncurrent liabilities	4.3	(5.3)	.2
Net cash provided by operating activities	130.4	87.7	52.1
Cash flows from investing activities:			
Capital expenditures	(67.6)	(61.2)	(47.1)
Change in restricted cash	(.5)	7.2	.3
Other, net	(.1)	-	-
Net cash used in investing activities	(68.2)	(54.0)	(46.8)

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Years ended December 31,		
	2013	2014	2015
Cash flows from financing activities:			
Indebtedness:			
Borrowings	366.6	430.4	1.3
Principal payments	(588.7)	(265.2)	(3.9)
Deferred financing fees	-	(6.1)	-
Dividends paid	(69.5)	(69.5)	(69.5)
Treasury stock acquired	(.7)	-	-
Net cash provided by (used in) financing activities	(292.3)	89.6	(72.1)
Cash and cash equivalents - net change from:			
Operating, investing and financing activities	(230.1)	123.3	(66.8)
Effect of exchange rate changes on cash	1.2	(9.4)	(8.4)
Net change for the year	(228.9)	113.9	(75.2)
Balance at beginning of year	282.7	53.8	167.7
Balance at end of year	\$ 53.8	\$ 167.7	\$ 92.5
Supplemental disclosures –			
Cash paid for:			
Interest, net of amounts capitalized	\$ 18.6	\$ 14.7	\$ 16.6
Income taxes	33.2	17.5	1.4
Accrual for capital expenditures	7.4	7.0	6.8

See accompanying notes to consolidated financial statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

Note 1 - Summary of significant accounting policies:

Organization and basis of presentation - At December 31, 2015, Valhi, Inc. (NYSE: VHI) held approximately 50% of our outstanding common stock and NL Industries, Inc. (NYSE: NL) held approximately 30% of our common stock, Valhi owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation held approximately 93% of Valhi's outstanding common stock. 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, Valhi, NL and us.

Unless otherwise indicated, references in this report to "we," "us" or "our" refers to Kronos Worldwide, Inc. and its subsidiaries, taken as a whole.

Management's estimates - In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ significantly from previously-estimated amounts under different assumptions or conditions.

Principles of consolidation - The consolidated financial statements include our accounts and those of our majority-owned subsidiaries. We have eliminated all material intercompany accounts and balances.

Translation of currencies - We translate the assets and liabilities of our subsidiaries whose functional currency is other than the U.S. dollar at year-end exchange rates, while we translate our revenues and expenses at average exchange rates prevailing during the year. We accumulate the resulting translation adjustments in stockholders' equity as part of accumulated other comprehensive income (loss), net of related deferred income taxes. We recognize currency transaction gains and losses in income currently.

Derivatives and hedging activities - We recognize derivatives as either assets or liabilities measured at fair value. We recognize the effect of changes in the fair value of derivatives either in net income or other comprehensive income (loss), depending on the intended use of the derivative. See Note 16.

Cash and cash equivalents - We classify bank time deposits and U.S. Treasury securities purchased under short-term agreements to resell with original maturities of three months or less as cash equivalents.

Restricted cash and cash equivalents - We classify cash and cash equivalents that have been segregated or are otherwise limited in use as restricted. To the extent the restricted amount relates to a recognized liability, we classify such restricted amount as either a current or noncurrent asset to correspond with the classification of the liability. To the extent the restricted amount does not relate to a recognized liability, we classify restricted cash as a current asset.

Marketable securities and securities transactions - We carry marketable securities at fair value. Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a consistent framework for measuring fair value and (with certain exceptions) this framework is generally applied to all financial statement items required to be measured at fair value. The standard requires fair value measurements to be classified and disclosed in one of the following three categories:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the assets or liability; and
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

We classify all of our marketable securities as available-for-sale and unrealized gains or losses on these securities are recognized through other comprehensive income, net of deferred income taxes, except for any decline in value we conclude is other than temporary, which is accounted for as a realized loss as a component of net income. We base realized gains and losses upon the specific identification of the securities sold.

We evaluate our investments whenever events or conditions occur to indicate that the fair value of such investments has declined below their carrying amounts. If the carrying amount for an investment declines below its historical cost basis, we evaluate all available positive and negative evidence including, but not limited to, the extent and duration of the impairment, business prospects for the investee and our intent and ability to hold the investment for a reasonable period of time sufficient for the recovery of fair value. If we determine the decline in fair value is other than temporary, the carrying amount of the investment is written down to fair value.

See Notes 6, 11 and 16.

Accounts receivable - We provide an allowance for doubtful accounts for known and estimated potential losses arising from sales to customers based on a periodic review of these accounts. See Note 3.

Inventories and cost of sales - We state inventories at the lower of cost or market, net of allowance for obsolete and slow-moving inventories. We generally base inventory costs for all inventory categories on average cost that approximates the first-in, first-out method. Inventories include the costs for raw materials, the cost to manufacture the raw materials into finished goods and overhead. Depending on the inventory's stage of completion, our manufacturing costs can include the costs of packing and finishing, utilities, maintenance, depreciation, and salaries and benefits associated with our manufacturing process. We allocate fixed manufacturing overheads based on normal production capacity. Unallocated overhead costs resulting from periods with abnormally low production levels are charged to expense as incurred. As inventory is sold to third parties, we recognize the cost of sales in the same period that the sale occurs. We periodically review our inventory for estimated obsolescence or instances when inventory is no longer marketable for its intended use, and we record any write-down equal to the difference between the cost of inventory and its estimated net realizable value based on assumptions about alternative uses, market conditions and other factors. See Note 4.

Investment in TiO₂ manufacturing joint venture - We account for our investment in a 50%-owned manufacturing joint venture by the equity method. See Note 5.

Property and equipment and depreciation - We state property and equipment at cost, including capitalized interest on borrowings during the actual construction period of major capital projects. Capitalized interest costs were \$1.5 million in 2013, \$2.9 million in 2014 and \$1.1 million in 2015. We compute depreciation of property and equipment for financial reporting purposes (including mining equipment) principally by the straight-line method over the estimated useful lives of the assets as follows:

Asset	Useful lives
Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Mine development costs	units-of-production

We use accelerated depreciation methods for income tax purposes, as permitted. Upon the sale or retirement of an asset, we remove the related cost and accumulated depreciation from the accounts and recognize any gain or loss in income currently.

We expense costs incurred for maintenance, repairs and minor renewals (including planned major maintenance) while we capitalize expenditures for major improvements.

We have a governmental concession with an unlimited term to operate our ilmenite mines in Norway. Mining properties consist of buildings and equipment used in our Norwegian ilmenite mining operations. While we own the land and ilmenite reserves associated with the mining operations, such land and reserves were acquired for nominal value and we have no material asset recognized for the land and reserves related to our mining operations.

We perform impairment tests when events or changes in circumstances indicate the carrying value may not be recoverable. We consider all relevant factors. We perform the impairment test by comparing the estimated future undiscounted cash flows (exclusive of interest expense) associated with the asset to the asset's net carrying value to determine if a write-down to fair value or discounted cash flow value is required.

Long-term debt - We state long-term debt net of any unamortized original issue premium, discount or deferred financing costs. We classify amortization of deferred financing costs and any premium or discount associated with the issuance of indebtedness as interest expense and compute such amortization by either the interest method or the straight-line method over the term of the applicable issue. See Note 9.

Employee benefit plans - Accounting and funding policies for our retirement plans are described in Note 11.

Income taxes - We, Valhi and our qualifying subsidiaries are members of Contran's consolidated U.S. federal income tax group (the Contran Tax Group) and we and certain of our qualifying subsidiaries also file consolidated income tax returns with Contran in various U.S. state jurisdictions. As a member of the Contran Tax Group, we are jointly and severally liable for the federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. See Note 15. As a member of the Contran Tax Group, we are a party to a tax sharing agreement which provides that we compute our provision for U.S. income taxes on a separate-company basis using the tax elections made by Contran. Pursuant to the tax sharing agreement, we make payments to or receive payments from Valhi in amounts we would have paid to or received from the U.S. Internal Revenue Service or the applicable state tax authority had we not been a member of the Contran Tax Group. We made net payments of income taxes to Valhi of \$24.2 million in 2013 and \$8.2 million in 2014, and received net income tax refunds from Valhi of \$3.5 million in 2015.

We recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities, including investments in our subsidiaries and affiliates who are not members of the Contran Tax Group and undistributed earnings of non-U.S. subsidiaries which are not deemed to be permanently reinvested. The earnings of non-U.S. subsidiaries subject to permanent reinvestment plans aggregated \$645 million at December 31, 2015. It is not practical for us to determine the amount of the unrecognized deferred income tax liability related to such earnings due to the complexities associated with the U.S. taxation on earnings of non-U.S. subsidiaries repatriated to

the U.S. Deferred income tax assets and liabilities for each tax-paying jurisdiction in which we operate are netted and presented as either a noncurrent deferred income tax asset or liability, as applicable. We periodically evaluate our deferred tax assets in the various taxing jurisdictions in which we operate and adjust any related valuation allowance based on the estimate of the amount of such deferred tax assets that we believe does not meet the more-likely-than-not recognition criteria.

We record a reserve for uncertain tax positions for tax positions where we believe that it is more-likely-than-not our position will not prevail with the applicable tax authorities. The amount of the benefit associated with our uncertain tax positions that we recognize is limited to the largest amount for which we believe the likelihood of realization is greater than 50%. We accrue penalties and interest on the difference between tax positions taken on our tax returns and the amount of benefit recognized for financial reporting purposes. We classify our reserves for uncertain tax positions in a separate current or noncurrent liability, depending on the nature of the tax position. See Note 10.

Net sales - We record sales when products are shipped and title and other risks and rewards of ownership have passed to the customer. Shipping terms of products shipped are generally FOB shipping point, although in some instances shipping terms are FOB destination point (for which we do not recognize sales until the product is received by the customer) or other standard shipping terms. We state sales net of price, early payment and distributor discounts and volume rebates. 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).

Selling, general and administrative expense; shipping and handling costs - Selling, general and administrative expense includes costs related to marketing, sales, distribution, shipping and handling, research and development, legal, and administrative functions such as accounting, treasury and finance, and includes costs for salaries and benefits not associated with our manufacturing process, travel and entertainment, promotional materials and professional fees. We include shipping and handling costs in selling, general and administrative expense and these costs were \$93 million in 2013, \$95 million in 2014 and \$87 million in 2015. We expense research, development and certain sales technical support costs as incurred and these costs approximated \$18 million in 2013, \$19 million in 2014 and \$16 million in 2015. We expense advertising costs as incurred and these costs were not material in any year presented.

Note 2 - Geographic information:

Our operations are associated with the production and sale of titanium dioxide pigments (TiO₂). TiO₂ is used to impart whiteness, brightness, opacity and durability to a wide variety of products, including paints, plastics, paper, fibers and ceramics. Additionally, TiO₂ is a critical component of everyday applications, such as coatings, plastics and paper, as well as many specialty products such as inks, foods and cosmetics. At December 31, 2014 and 2015 the net assets of non-U.S. subsidiaries included in consolidated net assets approximated \$380 million and \$123 million, respectively.

For geographic information, we attribute net sales to the place of manufacture (point of origin) and to the location of the customer (point of destination); we attribute property and equipment to their physical location.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Net sales - point of origin:			
Germany	\$ 915.8	\$ 844.1	\$ 690.0
United States	830.4	783.1	657.8
Canada	246.5	252.3	216.9
Belgium	254.6	249.3	198.8
Norway	261.2	256.8	183.5
Eliminations	(776.1)	(733.7)	(598.2)
Total	<u>\$ 1,732.4</u>	<u>\$ 1,651.9</u>	<u>\$ 1,348.8</u>
Net sales - point of destination:			
Europe	\$ 904.6	\$ 882.9	\$ 700.4
North America	575.7	544.3	421.4
Other	252.1	224.7	227.0
Total	<u>\$ 1,732.4</u>	<u>\$ 1,651.9</u>	<u>\$ 1,348.8</u>

	December 31,	
	2014	2015
	(In millions)	
Identifiable assets - net property and equipment:		
Germany	\$ 237.9	\$ 212.1
Belgium	88.8	80.1
Norway	82.3	69.5
Canada	61.8	53.8
Other	8.9	14.0
Total	<u>\$ 479.7</u>	<u>\$ 429.5</u>

Note 3 - Accounts and other receivables:

	December 31,	
	2014	2015
	(In millions)	
Trade receivables	\$ 230.9	\$ 194.8
Recoverable VAT and other receivables	23.4	17.8
Refundable income taxes	7.5	6.8
Allowance for doubtful accounts	(1.6)	(1.1)
Total	<u>\$ 260.2</u>	<u>\$ 218.3</u>

Note 4 - Inventories, net:

	December 31,	
	2014	2015
	(In millions)	
Raw materials	\$ 76.0	\$ 75.9
Work in process	32.9	21.1
Finished products	252.5	232.4
Supplies	62.2	57.8
Total	<u>\$ 423.6</u>	<u>\$ 387.2</u>

Note 5 - Investment in TiO₂ manufacturing joint venture:

We own a 50% interest in Louisiana Pigment Company, L.P. (LPC). LPC is a manufacturing joint venture whose other 50%-owner is Tioxide Americas LLC (Tioxide). Tioxide is a subsidiary of Huntsman Corporation. LPC owns and operates a chloride-process TiO₂ plant in Lake Charles, Louisiana.

We and Tioxide are both required to purchase one-half of the TiO₂ produced by LPC, unless we and Tioxide agree otherwise (such as in 2015, when we purchased approximately 52% of the production from the plant). LPC operates on a break-even basis and, accordingly, we report no equity in earnings of LPC. Each owner's acquisition transfer price for its share of the TiO₂ produced is equal to its share of the joint venture's production costs and interest expense, if any. Our share of net cost is reported as cost of sales as the related TiO₂ acquired from LPC is sold. We report distributions we receive from LPC, which generally relate to excess cash generated by LPC from its non-cash production costs, and contributions we make to LPC, which generally relate to cash required by LPC when it builds working capital, as part of our cash flows from operating activities in our Consolidated Statements of Cash Flows. The components of our net distributions from LPC are shown in the table below.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Distributions from LPC	\$ 70.7	\$ 48.0	\$ 48.2
Contributions to LPC	(59.8)	(37.4)	(41.7)
Net distributions	<u>\$ 10.9</u>	<u>\$ 10.6</u>	<u>\$ 6.5</u>

Summary balance sheets of LPC are shown below:

	December 31,	
	2014	2015
	(In millions)	
ASSETS		
Current assets	\$ 107.4	\$ 96.2
Property and equipment, net	110.6	110.1
Total assets	<u>\$ 218.0</u>	<u>\$ 206.3</u>
LIABILITIES AND PARTNERS' EQUITY		
Other liabilities, primarily current	\$ 37.3	\$ 37.8
Partners' equity	180.7	168.5
Total liabilities and partners' equity	<u>\$ 218.0</u>	<u>\$ 206.3</u>

Summary income statements of LPC are shown below:

	Years ended December 31,		
	2013	2014	2015
(In millions)			
Revenues and other income:			
Kronos	\$ 224.5	\$ 193.1	\$ 176.5
Tioxide	224.6	193.8	162.5
Total revenues and other income	<u>449.1</u>	<u>386.9</u>	<u>339.0</u>
Cost and expenses:			
Cost of sales	448.7	386.4	338.5
General and administrative	.4	.5	.5
Total costs and expenses	<u>449.1</u>	<u>386.9</u>	<u>339.0</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 - Marketable securities:

Our marketable securities consist of investments in the publicly-traded shares of related parties: Valhi, NL and CompX International Inc. NL owns the majority of CompX's outstanding common stock. All of our marketable securities are accounted for as available-for-sale securities, which are carried at fair value using quoted market prices in active markets for each marketable security and represent a Level 1 input within the fair value hierarchy. See Note 16. Because we have classified all of our marketable securities as available-for-sale, any unrealized gains or losses on the securities are recognized through other comprehensive income, net of deferred income taxes.

Marketable security	Fair value measurement level	Market value	Cost basis	Unrealized loss
December 31, 2014				
Valhi common stock	1	\$ 11.0	\$ 15.3	\$ (4.3)
NL and CompX common stocks	1	.1	.1	-
Total		<u>\$ 11.1</u>	<u>\$ 15.4</u>	<u>\$ (4.3)</u>
December 31, 2015				
Valhi common stock	1	\$ 2.3	\$ 3.2	\$ (.9)
NL and CompX common stocks	1	.1	.1	-
Total		<u>\$ 2.4</u>	<u>\$ 3.3</u>	<u>\$ (.9)</u>

At December 31, 2014 and 2015, we held approximately 1.7 million shares of Valhi's common stock. We also held a nominal number of shares of CompX and NL common stocks. At December 31, 2014 and 2015, the quoted per share market price of Valhi's common stock was \$6.41 and \$1.34, respectively.

With respect to our investment in Valhi stock, as of September 30, 2015 our cost basis had exceeded its market value since March 2014. At September 30, 2015, we determined that the decline in fair value was other than temporary and recognized an aggregate \$12.0 million pre-tax impairment charge to write down the cost basis of our investment in the 1.7 million shares of Valhi's common stock to its aggregate market value at that date. In determining such decline in value was other than temporary at September 30, 2015, we considered all available evidence in reaching this conclusion, including the length of time the cost basis had exceeded its market value (18 months) and the steep decline in the quoted market price of Valhi common from June 30, 2015 to September 30, 2015. Such impairment charge, accounted for as a realized loss, is classified as a securities transaction loss, and was reclassified out of accumulated other comprehensive income along with the related deferred income tax of \$4.2 million. We will continue to monitor the quoted market price for this investment. In this regard, as of February 29,

2016, the aggregate quoted market price for our shares of Valhi common stock was \$1.0 million less than our aggregate cost basis. If we conclude in the future that a decline in value of one or more of these securities was other than temporary, we would recognize impairment through an income statement charge at that time. Such income statement impairment charge would be offset in other comprehensive income by the reversal of the previously recognized unrealized losses to the extent they were previously recognized in accumulated other comprehensive income.

The Valhi, CompX and NL common stocks we own are subject to the restrictions on resale pursuant to certain provisions of the Securities and Exchange Commission (SEC) Rule 144. In addition, as a majority-owned subsidiary of Valhi we cannot vote our shares of Valhi common stock under Delaware General Corporation Law, but we do receive dividends from Valhi on these shares, when declared and paid.

Note 7 – Other noncurrent assets:

	December 31,	
	2014	2015
	(In millions)	
Deferred financing costs, net	\$ 1.8	\$ 1.0
Pension asset	-	.4
Other	4.3	1.7
Total	<u>\$ 6.1</u>	<u>\$ 3.1</u>

See Notes 9 and 18 for disclosure regarding deferred financing costs related to our term loan, which are now shown as a direct deduction from the carrying value of such debt liability at December 31, 2014 and 2015.

Note 8 - Accounts payable and accrued liabilities:

	December 31,	
	2014	2015
	(In millions)	
Accounts payable	\$ 121.4	\$ 96.1
Accrued sales discounts and rebates	14.8	18.9
Employee benefits	24.6	14.2
Accrued workforce reduction costs	-	5.3
Interest rate swap contract	-	3.3
Accrued interest	.5	.2
Other	41.3	34.7
Total	<u>\$ 202.6</u>	<u>\$ 172.7</u>

See Note 16 for a discussion of the interest rate swap contract, and Note 17 for a discussion on accrued workforce reduction costs.

Note 9 - Long-term debt:

	December 31,	
	2014	2015
	(In millions)	
Term loan	\$ 340.9	\$ 338.0
Other	2.7	3.0
Total debt	<u>343.6</u>	<u>341.0</u>
Less current maturities	3.9	3.8
Total long-term debt	<u>\$ 339.7</u>	<u>\$ 337.2</u>

Term loans - In 2013, we voluntarily repaid our entire \$400 million term loan that was issued in June 2012. We prepaid an aggregate \$390 million principal amount and recognized a non-cash pre-tax interest charge of \$8.9 million in 2013 related to this prepayment consisting of the write-off of the unamortized original issue discount costs and deferred financing costs associated with such prepayment. Funds for the aggregate prepayments were provided by \$150 million of our cash on hand, borrowings of \$190 million under a 2013 loan agreement from Contran as described below and borrowings of \$50 million under our revolving North American credit facility.

In February 2014, we entered into a new \$350 million term loan. The term loan was issued at 99.5% of the principal amount, or an aggregate of \$348.3 million. We used \$170 million of the net proceeds of the new term loan to prepay the outstanding principal balance of our note payable to Contran (along with accrued and unpaid interest through the prepayment date), and such note payable was cancelled. The remaining net proceeds of the term loan were available for our general corporate purposes. The new term loan:

- bears interest, at our option, at LIBOR (with LIBOR no less than 1.0%) plus 3.75%, or the base rate, as defined in the agreement, plus 2.75%;
- requires quarterly principal repayments of \$875,000 which commenced in June 2014, other mandatory principal repayments of formula-determined amounts under specified conditions with all remaining principal balance due in February 2020. Voluntary principal prepayments are permitted at any time;
- is collateralized by, among other things, a first priority lien on (i) 100% of the common stock of certain of our U.S. wholly-owned subsidiaries, (ii) 65% of the common stock or other ownership interest of our Canadian subsidiary (Kronos Canada, Inc.) and certain first-tier European subsidiaries (Kronos Titan GmbH and Kronos Denmark ApS) and (iii) a \$395.7 million unsecured promissory note issued by our wholly-owned subsidiary, Kronos International, Inc. (KII) to us;
- is also collateralized by a second priority lien on all of the U.S. assets which collateralize our North American revolving facility, as discussed below;
- contains a number of covenants and restrictions which, among other things, restrict our ability to incur additional debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer substantially all of our assets to, another entity, contains other provisions and restrictive covenants customary in lending transactions of this type (however, there are no ongoing financial maintenance covenants); and
- contains customary default provisions, including a default under any of our other indebtedness in excess of \$50 million.

In May 2015 we entered into an amendment to our 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 we elected to call all or a portion of the outstanding principal balance within six months of completing the amendment (i.e. before November 2015), a 1% call premium of the aggregate principal amount so prepaid would apply. There is no prepayment penalty applicable to any call after November 2015. We made no such call prior to November 2015.

We accounted for such amendment to our 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.

The average interest rate on the term loan borrowings as of and for the year ended December 31, 2015 was 4.0% and 4.29%, respectively. The carrying value of the term loan at December 31, 2015 is stated net of unamortized original issue discount of \$1.2 million and debt issuance costs of \$4.7 million (December 31, 2014 - \$1.5 million and \$5.0 million). See Note 18.

See Note 16 for a discussion of the interest rate swap we entered into in the third quarter of 2015 pursuant to our interest rate risk management strategy.

Note payable to Contran - As discussed above, in February 2013 we entered into a promissory note with Contran. This loan from Contran contained terms and conditions similar to the terms and conditions of our prior \$400 million term loan, except that the loan from Contran was unsecured and contained no ongoing financial maintenance covenant. The independent members of our board of directors approved the terms and conditions of the loan from Contran. In 2013, we borrowed \$190 million and subsequently repaid \$20 million. As discussed above, in February 2014 we used \$170 million of the proceeds from our new term loan and prepaid the remaining balance owed to Contran under this note payable (without penalty), and the note payable to Contran was cancelled.

Revolving credit facilities

Revolving North American credit facility - In June 2012, we entered into a \$125 million revolving bank credit facility which matures in June 2017. Borrowings under the revolving credit facility are available for our general corporate purposes. Available borrowings on this facility are based on formula-determined amounts of eligible trade receivables and inventories, as defined in the agreement, of certain of our North American subsidiaries less any outstanding letters of credit up to \$15 million issued under the facility (with revolving borrowings by our Canadian subsidiary limited to \$25 million). Any amounts outstanding under the revolving credit facility bear interest, at our option, at LIBOR plus a margin ranging from 1.5% to 2.0% or at the applicable base rate, as defined in the agreement, plus a margin ranging from .5% to 1.0%. The credit facility is collateralized by, among other things, a first priority lien on the borrowers' trade receivables and inventories. The facility contains a number of covenants and restrictions which, among other things, restricts the borrowers' ability to incur additional debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of their assets to, another entity, contains other provisions and restrictive covenants customary in lending transactions of this type and under certain conditions requires the maintenance of a specified financial covenant (fixed charge coverage ratio, as defined) to be at least 1.1 to 1.0. During 2014, we borrowed \$81.0 million and repaid \$92.1 million under this facility. We had no borrowings or repayments under this facility during 2015, and at December 31, 2015 we had approximately \$68.3 million available for borrowing under this revolving facility.

Revolving European credit facility - Our operating subsidiaries in Germany, Belgium, Norway and Denmark have a €120 million secured revolving bank credit facility that matures in September 2017. We may denominate borrowings in Euros, Norwegian kroner or U.S. dollars. Outstanding borrowings bear interest at LIBOR plus 1.90%. The facility is collateralized by the accounts receivable and inventories of the borrowers, plus a limited pledge of all of the other assets of the Belgian borrower. The facility contains certain restrictive covenants that, among other things, restrict the ability of the borrowers to incur debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of the assets to, another entity, and requires the maintenance of certain financial ratios. In addition, the credit facility contains customary cross-default provisions with respect to other debt and obligations of the borrowers, KII and its other subsidiaries.

We had no borrowings or repayments under this facility during 2015 and at December 31, 2015, there were no outstanding borrowings under this facility. Our 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 December 31, 2015 and the net debt to EBITDA financial test, our borrowing availability at December 31, 2015 is approximately 19% of the credit facility, or €23.1 million (\$25.3 million).

Canada - In December 2011, our Canadian subsidiary entered into an agreement with an economic development agency of the Province of Quebec, Canada pursuant to which we have borrowed an aggregate of Cdn. \$4.5 million through December 31, 2015 (no additional amounts are expected to be borrowed under this facility). Borrowings may only be used to fund capital improvements at our Canadian plant and are limited to a specified percentage of such capital improvements. Borrowings are non-interest bearing, with equal monthly payments commencing in 2018. The agreement contains certain restrictive covenants, which, among other things, restricts the subsidiary's ability to sell assets or enter into mergers, and requires our subsidiary to maintain certain financial ratios and maintain specified levels of employment. At December 31, 2015, we had Cdn. \$4.5 million (USD \$3.3 million), outstanding under this agreement.

Prior to December 31, 2014, we had an aggregate of Cdn. \$7.9 million of letters of credit outstanding issued by a bank on behalf of our Canadian subsidiary. These letters of credit were issued in connection with the appeal of a Canadian income tax assessment discussed in Note 10. Upon the successful completion of the appeal in 2014, such letters of credit were cancelled, and an equivalent amount of restricted cash deposits which had been collateralizing such letters of credit, classified as noncurrent restricted cash, were released.

Aggregate maturities and other - Aggregate maturities of debt at December 31, 2015 are presented in the table below.

<u>Year ending December 31,</u>	<u>Amount</u>
	<u>(In millions)</u>
2016	\$ 3.8
2017	3.5
2018	4.1
2019	4.2
2020	330.5
2021 and thereafter	.8
Gross maturities	346.9
Less original issue discount and debt issuance costs	5.9
Total	<u>\$ 341.0</u>

We are in compliance with all of our debt covenants at December 31, 2015.

Note 10 - Income taxes:

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Pre-tax income (loss):			
U.S.	\$ (15.1)	\$ 59.2	\$ 5.5
Non-U.S.	(144.8)	74.5	(36.3)
Total	<u>\$ (159.9)</u>	<u>\$ 133.7</u>	<u>\$ (30.8)</u>
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 35%			
	\$ (56.0)	\$ 46.8	\$ (10.8)
Non-U.S. tax rates	4.2	(4.2)	.5
Incremental net tax (benefit) on earnings and losses of non-U.S. companies	(7.4)	(3.7)	(8.7)
Valuation allowance	-	-	159.0
Adjustment to the reserve for uncertain tax positions, net	(.4)	(5.1)	.7
Nondeductible expenses	2.1	1.9	2.1
U.S. state income taxes and other, net	(.4)	(1.2)	-
Provision for income taxes (benefit)	<u>\$ (57.9)</u>	<u>\$ 34.5</u>	<u>\$ 142.8</u>
Components of income tax expense:			
Currently payable (refundable):			
U.S. federal and state	\$ 7.3	\$ 1.9	\$.3
Non-U.S.	(1.2)	15.2	3.3
	<u>6.1</u>	<u>17.1</u>	<u>3.6</u>
Deferred income taxes (benefit):			
U.S. federal and state	(22.0)	10.0	(6.4)
Non-U.S.	(42.0)	7.4	145.6
	<u>(64.0)</u>	<u>17.4</u>	<u>139.2</u>
Provision for income taxes (benefit)	<u>\$ (57.9)</u>	<u>\$ 34.5</u>	<u>\$ 142.8</u>
Comprehensive provision for income taxes (benefit) allocable to:			
Net income (loss)	\$ (57.9)	\$ 34.5	\$ 142.8
Other comprehensive income (loss):			
Currency translation	5.5	(16.9)	-
Marketable securities	3.1	(6.7)	1.1
Pension plans	11.8	(30.1)	1.5
OPEB plans	1.4	(.4)	(.1)
Interest rate swap	-	-	(1.3)
Total	<u>\$ (36.1)</u>	<u>\$ (19.6)</u>	<u>\$ 144.0</u>

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%. The amount shown on such table for incremental net tax (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 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 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 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.

The components of our net deferred income taxes at December 31, 2014 and 2015 are summarized in the following table.

	December 31,			
	2014		2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Tax effect of temporary differences related to:				
Inventories	\$ 4.6	\$ (4.9)	\$ 3.2	\$ (3.5)
Property and equipment	-	(67.5)	-	(59.3)
Accrued OPEB costs	2.4	-	2.0	-
Accrued pension cost	47.6	-	39.4	-
Currency revaluation on intercompany debt	5.6	-	18.6	-
Other accrued liabilities and deductible differences	13.7	-	19.4	-
Other taxable differences	-	(0.9)	-	(0.5)
Tax on unremitted earnings of non-U.S. subsidiaries	-	(2.6)	-	(1.9)
Tax loss and tax credit carryforwards	163.3	-	157.4	-
Valuation allowance	(0.1)	-	(168.9)	-
Adjusted gross deferred tax assets (liabilities)	237.1	(75.9)	71.1	(65.2)
Netting by tax jurisdiction	(69.8)	69.8	(57.1)	57.1
Net noncurrent deferred tax asset (liability)	<u>\$ 167.3</u>	<u>\$ (6.1)</u>	<u>\$ 14.0</u>	<u>\$ (8.1)</u>

We have substantial net operating loss (NOL) carryforwards in Germany (the equivalent of \$683 million and \$96 million for German corporate and trade tax purposes, respectively, at December 31, 2015) and in Belgium (the equivalent of \$86 million for Belgian corporate tax purposes at December 31, 2015), all 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. 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. 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 carryforwards have an indefinite carryforward period, (ii) we utilized a portion of such carryforwards during the most recent three-year period, and (iii) we expect to utilize the remainder of the carryforwards over the long term. We had also previously indicated that facts and circumstances could change, which might in the future result in the recognition of a valuation allowance against some or all of such deferred income tax assets. However, as of June 30, 2015, and given our operating results during the second quarter of 2015 and our expectations at that time for our operating results for the remainder of 2015, we did not have sufficient positive evidence to overcome the significant negative evidence of having cumulative losses in the most recent twelve consecutive quarters in both our German and Belgian jurisdictions at June 30, 2015 (even considering that the carryforward period of our German and Belgian NOL carryforwards is indefinite, one piece of positive evidence). Accordingly, at 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 German and Belgian net deferred income tax assets. Such valuation allowance aggregated \$150.3 million at June 30, 2015.

We recognized an additional \$8.7 million non-cash deferred income tax asset valuation allowance under the more-likely-than-not recognition criteria during the third and fourth quarters of 2015, due to losses recognized by our German and Belgian operations during such period. In addition to the aggregate \$159.0 million increase in the deferred income tax asset valuation allowance recognized as part of the provision for income taxes in 2015, the deferred income tax asset valuation allowance also increased by an aggregate of \$9.8 million in 2015 due to amounts recognized in other comprehensive income.

Tax authorities are examining certain of our U.S. and non-U.S. tax returns and have or may propose tax deficiencies, including penalties and interest. Because of the inherent uncertainties involved in settlement initiatives and court and tax proceedings, we cannot guarantee that these tax matters will be resolved in our favor, and therefore our potential exposure, if any, is also uncertain. In 2011 and 2012 we received notices of re-assessment from the Canadian federal and provincial tax authorities related to the years 2002 through 2004. We objected to the re-assessments and believed the position was without merit. Accordingly, we appealed the re-assessments and in connection with such appeal we were required to post letters of credit aggregating Cdn. \$7.9 million (see Note 9). In 2014, the Appeals Division of the Canadian Revenue Authority ruled in our favor and reversed in their entirety such notices of re-assessment. As a result, we recognized a non-cash income tax benefit of \$3.0 million related to the release of a portion of our reserve for uncertain tax positions in 2014 related to the completion of this Canadian income tax audit. In addition, the related letters of credit have been cancelled. Also during 2014, we recognized a non-cash income tax benefit of \$3.1 million related to the release of a portion of our reserve for uncertain tax positions in conjunction with the completion of an audit of our U.S. income tax return for 2009. 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 accrue interest and penalties on our uncertain tax positions as a component of our provision for income taxes. The amount of interest and penalties we accrued during 2013, 2014 and 2015 was not material, and at December 31, 2013, 2014 and 2015, we had \$3.7 million, \$2.8 million and \$2.3 million, respectively, accrued for interest and penalties for our uncertain tax positions.

The following table shows the changes in the amount of our uncertain tax positions (exclusive of the effect of interest and penalties discussed above) during 2013, 2014 and 2015:

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Changes in unrecognized tax benefits:			
Unrecognized tax benefits at beginning of year	\$ 13.0	\$ 15.9	\$ 10.4
Net increase (decrease):			
Tax positions taken in prior periods	(.3)	(5.4)	(.3)
Tax positions taken in current period	3.9	1.1	1.1
Lapse due to applicable statute of limitations	-	-	(.2)
Change in currency exchange rates	(.7)	(1.2)	(1.3)
Unrecognized tax benefits at end of year	<u>\$ 15.9</u>	<u>\$ 10.4</u>	<u>\$ 9.7</u>

If our uncertain tax positions were recognized, a benefit of \$15.1 million, \$8.8 million and \$7.8 million would affect our effective income tax rates for 2013, 2014 and 2015 respectively. At December 31, 2015, we currently estimate that our unrecognized tax benefits will not change materially during the next twelve months related to our prior year returns.

We file income tax returns in various U.S. federal, state and local jurisdictions. We also file income tax returns in various non-U.S. jurisdictions, principally in Germany, Canada, Belgium and Norway. Our U.S. income tax returns prior to 2012 are generally considered closed to examination by applicable tax authorities. Our non-U.S. income tax returns are generally considered closed to examination for years prior to 2011 for Germany, 2012 for Belgium, 2010 for Canada and 2006 for Norway.

Note 11 - Employee benefit plans:

Defined contribution plans - We maintain various defined contribution pension plans with our contributions based on matching or other formulas. Defined contribution plan expense approximated \$1.8 million in 2013, \$2.6 million in 2014 and \$2.7 million in 2015.

Accounting for defined benefit and postretirement benefits other than pensions (OPEB) plans - We recognize an asset or liability for the over or under funded status of each of our individual defined benefit pension plans on our Consolidated Balance Sheets. Changes in the funded status of these plans are recognized either in net income (loss), to the extent they are reflected in periodic benefit cost, or through other comprehensive income (loss).

Defined benefit plans - We sponsor various defined benefit pension plans. Certain non-U.S. employees are covered by plans in their respective countries. Our U.S. plan was closed to new participants in 1996, and existing participants no longer accrued any additional benefits after that date. The benefits under our plans are based upon years of service and employee compensation. Our funding policy is to contribute annually the minimum amount required under ERISA (or equivalent non-U.S.) regulations plus additional amounts as we deem appropriate.

We expect to contribute the equivalent of approximately \$15.2 million to all of our defined benefit pension plans during 2016. Benefit payments to plan participants out of plan assets are expected to be the equivalent of:

<u>Years ending December 31,</u>	<u>Amount</u>
	<u>(In millions)</u>
2016	\$ 19.8
2017	20.0
2018	20.4
2019	20.9
2020	21.7
Next 5 years	122.0

The funded status of our non-U.S. defined benefit pension plans is presented in the table below.

	December 31,	
	2014	2015
(In millions)		
Change in projected benefit obligations (PBO):		
Benefit obligations at beginning of the year	\$ 595.1	\$ 648.4
Service cost	9.9	11.2
Interest cost	21.7	14.6
Participant contributions	1.9	1.6
Actuarial losses (gains)	120.5	(8.7)
Change in currency exchange rates	(74.4)	(76.4)
Benefits paid	(26.3)	(21.0)
Benefit obligations at end of the year	<u>648.4</u>	<u>569.7</u>
Change in plan assets:		
Fair value of plan assets at beginning of the year	431.4	414.8
Actual return on plan assets	39.7	10.6
Employer contributions	19.8	17.1
Participant contributions	1.9	1.6
Change in currency exchange rates	(51.7)	(51.1)
Benefits paid	(26.3)	(21.0)
Fair value of plan assets at end of year	<u>414.8</u>	<u>372.0</u>
Funded status	<u>\$ (233.6)</u>	<u>\$ (197.7)</u>
Amounts recognized in the balance sheet:		
Noncurrent pension asset	\$ -	\$.4
Accrued pension costs:		
Current	(.7)	-
Noncurrent	(232.9)	(198.1)
Total	<u>\$ (233.6)</u>	<u>\$ (197.7)</u>
Accumulated other comprehensive loss:		
Actuarial losses	\$ 248.3	\$ 230.6
Prior service cost	2.2	1.9
Total	<u>\$ 250.5</u>	<u>\$ 232.5</u>
Accumulated benefit obligations (ABO)	<u>\$ 616.6</u>	<u>\$ 545.2</u>

The components of our net periodic defined benefit pension cost for our non-U.S. defined benefit pension plans are presented in the table below. In December 2013, we amended one of our Canadian plans in which participation with respect to hourly workers was closed to new participants in December 2013, and existing hourly plan participants will no longer accrue additional benefits after December 2013, resulting in a \$7.1 million curtailment charge for recognition of previously unamortized prior service cost and transition obligation and \$.2 million for special termination benefits. In 2014, we amended the other Canadian plan in which participation with respect to salaried workers was closed to new participants in December 2014, and existing hourly plan participants will no longer accrue additional benefits after December 2014, resulting in a nominal curtailment charge. The amounts shown below for the amortization of prior service cost, net transition obligations and recognized actuarial losses for 2013, 2014 and 2015 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2012, 2013 and 2014, respectively, net of deferred income taxes.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Net periodic pension cost:			
Service cost benefits	\$ 13.1	\$ 9.9	\$ 11.2
Interest cost on PBO	21.1	21.7	14.6
Expected return on plan assets	(18.5)	(20.0)	(16.6)
Settlement gain	-	(.3)	-
Curtailment loss	7.3	-	-
Recognized actuarial losses	12.5	10.0	13.6
Amortization of prior service cost	1.1	.5	.4
Amortization of net transition obligations	.4	.1	-
Total	<u>\$ 37.0</u>	<u>\$ 21.9</u>	<u>\$ 23.2</u>

Certain information concerning our non-U.S. defined benefit pension plans is presented in the table below.

	December 31,	
	2014	2015
	(In millions)	
Plans for which the ABO exceeds plan assets:		
PBO	\$ 621.7	\$ 518.1
ABO	592.5	498.7
Fair value of plan assets	390.6	321.6

The weighted-average rate assumptions used in determining the actuarial present value of benefit obligations for our non-U.S. defined benefit pension plans as of December 31, 2014 and 2015 are presented in the table below.

Rate	December 31,	
	2014	2015
Discount rate	2.5%	2.6%
Increase in future compensation levels	2.6%	2.9%

The weighted-average rate assumptions used in determining the net periodic pension cost for our non-U.S. defined benefit pension plans for 2013, 2014 and 2015 are presented in the table below.

Rate	Years ended December 31,		
	2013	2014	2015
Discount rate	3.7%	3.8%	2.5%
Increase in future compensation levels	3.1%	2.7%	2.6%
Long-term return on plan assets	5.0%	5.0%	4.6%

Variances from actuarially assumed rates will result in increases or decreases in accumulated pension obligations, pension expense and funding requirements in future periods.

The funded status of our U.S. defined benefit pension plan is presented in the table below.

	December 31,	
	2014	2015
	(In millions)	
Change in PBO:		
Benefit obligations at beginning of the year	\$ 17.2	\$ 19.8
Interest cost	.8	.8
Actuarial losses (gains)	2.9	(1.0)
Benefits paid	(1.1)	(1.0)
Benefit obligations at end of the year	<u>19.8</u>	<u>18.6</u>
Change in plan assets:		
Fair value of plan assets at beginning of the year	15.8	15.5
Actual return (loss) on plan assets	.5	(.7)
Employer contributions	.3	.1
Benefits paid	(1.1)	(1.0)
Fair value of plan assets at end of year	<u>15.5</u>	<u>13.9</u>
Funded status	<u>\$ (4.3)</u>	<u>\$ (4.7)</u>
Amounts recognized in the balance sheet:		
Accrued pension costs:		
Current	\$ (.1)	\$ (.1)
Noncurrent	(4.2)	(4.6)
Total	<u>\$ (4.3)</u>	<u>\$ (4.7)</u>
Accumulated other comprehensive loss - actuarial losses	<u>\$ 11.2</u>	<u>\$ 11.6</u>
ABO	<u>\$ 19.8</u>	<u>\$ 18.6</u>

The components of our net periodic defined benefit pension cost for our U.S. defined benefit pension plan is presented in the table below. The amounts shown below for recognized actuarial losses for 2013, 2014 and 2015 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2012, 2013 and 2014 respectively, net of deferred income taxes.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Net periodic pension cost (income):			
Interest cost on PBO	\$.7	\$.8	\$.8
Expected return on plan assets	(1.4)	(1.2)	(1.1)
Recognized actuarial losses	.5	.3	.5
Total	<u>\$ (.2)</u>	<u>\$ (.1)</u>	<u>\$.2</u>

The discount rate assumptions used in determining the actuarial present value of the benefit obligation for our U.S. defined benefit pension plan as of December 31, 2014 and 2015 are 3.8% and 4.1%, respectively. The impact of assumed increases in future compensation levels does not have an effect on the benefit obligation as the plan is frozen with regards to compensation.

The weighted-average rate assumptions used in determining the net periodic pension cost for our U.S. defined benefit pension plan for 2013, 2014 and 2015 are presented in the table below. The impact of assumed increases in future compensation levels also does not have an effect on the periodic pension cost as the plan is frozen with regards to compensation.

Rate	Years ended December 31,		
	2013	2014	2015
Discount rate	3.6%	4.5%	3.8%
Long-term return on plan assets	10.0%	7.5%	7.5%

Variances from actuarially assumed rates will result in increases or decreases in accumulated pension obligations, pension expense and funding requirements in future periods.

The amounts shown in the above tables for actuarial losses and prior service cost at December 31, 2014 and 2015 have not yet been recognized as components of our periodic defined benefit pension cost as of those dates. These amounts will be recognized as components of our periodic defined benefit cost in future years and are recognized, net of deferred income taxes, in our accumulated other comprehensive income (loss) at December 2014 and 2015. We expect approximately \$11.4 million and \$.2 million of the unrecognized actuarial losses and prior service costs, respectively, will be recognized as components of our consolidated net periodic defined benefit pension cost in 2016.

The table below details the changes in our consolidated other comprehensive income (loss) during 2013, 2014 and 2015.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Current year:			
Net actuarial gain (loss)	\$ 14.7	\$ (103.9)	\$ 2.7
Plan curtailment	7.1	-	-
Settlements	-	(.3)	-
Amortization of unrecognized:			
Net actuarial losses	13.0	10.3	14.1
Prior service cost	1.1	.5	.4
Net transition obligations	.4	.1	-
Total	<u>\$ 36.3</u>	<u>\$ (93.3)</u>	<u>\$ 17.2</u>

At December 31, 2014 and 2015, substantially all of the assets attributable to our U.S. plan were invested in the Combined Master Retirement Trust (CMRT), a collective investment trust sponsored by Contran to permit the collective investment by certain master trusts that fund certain employee benefits plans sponsored by Contran and certain of its affiliates. As previously disclosed, prior to his death in December 2013, Mr. Harold Simmons was the sole trustee of the CMRT, and he along with the CMRT's investment committee, of which Mr. Simmons was a member, actively managed the investments of the CMRT. The CMRT's long-term investment objective was to provide a rate of return exceeding a composite of broad market equity and fixed income indices (including the S&P 500 and certain Russell indices) while utilizing both third-party investment managers as well as investments directed by Mr. Simmons (prior to his death). During the history of the CMRT from its inception in 1988 through December 31, 2013, the average annual rate of return was 14%. For the year ended December 31, 2013, the assumed long-term rate of return for plan assets invested in the CMRT was 10%. In determining the appropriateness of the long-term rate of return assumption, we primarily relied on the historical rates of return achieved by the CMRT, although we considered other factors as well including, among other things, the investment objectives of the CMRT's managers and their expectation that such historical returns would in the future continue to be achieved over the long-term.

Following the death of Mr. Simmons in December 2013, the Contran board of directors in January 2014 appointed a financial institution as the new directed trustee of the CMRT, and the Contran board appointed five individuals (all executive officers of Contran) as the new investment committee of the CMRT. During 2014, the new investment committee began a process of reallocating to current and/or new investment managers or various mutual funds and comingled funds the portion of the CMRT assets that had previously been under direct and active management by Mr. Simmons. The reallocation process would be done prudently over a period of time, given the diverse asset composition of this portion of the portfolio, and was substantially complete at December 31, 2015. Concurrent with this change in investment strategy in which there is no longer a portion of the CMRT's assets under direct and active management by Mr. Simmons, and considering the long-term asset mix of the assets of the CMRT and the expected long-term rates of return for such asset components as well as advice from Contran's actuaries, beginning in 2014 the assumed long-term rate of return for plan assets invested in the CMRT was reduced to 7.5%.

The CMRT unit value is determined semi-monthly, and the plans have the ability to redeem all or any portion of their investment in the CMRT at any time based on the most recent semi-monthly valuation. However, the plans do not have the right to individual assets held by the CMRT and the CMRT has the sole discretion in determining how to meet any redemption request. For purposes of our plan asset disclosure, we consider the investment in the CMRT as a Level 2 input because (i) the CMRT value is established semi-monthly and the plans have the right to redeem their investment in the CMRT, in part or in whole, at any time based on the most recent value and (ii) observable inputs from Level 1 or Level 2 were used to value approximately 80% and 81% of the assets of the CMRT at December 31, 2014 and 2015, respectively, as noted below. The aggregate fair value of all of the CMRT assets, including funds of Contran and its other affiliates that also invest in the CMRT, and supplemental asset mix details of the CMRT are as follows:

	December 31,	
	2014	2015
	(In millions)	
CMRT asset value	\$ 715.5	\$ 648.8
CMRT fair value input:		
Level 1	67%	54%
Level 2	13	27
Level 3	20	19
	<u>100%</u>	<u>100%</u>
CMRT asset mix:		
Domestic equities, principally publicly traded	48%	29%
International equities, principally publicly traded	11	22
Fixed income securities, principally publicly traded	32	38
Privately managed limited partnerships	7	5
Hedge funds	-	5
Other, primarily cash	2	1
	<u>100%</u>	<u>100%</u>

In determining the expected long-term rate of return on non-U.S. plan asset assumptions, we consider the long-term asset mix (e.g. equity vs. fixed income) for the assets for each of our plans and the expected long-term rates of return for such asset components. In addition, we receive third-party advice about appropriate long-term rates of return. Such assumed asset mixes are summarized below:

- In Germany, the composition of our plan assets is established to satisfy the requirements of the German insurance commissioner. Our German pension plan assets represent an investment in a large collective investment fund established and maintained by Bayer AG in which several pension plans, including our German pension plan and Bayer's pension plans, have invested. Our plan assets represent a very nominal portion of the total collective investment fund maintained by Bayer. These plan assets are a Level 3 input because there is not an active market that approximates the value of our investment in the Bayer investment fund. We determine the fair value of the Bayer plan assets based on periodic reports we receive from the managers of the Bayer plan. These periodic reports are subject to audit by the German pension regulator.
- In Canada, we currently have a plan asset target allocation of 38% to equity securities, 55% to fixed income securities, 7% to other investments and cash. We expect the long-term rate of return for such investments to average approximately 125 basis points above the applicable equity or fixed income index. The Canadian assets are Level 1 inputs because they are traded in active markets.

- In Norway, we currently have a plan asset target allocation of 11% to equity securities, 79% to fixed income securities, 7% to real estate and the remainder primarily to other investments and liquid investments such as money markets. The expected long-term rate of return for such investments is approximately 7%, 3%, 5% and 5%, respectively. The majority of Norwegian plan assets are Level 1 inputs because they are traded in active markets; however approximately 11% of our Norwegian plan assets are invested in real estate and other investments not actively traded and are therefore a Level 3 input.
- We also have plan assets in Belgium and the United Kingdom. The Belgian plan assets are invested in certain individualized fixed income insurance contracts for the benefit of each plan participant as required by the local regulators and are therefore a Level 3 input. The United Kingdom plan assets consist of marketable securities which are Level 1 inputs because they trade in active markets.

We regularly review our actual asset allocation for each plan, and will periodically rebalance the investments in each plan to more accurately reflect the targeted allocation and/or maximize the overall long-term return when considered appropriate.

The composition of our December 31, 2014 and 2015 pension plan assets by asset category and fair value level is shown in the table below. The amounts shown for plan assets invested in the CMRT include a nominal amount of cash held by our U.S. pension plan which is not part of the plan's investment in the CMRT.

	Fair Value Measurements at December 31, 2014			
	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Germany	\$ 240.7	\$ -	\$ -	\$ 240.7
Canada:				
Local currency equities	12.4	12.4	-	-
Non local currency equities	34.4	34.4	-	-
Local currency fixed income	50.3	50.3	-	-
Global mutual fund	10.1	10.1	-	-
Cash and other	.6	.6	-	-
Norway:				
Local currency equities	1.9	1.9	-	-
Non local currency equities	5.1	5.1	-	-
Local currency fixed income	29.3	29.3	-	-
Non local currency fixed income	3.8	3.8	-	-
Real estate	4.5	-	-	4.5
Cash and other	10.3	9.2	-	1.1
U.S.				
CMRT	15.5	-	15.5	-
Other	11.4	3.6	-	7.8
Total	<u>\$ 430.3</u>	<u>\$ 160.7</u>	<u>\$ 15.5</u>	<u>\$ 254.1</u>

Fair Value Measurements at December 31, 2015

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Germany	\$ 223.1	\$ -	\$ -	\$ 223.1
Canada:				
Local currency equities	9.6	9.6	-	-
Non local currency equities	23.3	23.3	-	-
Local currency fixed income	50.6	50.6	-	-
Global mutual fund	6.8	6.8	-	-
Cash and other	.5	.5	-	-
Norway:				
Local currency equities	2.0	2.0	-	-
Non local currency equities	3.6	3.6	-	-
Local currency fixed income	24.5	24.5	-	-
Non local currency fixed income	4.7	4.7	-	-
Real estate	4.2	-	-	4.2
Cash and other	7.9	6.7	-	1.2
U.S.				
CMRT	13.9	-	13.9	-
Other	11.2	3.5	-	7.7
Total	<u>\$ 385.9</u>	<u>\$ 135.8</u>	<u>\$ 13.9</u>	<u>\$ 236.2</u>

A rollforward of the change in fair value of Level 3 assets follows.

	December 31,	
	2014	2015
	(In millions)	
Fair value at beginning of year	\$ 261.5	\$ 254.1
Gain on assets held at end of year	24.5	6.5
Gain on assets sold during the year	.3	.3
Assets purchased	16.9	13.7
Assets sold	(15.2)	(12.4)
Currency exchange rate fluctuations	(33.9)	(26.0)
Fair value at end of year	<u>\$ 254.1</u>	<u>\$ 236.2</u>

Postretirement benefits other than pensions (OPEB) - We provide certain health care and life insurance benefits for eligible retired employees. Certain of our Canadian employees may become eligible for such postretirement health care and life insurance benefits if they reach retirement age while working for us. In the U.S., employees who retired after 1998 are not entitled to any such benefits. The majority of all retirees are required to contribute a portion of the cost of their benefits and certain current and future retirees are eligible for reduced health care benefits at age 65. We have no OPEB plan assets, rather, we fund medical claims as they are paid. Contributions to our OPEB plans to cover benefit payments are expected to be the equivalent of:

<u>Years ending December 31,</u>	<u>Amount</u>	
	<u>(In millions)</u>	
2016	\$.4
2017		.4
2018		.4
2019		.4
2020		.4
Next 5 years		2.3

The funded status of our OPEB plans is presented in the table below:

	<u>December 31,</u>	
	<u>2014</u>	<u>2015</u>
	<u>(In millions)</u>	
Change in accumulated OPEB obligations:		
Obligations at beginning of the year	\$ 8.2	\$ 8.5
Service cost	.1	.1
Interest cost	.4	.3
Actuarial losses (gains)	.8	(.2)
Change in currency exchange rates	(.6)	(1.3)
Benefits paid from employer contributions	(.4)	(.4)
Obligations at end of the year	8.5	7.0
Fair value of plan assets	-	-
Funded status	<u>\$ (8.5)</u>	<u>\$ (7.0)</u>
Amounts recognized in the balance sheet:		
Current accrued pension costs	\$ (.4)	\$ (.3)
Noncurrent accrued pension costs	(8.1)	(6.7)
Total	<u>\$ (8.5)</u>	<u>\$ (7.0)</u>
Accumulated other comprehensive income:		
Net actuarial losses	\$ 3.6	\$ 3.1
Prior service credit	(7.0)	(6.2)
Total	<u>\$ (3.4)</u>	<u>\$ (3.1)</u>

The amounts shown in the table above for net actuarial losses and prior service credit at December 31, 2014 and 2015 have not yet been recognized as components of our periodic OPEB cost as of those dates. These amounts will be recognized as components of our periodic OPEB cost in future years and are recognized, net of deferred income taxes, in our accumulated other comprehensive income (loss). We expect to recognize approximately \$.2 million of unrecognized actuarial losses and \$.8 million of prior service credit as components of our periodic OPEB cost in 2016.

At December 31, 2015, the accumulated OPEB obligations for all OPEB plans comprised \$6.6 million related to U.S. plans and \$6.4 million related to our Canadian plan (in 2014 the amounts were \$7.7 million and \$7.8 million, respectively).

In 2013, we amended the benefit formula for most Canadian participants of our plans effective January 1, 2014, resulting in a curtailment gain as of December 31, 2013. Key assumptions including the service cost and benefit duration as of December 31, 2013 and 2014 now reflect these plan revisions to the benefit formula.

The components of our periodic OPEB costs are presented in the table below. The amounts shown below for amortization of prior service credit and recognized actuarial losses for 2013, 2014 and 2015 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2012, 2013 and 2014, respectively, net of deferred income taxes.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Net periodic OPEB cost:			
Service cost	\$.3	\$.1	\$.1
Interest cost	.6	.4	.3
Amortization of prior service credit	(.6)	(.9)	(.8)
Recognized actuarial losses	.3	.2	.3
Curtailment gain	(.6)	-	-
Total	\$ -	\$ (.2)	\$ (.1)

The table below details the changes in benefit obligations recognized in accumulated other comprehensive income (loss) during 2013, 2014 and 2015.

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Changes in benefit obligations recognized in other comprehensive income (loss):			
Current year:			
Net actuarial gain/(loss)	\$ 1.6	\$ (.8)	\$.2
Plan amendments/curtailment	4.5	-	-
Amortization of unrecognized:			
Net actuarial loss	.3	.2	.3
Prior service cost	(1.1)	(.9)	(.8)
Total	\$ 5.3	\$ (1.5)	\$ (.3)

A summary of our key actuarial assumptions used to determine the net benefit obligation as of December 31, 2014 and 2015 are presented in the table below. The weighted average discount rate was determined using the projected benefit obligation as of such dates. The impact of assumed increases in future compensation levels does not have a material effect on the actuarial present value of the benefit obligation as substantially all of such benefits relate solely to eligible retirees, for which compensation is not applicable.

	2014	2015
Healthcare inflation:		
Initial rate	7.0%	7.0%
Ultimate rate	5.0%	5.0%
Year of ultimate rate achievement	2021	2021
Weighted average discount rate	3.7%	3.9%

Assumed health care cost trend rates affect the amounts we report for health care plans. A one percent change in assumed health care trend rates would not have a material effect on the net periodic OPEB cost for 2015 or on the accumulated OPEB obligation at December 31, 2015.

The weighted average discount rate used in determining the net periodic OPEB cost for 2015 was 3.7% (2014 – 4.6%; 2013 – 3.9%). Such weighted average rate was determined using the projected benefit obligation as of the beginning of each year. The impact of assumed increases in future compensation levels does not have a material effect on the net periodic OPEB cost as substantially all of such benefits relate solely to eligible retirees, for which compensation is not applicable. The impact of the assumed rate of return on plan assets also does not have a material effect on the net periodic OPEB cost as there were no plan assets as of December 31, 2014 or 2015.

Variances from actuarially-assumed rates will result in additional increases or decreases in accumulated OPEB obligations, net periodic OPEB cost and funding requirements in future periods.

Note 12 - Other noncurrent liabilities:

	December 31,	
	2014	2015
	(In millions)	
Reserve for uncertain tax positions	\$ 13.1	\$ 11.8
Employee benefits	8.1	7.5
Interest rate swap contract	-	.2
Insurance claims and expenses	.3	.2
Other	5.3	4.7
Total	<u>\$ 26.8</u>	<u>\$ 24.4</u>

See Note 16 for a discussion on the interest rate swap contract.

Note 13 - Stockholders' equity:

Long-term incentive compensation plan – Prior to 2013, our board of directors adopted a new plan that would provide for the award of stock to our board of directors, and up to a maximum of 200,000 shares could be awarded. We awarded 7,000 shares in 2013, and 8,000 shares in each of 2014 and 2015 under this new plan, and 177,000 shares are available for future award under this new plan at December 31, 2015.

Stock repurchase program – Prior to 2013, our board of directors authorized the repurchase of up to 2.0 million shares of our common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We would use cash on hand or other sources of liquidity to acquire the shares. Repurchased shares will be added to our treasury and cancelled.

During 2013 we repurchased 49,000 shares in market transactions for an aggregate of \$.7 million in cash. We cancelled these treasury shares and allocated their cost to common stock at par value and additional paid-in capital. At December 31, 2015 an additional 1,951,000 shares are available for repurchase under this authorization.

below. **Accumulated other comprehensive loss** - Changes in accumulated other comprehensive loss for 2013, 2014 and 2015 are presented in the table

	Years ended December 31,		
	2013	2014	2015
	(In millions)		
Accumulated other comprehensive loss, net of tax:			
Currency translation:			
Balance at beginning of year	\$ (63.5)	\$ (56.8)	\$ (159.8)
Other comprehensive income (loss)	6.7	(103.0)	(92.2)
Balance at end of year	<u>\$ (56.8)</u>	<u>\$ (159.8)</u>	<u>\$ (252.0)</u>
Marketable securities:			
Balance at beginning of year	\$ 4.2	\$ 10.8	\$ (2.9)
Other comprehensive income (loss):			
Unrealized gains (losses) arising during the year	5.3	(13.7)	(6.5)
Less reclassification adjustment for amounts included in realized loss	1.3	-	8.8
Balance at end of year	<u>\$ 10.8</u>	<u>\$ (2.9)</u>	<u>\$ (6)</u>
Defined benefit pension plans:			
Balance at beginning of year	\$ (137.3)	\$ (109.4)	\$ (175.4)
Other comprehensive income (loss):			
Amortization of prior service cost and net losses included in net periodic pension cost	10.0	7.2	10.0
Net actuarial gain (loss) arising during year	12.6	(73.2)	6.2
Plan curtailment	5.3	-	-
Balance at end of year	<u>\$ (109.4)</u>	<u>\$ (175.4)</u>	<u>\$ (159.2)</u>
OPEB plans:			
Balance at beginning of year	\$ (.5)	\$ 3.4	\$ 2.3
Other comprehensive (income) loss:			
Amortization of prior service credit and net losses included in net periodic OPEB cost	(.6)	(.5)	(.4)
Net actuarial gain (loss) arising during year	1.2	(.6)	.2
Plan amendments	3.3	-	-
Balance at end of year	<u>\$ 3.4</u>	<u>\$ 2.3</u>	<u>\$ 2.1</u>
Interest rate swap:			
Balance at beginning of year	\$ -	\$ -	\$ -
Other comprehensive loss:			
Unrealized losses arising during the year	-	-	(2.9)
Less reclassification adjustment for amounts included in interest expense	-	-	.6
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2.3)</u>
Total accumulated other comprehensive loss:			
Balance at beginning of year	\$ (197.1)	\$ (152.0)	\$ (335.8)
Other comprehensive income (loss)	45.1	(183.8)	(76.2)
Balance at end of year	<u>\$ (152.0)</u>	<u>\$ (335.8)</u>	<u>\$ (412.0)</u>

See Note 6 for further discussion of our marketable securities, Note 11 for amounts related to our defined benefit pension plans and OPEB plans and Note 16 for discussion of our interest rate swap contract.

Note 14 - Related party transactions:

We may be deemed to be controlled by Ms. Simmons and Ms. Connelly. See Note 1. Corporations that may be deemed to be controlled by or affiliated with such individuals sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held noncontrolling interest in another related party. While no transactions of the type described above are planned or proposed with respect to us other than as set forth in these financial statements, we continuously consider, review and evaluate, and understand that Contran and related entities consider, review and evaluate such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that we might be a party to one or more such transactions in the future.

Current receivables from and payables to affiliates are summarized in the table below.

	December 31,	
	2014	2015
	(In millions)	
Current receivable from affiliate:		
LPC	\$ 13.0	\$ -
Income taxes receivable from Valhi	3.5	-
Other	1.5	2.5
	<u>\$ 18.0</u>	<u>\$ 2.5</u>
Current payables to affiliates:		
LPC	\$ 19.9	\$ 19.4
Income taxes payable to Valhi	-	.1
Total	<u>\$ 19.9</u>	<u>\$ 19.5</u>

From time to time, we may have loans and advances outstanding between us and various related parties pursuant to term and demand notes. We generally enter into these loans and advances for cash management purposes. When we loan funds to related parties, we are generally able to earn a higher rate of return on the loan than we would earn if we invested the funds in other instruments, and when we borrow from related parties, we are generally able to pay a lower rate of interest than we would pay if we had incurred third-party indebtedness. While certain of these loans to affiliates may be of a lesser credit quality than cash equivalent instruments otherwise available to us, we believe we have considered the credit risks in the terms of the applicable loans. In this regard:

- In November 2010, we entered into an unsecured revolving demand promissory note with Valhi whereby, as amended, we have agreed to loan Valhi up to \$100 million. Our loan to Valhi bears interest at prime plus 1.00%, payable quarterly, with all principal due on demand, but in any event no earlier than December 31, 2017. The amount of our outstanding loans to Valhi at any time is at our discretion. As of December 31, 2014 and 2015, we had no outstanding loans to Valhi under this promissory note; and
- In February 2013, we entered into a promissory note with Contran in which we borrowed \$190 million on this note and subsequently repaid \$20 million during 2013. We prepaid and cancelled this note payable to Contran in February 2014 using a portion of the net proceeds of our new term loan. See Note 9.

Interest income (including unused commitment fees) on our loan to Valhi was \$.5 million in each of 2013, 2014 and 2015. Interest expense on our loan from Contran was \$11.7 million in 2013 and \$1.6 million in 2014.

Amounts payable to LPC are generally for the purchase of TiO₂, while amounts receivable from LPC are generally from the sale of TiO₂ feedstock. See Note 5. Purchases of TiO₂ from LPC were \$224.5 million in 2013, \$193.1 million in 2014 and \$176.5 million in 2015. Sales of feedstock to LPC were \$141.1 million in 2013, \$98.4 million in 2014 and \$80.6 million in 2015.

Under the terms of various intercorporate services agreements (ISAs) entered into between us and various related parties, including Contran, employees of one company will provide certain management, tax planning, financial and administrative services to the other company on a fee basis. Such charges are based upon estimates of the time devoted by the employees of the provider of the services to the affairs of the recipient, and the compensation and associated expenses of such persons. Because of the large number of companies affiliated with Contran, we believe we benefit from cost savings and economies of scale gained by not having certain management, financial and administrative staffs duplicated at each entity, thus allowing certain individuals to provide services to multiple companies but only be compensated by one entity. The net ISA fee charged to us, approved by the independent members of our board of directors, is included in selling, general and administrative expense and corporate expense and was \$12.9 million in 2013, \$12.3 million in 2014 and \$13.4 million in 2015. This agreement is renewed annually and we expect to pay approximately \$15.2 million under the ISA during 2016.

Contran and certain of its subsidiaries and affiliates, including us, purchase certain of their insurance policies as a group, with the costs of the jointly-owned policies being apportioned among the participating companies. Tall Pines Insurance Company and EWI RE, Inc., each subsidiaries of Valhi, provide for or broker certain insurance policies for Contran and certain of its subsidiaries and affiliates, including ourselves. Tall Pines purchases reinsurance from third-party insurance carriers with an A.M. Best Company rating of generally at A-(excellent) for substantially all of the risks it underwrites. Consistent with insurance industry practices, Tall Pines and EWI receive commissions from insurance and reinsurance underwriters and/or assess fees for the policies that they provide or broker. The aggregate premiums paid to Tall Pines and EWI by us and our joint venture were \$11.3 million in 2013, \$10.7 million in 2014 and \$10.3 million in 2015. These amounts principally represent payments for insurance premiums, which include premiums or fees paid to Tall Pines or fees paid to EWI. These amounts also include payments to insurers or reinsurers through EWI for the reimbursement of claims within our applicable deductible or retention ranges that such insurers or reinsurers paid to third parties on our behalf, as well as amounts for claims and risk management services and various other third-party fees and expenses incurred by the program. We expect these relationships with Tall Pines and EWI will continue in 2016.

With respect to certain of such jointly-owned policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries and affiliates, including us, have entered into a loss sharing agreement under which any uninsured loss is shared by those entities who have submitted claims under the relevant policy. We believe the benefits, in the form of reduced premiums and broader coverage associated with the group coverage for such policies, justifies the risk associated with the potential for any uninsured loss.

Contran and certain of its subsidiaries, including us, participate in a combined information technology data recovery program that Contran provides from a data recovery center that it established. Pursuant to the program, Contran and certain of its subsidiaries, including us, as a group share information technology data recovery services. The program apportions its costs among the participating companies. We paid Contran \$88,000 in 2013, \$116,000 in 2014 and \$144,000 in 2015 for such services. We expect that this relationship with Contran will continue in 2016.

Note 15 - Commitments and contingencies:

Environmental matters - Our operations are governed by various environmental laws and regulations. Certain of our operations 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 facilities and to strive to improve our 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 thereunder, could adversely affect our production, handling, use, storage, transportation, sale or disposal of such substances. We believe all of our manufacturing facilities are in substantial compliance with applicable environmental laws.

Litigation matters - We are involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. At least quarterly our management discusses and evaluates the status of any pending litigation to which we are a party. The factors considered in such evaluation include, among other things, the nature of such pending cases, the status of such pending cases, the advice of legal counsel and our experience in similar cases (if any). Based on such evaluation, we make a determination as to whether we believe (i) it is probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (ii) it is reasonably possible but not probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (iii) the probability a loss has been incurred is remote. We have not accrued any amounts for either of the two matters discussed below, as it is not reasonably possible we have incurred a loss in either case that would be material to our consolidated financial condition, results of operations or liquidity.

In 2013 we entered into a settlement agreement with the class plaintiffs in the consolidated complaint, *Haley Paint et al. v. E.I. Du Pont de Nemours and Company, et al.* (United States District Court, for the District of Maryland, Case No. 1:10-cv-00318-RDB). Without admitting any fault or wrongdoing, we agreed to pay an aggregate of \$35 million (which was paid in 2014), and we and the other defendants have been dismissed with prejudice from this matter. Other operating expense in 2013 includes a \$35 million charge related to this settlement.

In March 2013, we were 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-SJ). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC and Millennium Inorganic Chemicals, Inc. As amended by plaintiffs' second amended complaint, 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, Kansas, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oregon, South Carolina, Tennessee and Wisconsin 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. 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.

In November 2013, we were served with the complaint, *The Valspar Corporation, et al v. E.I. Du Pont de Nemours and Company, et al.* (United States District Court, for the District of Minnesota, Case No. 1:13-cv-03214-RHK-L1B). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC, Millennium Inorganic Chemicals, Inc. and the National Titanium Dioxide Company Limited (d/b/a Cristal). The plaintiff opted out of the settlement in the original lawsuit, *Haley Paint et al. v. E.I. Du Pont de Nemours and Company, et al.* (United States District Court, for the District of Maryland, Case No. 1:10-cv-00318-RDB) and filed its own lawsuit against the defendants. The complaint alleged 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 October 2014, the court granted our motion to transfer, and the case is now proceeding in the trial court in the United States District Court for the Southern District of Texas, Case No. 4:14-cv-01130. The trial in this case is currently set to commence in September 2016. 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 the case, we have determined that while it is reasonably possible (but not probable) that a loss has been incurred in this case, we do not believe the amount of such loss will be material to our consolidated financial condition, results of operations or liquidity.

Concentrations of credit risk - Sales of TiO₂ accounted for approximately 90% of our sales in each of 2013, 2014 and 2015. The remaining sales result from the mining and sale of ilmenite ore (a raw material used in the sulfate pigment production process), and the manufacture and sale of iron-based water treatment chemicals and certain titanium chemical products (derived from co-products of the TiO₂ production processes). TiO₂ is generally sold to the paint, plastics and paper industries. Such markets are generally considered “quality-of-life” markets whose demand for TiO₂ is influenced by the relative economic well-being of the various geographic regions. We sell TiO₂ to over 4,000 customers, with the top ten customers approximating 34% of net sales in 2013, 35% in 2014 and 34% in 2015. In each of 2013, 2014 and 2015 one customer, Behr Process Corporation, accounted for approximately 10% of our net sales. The table below shows the approximate percentage of our TiO₂ sales by volume for our significant markets, Europe and North America, for the last three years.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Europe	49%	50%	52%
North America	33%	33%	29%

Long-term contracts - We have long-term supply contracts that provide for certain of our TiO₂ feedstock requirements through 2019. The agreements require us to purchase certain minimum quantities of feedstock with minimum purchase commitments aggregating approximately \$865 million over the life of the contracts in years subsequent to December 31, 2015. In addition, we have other long-term supply and service contracts that provide for various raw materials and services. These agreements require us to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately \$147 million at December 31, 2015.

Operating leases - Our principal German operating subsidiary leases the land under its Leverkusen TiO₂ production facility pursuant to a lease with Bayer AG that expires in 2050. The Leverkusen facility itself, which we own and which represents approximately one-third of our current TiO₂ production capacity, is located within Bayer’s extensive manufacturing complex. We periodically establish the amount of rent for the land lease associated with the Leverkusen facility by agreement with Bayer for periods of at least two years at a time. The lease agreement provides for no formula, index or other mechanism to determine changes in the rent for such land lease; rather, any change in the rent is subject solely to periodic negotiation between Bayer and us. We recognize any change in the rent based on such negotiations as part of lease expense starting from the time such change is agreed upon by both parties, as any such change in the rent is deemed “contingent rentals” under GAAP. Under the terms of a master supply and services agreement, a majority-owned subsidiary of Bayer provides raw materials, including chlorine, auxiliary and operating materials, utilities and services necessary to operate the Leverkusen facility. This agreement, as amended, expires in 2017 and will automatically renew for successive three year terms until terminated by either party upon one year’s prior notice.

We also lease various other manufacturing facilities and equipment. Some of the leases contain purchase and/or various term renewal options at fair market and fair rental values, respectively. In most cases we expect that, in the normal course of business, such leases will be renewed or replaced by other leases. Net rent expense approximated \$15 million in 2013, \$16 million in 2014 and \$14 million in 2015. At December 31, 2015, future minimum payments under non-cancellable operating leases having an initial or remaining term of more than one year were as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
	<u>(In millions)</u>
2016	\$ 11.0
2017	8.0
2018	5.1
2019	4.3
2020	3.5
2021 and thereafter	23.7
Total	<u>\$ 55.6</u>

Approximately \$14 million of the \$55.6 million aggregate future minimum rental commitments at December 31, 2015 relates to our Leverkusen facility lease discussed above. The minimum commitment amounts for such lease included in the table above for each year through the 2050 expiration of the lease are based upon the current annual rental rate as of December 31, 2015. As discussed above, any change in the rent is based solely on negotiations between Bayer and us, and any such change in the rent is deemed “contingent rentals” under GAAP which is excluded from the future minimum lease payments disclosed above.

Income taxes - We and Valhi are a party to a tax sharing agreement providing for the allocation of tax liabilities and tax payments as described in Note 1. Under applicable law, we, along with every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. Valhi has agreed, however, to indemnify us for any liability for income taxes of the Contran Tax Group in excess of our tax liability computed in accordance with the tax sharing agreement.

Note 16 - Financial instruments:

The following table summarizes the valuation of our financial instruments recorded on a fair value basis as of December 31, 2014 and 2015:

	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 (liability)				
December 31, 2014				
Currency forward contracts	\$ (4.2)	\$ (4.2)	\$ -	\$ -
Noncurrent marketable securities (See Note 6)	11.1	11.1	-	-
December 31, 2015				
Currency forward contracts	\$ (1.2)	\$ (1.2)	\$ -	\$ -
Interest rate swap contract	(3.5)	-	(3.5)	-
Noncurrent marketable securities (See Note 6)	2.4	2.4	-	-

Our earnings and cash flows are subject to fluctuations due to changes in currency exchange rates and interest rates. Our risk management policy allows for the use of derivative financial instruments to prudently manage exposure to currency exchange rates and interest rates. 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.

Currency forward contracts - Certain of our sales generated by our non-U.S. operations are denominated in U.S. dollars. We periodically use 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 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 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 transaction gains and losses. 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.

At December 31, 2015, we had currency forward contracts to exchange an aggregate of \$17.9 million for an equivalent value of Canadian dollars at an exchange rate of Cdn. \$1.29 per U.S. dollar. These contracts with Wells Fargo Bank, N.A. mature from January through July 2016 at a rate of \$2.6 million per month.

The estimated fair value of such currency forward contracts at December 31, 2015 was a \$1.2 million net liability, which is recognized as part of accounts payable and accrued liabilities in our Consolidated Balance Sheet, with a corresponding \$1.2 million currency transaction loss in our Consolidated Statement of Operations (in 2014 we had a \$4.2 million net liability, of which \$4.2 million was recognized as part of accounts payable and accrued liabilities in our Consolidated Balance Sheet, with a corresponding \$4.2 million currency transaction loss in our Consolidated Statement of Operations). We did not use hedge accounting for any of our contracts to the extent we held such contracts during 2013, 2014 and 2015.

Interest rate swap contract - As part of our interest rate risk management strategy, in August 2015 we entered into a pay-fixed/receive-variable interest rate swap contract with Wells Fargo Bank, N.A. to minimize our exposure to volatility in LIBOR as it relates to our forecasted outstanding variable-rate indebtedness. Under this interest rate swap, we will pay a fixed rate of 2.016% per annum, payable quarterly, and receive a variable rate of three-month LIBOR (subject to a 1.00% floor), also payable quarterly, in each case based on the notional amount of the swap then outstanding. The effective date of the swap contract was September 30, 2015. The notional amount of the swap started at \$344.75 million and declines by \$875,000 each quarter beginning December 31, 2015, with a final maturity of the swap contract in February 2020. This swap contract has been designated as a cash flow hedge and qualified as an effective hedge at inception under ASC Topic 815. The effective portion of changes in fair value on this interest rate swap is recorded as a component of other comprehensive income, net of deferred income taxes. Commencing in the fourth quarter of 2015, as interest expense accrues on LIBOR-based variable rate debt, we classify the amount we pay under the pay-fixed leg of the swap and the amount we receive under the receive-variable leg of the swap as part of interest expense, with the net effect that the amount of interest expense we recognize on our LIBOR-based variable rate debt each quarter, as it relates to the notional amount of the swap outstanding each quarter, will be based on a fixed rate of 2.016% per annum in lieu of the level of LIBOR prevailing during the quarter. The amount of hedge ineffectiveness, if any, related to the swap will be recorded in earnings (also as part of interest expense). As of December 31, 2015, there were no gains or losses recognized in earnings in the current period representing hedge ineffectiveness with respect to the interest rate swap.

During the year ended December 31, 2015, the pretax amount recognized in other comprehensive income related to the interest rate swap contract was a \$4.4 million loss. During the same period, \$0.9 million was reclassified from accumulated other comprehensive income into earnings. During the next twelve months, the amount of the December 31, 2015 accumulated other comprehensive income balance that is expected to be reclassified to earnings is \$3.5 million pre-tax.

The fair value of the interest rate swap contract at December 31, 2015 was a liability of \$3.5 million and is reflected in the Condensed Consolidated Balance Sheet as part of accounts payable and accrued liabilities (\$3.3 million) and other noncurrent liabilities (\$0.2 million). See Notes 8 and 12. The fair value of the interest rate swap was estimated by a third party using inputs that are observable or that can be corroborated by observable market data such as interest rate yield curves, and therefore, is classified within Level 2 of the valuation hierarchy.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of December 31, 2014 and 2015.

	December 31, 2014		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash	\$ 169.9	\$ 169.9	\$ 94.3	\$ 94.3
Variable rate term loan	340.9	341.5	338.0	309.5
Common stockholders' equity	781.1	1,508.7	461.9	653.6

At December 31, 2015, the estimated market price of our term loan was \$900 per \$1,000 principal amount. The fair value of our term loan was based on quoted market prices; however, these quoted market prices represented Level 2 inputs because the markets in which the term loan trades were not active. The fair value of our common stockholders' equity is based upon quoted market prices at each balance sheet date, which represent Level 1 inputs. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. See Notes 3 and 8.

Note 17 - Restructuring Costs

In the second quarter of 2015, we initiated a restructuring plan designed to improve our long-term cost structure. A portion of such expected cost savings is planned to occur through workforce reductions. During the second, third and fourth quarters of 2015 we implemented certain voluntary and involuntary workforce reductions at certain of our facilities impacting approximately 160 individuals. A substantial portion of such workforce reductions were accomplished through voluntary programs, for which eligible workforce reduction costs are recognized at the time both the employee and employer are irrevocably committed to the terms of the separation. For involuntary programs, eligible costs are recognized when management approves the separation program, the affected employees are properly notified and the costs are estimable. To the extent there is a statutorily-mandated notice period and the affected employee is not required to provide services to us during such notice period, severance and all wages during such notice period are accrued at the time of separation. To the extent the affected employee is required to provide services to us during all or a portion of such notice period, the severance (and if applicable notice period wages for any period beyond the time the affected employee is required to provide future services to us) is accrued ratably over the period in which services will be provided. As of December 31, 2015 we have recognized an aggregate \$21.7 million charge for such workforce reductions we had implemented through that date (substantially all of which was recognized in the second quarter of 2015), \$10.8 million of which is classified in cost of sales and \$10.9 million of which is classified in selling, general and administrative expense. For workforce reductions implemented through December 31, 2015, we do not expect to accrue any further material amounts associated with the affected individuals who are providing service to us past December 31, 2015. All accrued severance costs at December 31, 2015 are expected to be paid through the third quarter of 2018.

A summary of the activity in our accrued workforce reduction costs for 2015 is shown in the table below (in millions):

Accrued workforce reduction costs as of		
January 1, 2015	\$	-
Workforce reduction costs accrued		21.7
Workforce reduction costs paid		(15.9)
Currency translation adjustments, net		(.2)
		<u>5.6</u>
Accrued workforce reduction costs at		
December 31, 2015	\$	<u>5.6</u>
Amounts recognized in the balance sheet:		
Current liability	\$	5.3
Noncurrent liability		.3
		<u>5.6</u>

Note 18 - Recent accounting pronouncements:

Adopted

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires unamortized debt issuance costs (or deferred financing costs) to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Previously, such unamortized debt issue costs were generally presented as a noncurrent asset. ASU 2015-15, issued by the FASB in August 2015, clarified that the scope of ASU 2015-03 does not include deferred financing costs related to revolving credit facilities. The guidance in the new standard is limited to the presentation of debt issuance costs within its scope and does not affect the recognition, measurement or amortization of debt issuance costs. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and is applied on a retrospective basis. Early adoption is permitted, and we have adopted this ASU in this Annual Report. As a result of adopting this ASU, deferred financing costs of \$5.0 million at December 31, 2014, previously recognized as an asset, are now classified as a direct deduction from the carrying value of such term loan in our Consolidated Balance Sheet at such date. All of our other deferred financing costs at December 31, 2014 and 2015 (see Note 9) relate to our revolving credit facilities in North America and Europe, and continue to be recognized as an asset under the guidance of the ASU.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which eliminates the requirement to separate deferred income tax assets and liabilities into current and noncurrent amounts. Under the ASU all deferred income tax assets and liabilities will be classified as noncurrent. The current requirement that deferred income tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this ASU. This amendment is effective for us beginning in the first quarter of 2017; however early adoption is permitted. In addition, prospective or retrospective application is permitted. We have elected to adopt this ASU retrospectively beginning with this Annual Report and accordingly we have presented all deferred income tax assets and liabilities as noncurrent in our Consolidated Balance Sheets and related Footnotes. At December 31, 2014, we had previously recognized a current deferred income tax asset and liability of \$6.3 million and \$3.7 million, respectively, and a noncurrent deferred income tax asset and liability of \$165.4 million and \$6.8 million, respectively. As a result of the retrospective application of this ASU, we no longer have a current deferred income tax asset or liability recognized at December 31, 2014, and the noncurrent deferred income tax asset and liability we now have recognized at December 31, 2014 is \$167.3 million and \$6.1 million, respectively. See Note 10.

Pending adoption

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard replaces existing revenue recognition guidance, which in many cases was tailored for specific industries, with a uniform accounting standard applicable to all industries and transactions. The new standard, as amended, is currently effective for us beginning with the first quarter of 2018. Entities may elect to adopt ASU No. 2014-09 retrospectively for all periods for all contracts and transactions which occurred during the period (with a few exceptions for practical expediency) or retrospectively with a cumulative effect recognized as of the date of adoption. ASU No. 2014-09 is a fundamental rewriting of existing GAAP with respect to revenue recognition, and we are still evaluating the effect the Standard will have on our Consolidated Financial Statements. We currently expect to adopt the standard in the first quarter of 2018. In addition, we have not yet determined the method we will use to adopt the Standard.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects related to the recognition, measurement, presentation and disclosure of financial instruments. The ASU requires equity investments (except for those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to generally be measured at fair value with changes in fair value recognized in net income. The amendment also requires a number of other changes, including among others: simplifying the impairment assessment for equity instruments without readily determinable fair values; eliminating the requirement for public business entities to disclose methods and assumptions used to determine fair value for financial instruments measured at amortized cost; requiring an exit price notion when measuring the fair value of financial instruments for disclosure purposes; and requiring separate presentation of financial assets and liabilities by measurement category and form of asset. The changes indicated above will be effective for us beginning in the first quarter of 2018, with prospective application required, and early adoption is not permitted. The most significant aspect of adopting this ASU will be the requirement to recognize changes in fair value of our available-for-sale marketable equity securities in net income (currently changes in fair value of such securities are recognized in other comprehensive income).

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is a comprehensive rewriting of the lease accounting guidance which aims to increase comparability and transparency with regard to lease transactions. The primary change will be the recognition of lease assets for the right-of-use of the underlying asset and lease liabilities for the obligation to make payments by lessees on the balance sheet for leases currently classified as operating leases. The ASU also requires increased qualitative disclosure about leases in addition to quantitative disclosures currently required. Companies are required to use a modified retrospective approach to adoption with a practical expedient which will allow companies to continue to account for existing leases under the prior guidance unless a lease is modified, other than the requirement to recognize the right-of-use asset and lease liability for all operating leases. The changes indicated above will be effective for us beginning in the first quarter of 2019, with early adoption permitted. We have not yet evaluated the effect this ASU will have on our Consolidated Financial Statements, but given the material amount of our future minimum payments under non-cancellable operating leases at December 31, 2015 discussed in Note 15, we expect to recognize a material right-of-use lease asset and lease liability upon adoption of the ASU.

Note 19 – Quarterly results of operations (unaudited):

	Quarter ended			
	March 31	June 30	September 30	December 31
(In millions, except per share data)				
Year ended December 31, 2014				
Net sales	\$ 420.1	\$ 443.5	\$ 414.8	\$ 373.5
Gross margin	80.5	93.8	95.7	79.7
Net income	14.3	33.1	31.9	19.9
Basic and diluted income per share	\$.12	\$.29	\$.28	\$.17
Year ended December 31, 2015				
Net sales	\$ 365.1	\$ 360.2	\$ 336.5	\$ 287.0
Gross margin	77.4	46.5	43.2	25.2
Net income (loss)	18.4	(159.8)	(11.8)	(20.4)
Basic and diluted income (loss) per share	\$.16	\$ (1.38)	\$ (.10)	\$ (.18)

In 2014 we recognized a non-cash income tax benefit of \$5.7 million in the second quarter of 2014 related to a net reduction in our reserve for uncertain tax positions.

We recognized the following amounts during 2015:

- pretax charges of \$21.1 million, \$.4 million and \$.2 million in the second, third and fourth quarters, respectively, in workforce reduction charges (see Note 17),
- a \$12.0 million non-cash pretax impairment charge in the third quarter due to other-than-temporary impairment on our investment in a marketable security held for sale (see Note 6), and
- non-cash deferred income tax expense of \$150.3 million, \$2.3 million and \$6.4 million in the second, third and fourth quarters, respectively, related to the recognition of a deferred income tax asset valuation allowance related to our German and Belgium operations (see Note 10).

The sum of the quarterly per share amounts may not equal the annual per share amounts due to relative changes in the weighted average number of shares used in the per share computations.

FIRST AMENDED AND RESTATED AGREEMENT REGARDING SHARED INSURANCE

This First Amended and Restated Agreement Regarding Shared Insurance is made as of the 15th day of October 2015 (hereinafter the “Agreement”) among:

CompX International Inc. (“CompX”)

Contran Corporation (“Contran”);

Keystone Consolidated Industries, Inc. (“Keystone”);

Kronos Worldwide, Inc. (“Kronos”)

NL Industries, Inc. (“NL”);

and

Valhi, Inc. (“Valhi”);

(for convenience, each of the above entities and/or its subsidiaries (without duplication by excluding in each case subsidiaries of the other listed entities) may be referred to as a “Party,” and collectively they may be referred to as the “Parties”).

WITNESSETH THAT:

WHEREAS, the Parties are affiliated companies that have been, are, and in the future may be insured under one or more Shared Insurance Policies (as defined below) that provide shared limits of available insurance; and

WHEREAS, each of CompX, Contran, Keystone, Kronos, NL and Valhi (collectively, the “Continuing Parties”), along with Titanium Metals Corporation, a former affiliate of Contran, were previously a party to an Agreement Regarding Shared Insurance (the “Original Agreement”) made as of the 30th day of October 2013.

WHEREAS, the Continuing Parties desire to amend and restate the Original Agreement.

WHEREAS, although as of the date of this Agreement, neither the Parties to this Agreement or the parties to the Original Agreement separately and collectively have ever exhausted the total limits of insurance coverage available under any of the Shared Insurance Policies, the Parties wish to ensure that claims asserted under any of the Shared Insurance Policies by one or more Parties will not unreasonably deprive other Parties of insurance that may be available to them.

AGREEMENTS:

NOW, THEREFORE, in full consideration of the foregoing and of the mutual agreements herein contained, and intending to be legally bound, the Parties agree as follows:

1. Definitions

The following definitions will apply to the listed terms wherever those terms appear throughout this Agreement as well as in any exhibits or attachments thereto. Moreover, each defined term stated in a singular form shall include the plural form, each defined term stated in plural form shall include the singular form, and each defined term stated in the masculine form or in the feminine form shall include the other.

- A. “Shared Insurance Policies” shall mean any one or more of the insurance policies listed on Exhibit “A” hereto, as well as any past, present or future insurance policies that provide insurance coverage to two or more Parties to this Agreement and where the policy provides for an aggregate limit for all claims during the policy period.
-

- B. "Covered Claim" shall mean any claim for insurance coverage that any Party may assert at any time under any Shared Insurance Policy that is covered in whole or in part under the terms and conditions of the Shared Insurance Policy in question, or that would be covered but for the fact that all available limits of insurance coverage under the Shared Insurance Policy in question already have been exhausted by one or more claims of one or more Parties.
- C. "Reimbursed Covered Claim" shall mean any Covered Claim for which any Party actually has received a total or partial insurance coverage under any Shared Insurance Policy.
- D. "Remaining Covered Claim" shall mean any Covered Claim or portion of a Covered Claim of any Party for which the available limits of insurance coverage under the Shared Insurance Policy in question already have been exhausted by one or more Reimbursed Covered Claims of one or more Parties.

2. Agreement

Whenever the available limits of insurance under any Shared Insurance Policy have been exhausted by one or more Reimbursed Covered Claims submitted by one or more Parties, this Agreement will provide a mechanism by which the Parties will share financial responsibility for all Remaining Covered Claims.

Financial responsibility for each Remaining Covered Claim shall be divided among those Parties with Covered Claims for that policy. Each Party other than the holder of a particular Remaining Covered Claim shall indemnify and reimburse the holder of that Remaining Covered Claim for a percentage of that Remaining Covered Claim equal to the percentage of Covered Claims of the Indemnifying Party bears to the sum of all Parties' Covered Claims for the particular policy.

Any indemnification obligation required by this Agreement shall be paid within 60 days after a Party requests in writing indemnification from another Party or Parties with respect to a Remaining Covered Claim and provides a brief description of the Remaining Covered Claim, as well as identification of the Shared Insurance Policy that would, but for exhaustion of limits, provide coverage for the Remaining Covered Claim. If the insurer issuing the Shared Insurance Policy in question has taken the position that the claim would be covered and payable but for prior exhaustion of available limits of coverage, the claim conclusively will be considered by the Parties to be a Remaining Covered Claim. If the insurer issuing the Shared Insurance Policy in question has not or will not expressly state that a claim would be covered and payable but for exhaustion, the Parties will attempt in good faith to agree whether or not the claim is a Remaining Covered Claim. If the Parties cannot agree whether a claim is a Remaining Covered Claim, the question will be settled pursuant to the "Dispute Resolution" provisions of this Agreement.

3. Confidentiality

The Parties agree that all matters relating to the terms, negotiation and implementation of this Agreement, including documents and information exchanged during negotiations or relating to indemnification obligations and claims made hereunder, shall be confidential and are not to be disclosed except as required by law, regulation, order of a court or by agreement, in writing, of the Parties, except that, provided recipients agree to keep such information confidential, the Agreement may be disclosed to any officer, director, or parent corporation of any Party and any outside counsel, consultants, auditors or accountants of any Party.

In the event a private litigant, by way of document request, interrogatory, subpoena, or questioning at deposition or trial, attempts to compel disclosure of anything protected by this Section, the Party from whom disclosure is sought shall decline to provide the requested information on the ground that this Agreement prevents such disclosure. In the event such private litigant seeks an order from any court or governmental body to compel such disclosure, or in the event that a court, government official, or governmental body (other than the Internal Revenue Service or other similar U.S. or foreign governmental taxation authorities) requests or requires disclosure of anything protected by this Agreement, the Party from whom disclosure is sought shall promptly give written notice by facsimile or hand-delivery to the other Parties, and shall promptly provide copies of all notice papers, orders, requests or other documents in order to allow each Party to take such protective steps as may be appropriate in order to preserve the confidentiality of such information. Notice shall be made under this Paragraph to the persons identified in Section 8 of this Agreement.

4. No Modification

No change or modification of this Agreement shall be valid unless it is made in writing and signed by each of the Parties. Notwithstanding the foregoing, to the extent any Party, subsequent to the date of this Agreement, ceases to be an affiliate of Contran and no longer is a party to any of the Shared Insurance Policies, such Party will cease to be deemed a Party to this Agreement as of the date such Party first ceased to be an affiliate of Contran and was no longer a party to any of the Shared Insurance Policies (subject to the rights of such Party under the terms of this Agreement with respect to any Covered Claim of such Party which arose prior to the date such Party ceased to be deemed a Party to this Agreement).

5. Execution

This Agreement may be executed and delivered in counterparts, each of which when so executed and delivered shall be deemed an original and shall together constitute an entire Agreement.

6. Governing Law

This Agreement shall be governed by and shall be construed in accordance with the laws of the State of Texas without giving effect to any choice of law or conflict of law provision or rule.

7. Dispute Resolution

- A. The Parties agree to use their best efforts to resolve claims relating to this Agreement prior to instituting arbitration proceedings as set forth below. In the event such efforts are unsuccessful, the Parties agree that any controversy or claim arising out of or relating to this Agreement or any breach thereof, including without limitation, any disputes concerning the calculation of any settlement payment under this Agreement, shall be submitted to final and binding arbitration before a single arbitrator, who shall be a former judge or an attorney licensed to practice law in Texas with at least ten years' experience, and whom the Parties shall choose. If the Parties cannot agree on the arbitrator, the arbitrator shall be selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association that are in effect at the time the dispute is submitted to arbitration.
- B. To the extent the Parties are unable to agree, the commercial rules and procedures of the American Arbitration Association that were in effect on the date of execution of this Agreement shall apply to the arbitration. Texas law shall govern any arbitration.
- C. Any arbitration conducted in accordance with this Agreement shall be conducted in Texas or such other location as the Parties may agree. The Parties shall abide by the arbitrator's award, and judgment on that award may be entered by a court of competent jurisdiction in Texas, in accordance with Texas law.

8. Notices

Unless another person is designated, in writing, for receipt of notices hereunder, notices to the respective Parties shall be sent to the following person by facsimile transmission or overnight courier:

CompX International Inc.:

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

Contran Corporation:

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

Keystone Consolidated Industries, Inc.

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

Kronos Worldwide, Inc.

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

NL Industries, Inc.

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

Valhi, Inc.:

Attn: General Counsel
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240
(972) 233-1700 phone
(972) 448-1445 fax

9. Amendment and Restatement and Integration

This Agreement:

- A. amends, restates and replaces in its entirety the Original Agreement; and
- B. constitutes the entire agreement among the Parties with respect to the subject matter hereof, and supersedes all discussions, agreements and understandings, both written and oral, among the Parties with respect thereto.

10. Severability

This Agreement shall be binding upon and inure to the benefit of the Parties hereto. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby.

11. Term

This Agreement may be terminated by each of the Parties upon one (1) year's written notice to the other Parties.

12. Assignment

This Agreement shall not be assignable by any Party without the prior written consent of the other Parties, except that any successor to a Party may assume the rights and obligations of the Party under this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the Parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date of this Agreement by their duly authorized representatives.

CompX International Inc.

By: _____
James W. Brown
Vice President, Chief Financial Officer and Controller

NL Industries, Inc.

By: _____
Gregory M. Swalwell
Executive Vice President and Chief
Financial Officer

Contran Corporation

By: _____
Gregory M. Swalwell
Vice President and Controller

Valhi, Inc.

By: _____
Gregory M. Swalwell.
Executive Vice President and Controller

Keystone Consolidated Industries, Inc.

By: _____
Bert E. Downing, Jr.
Vice President, Chief Financial Officer,
Corporate Controller and Treasurer

Kronos Worldwide, Inc.

By: _____
Gregory M. Swalwell
Executive Vice President and Chief
Financial Officer

EXHIBIT A

Shared Insurance Policies

1. Directors and Officers Liability (Primary and Excess)
2. Fiduciary liability
3. Crime Insurance
4. General Liability (U.S)
5. Excess Liability
6. Property
7. Deductible Buydown

**EIGHTH AMENDED AND RESTATED
UNSECURED REVOLVING
DEMAND PROMISSORY NOTE**

\$100,000,000.00

December 31, 2015

Section 1. Promise to Pay. For and in consideration of value received, the undersigned, VALHI, INC., a corporation duly organized under the laws of the state of Delaware (“*Borrower*”), promises to pay, in lawful money of the United States of America, to the order of KRONOS WORLDWIDE, INC., a corporation duly organized under the laws of the state of Delaware (“*Kronos Worldwide*”), or the holder hereof (as applicable, Kronos Worldwide or such holder shall be referred to as the “*Noteholder*”), the principal sum of ONE HUNDRED MILLION and NO/100ths United States Dollars (\$100,000,000.00) or such lesser amount as shall equal the unpaid principal amount of the loan made by the Noteholder to Borrower together with accrued and unpaid interest on the unpaid principal balance from time to time pursuant to the terms of this Eighth Amended and Restated Unsecured Revolving Demand Promissory Note, as it may be amended from time to time (this “*Note*”). This Note shall be unsecured and will bear interest on the terms set forth in **Section 7** below. Capitalized terms not otherwise defined shall have the meanings given to such terms in **Section 19** of this Note.

Section 2. Amendment and Restatement. This Note renews, replaces, amends and restates in its entirety the Seventh Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2014 in the original principal amount of \$100,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Seventh Amended Note*”). The Seventh Amended Note renewed, replaced, amended and restated in its entirety the Sixth Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2013 in the original principal amount of \$100,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Sixth Amended Note*”). The Sixth Amended Note renewed, replaced, amended and restated in its entirety the Fifth Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2012 in the original principal amount of \$100,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Fifth Amended Note*”). The Fifth Amended Note renewed, replaced, amended and restated in its entirety the Fourth Amended and Restated Unsecured Revolving Demand Promissory Note dated December 19, 2012 in the original principal amount of \$235,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Fourth Amended Note*”). The Fourth Amended Note renewed, replaced, amended and restated in its entirety the Third Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2011 in the original principal amount of \$225,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Third Amended Note*”). The Third Amended Note renewed, replaced, amended and restated in its entirety the Second Amended and Restated Unsecured Revolving Demand Promissory Note dated June 30, 2011 in the original principal amount of \$175,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Second Amended Note*”). The Second Amended Note renewed, replaced, amended and restated in its entirety the First Amended and Restated Unsecured Revolving Demand Promissory Note dated December 31, 2010 in the original principal amount of \$175,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*First Amended Note*”). The First Amended Note renewed, replaced, amended and restated in its entirety the Unsecured Revolving Demand Promissory Note dated November 10, 2010 in the original principal amount of \$100,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Original Note*”). This Note renews, replaces, amends and restates in its entirety the Seventh Amended Note, the Sixth Amended Note, the Fifth Amended Note, the Fourth Amended Note, the Third Amended Note, the Second Amended Note, the First Amended Note and the Original Note (collectively, the “*Prior Notes*”); *provided* that such amendment and restatement shall operate to renew, amend and modify the rights and obligations of the parties under each Prior Note, as provided herein, but shall not extinguish the obligations under each Prior Note, nor effect a novation thereof. As of the close of business on December 31, 2015, the unpaid principal balance of the Seventh Amended Note was nil, the accrued and unpaid interest thereon was nil and the accrued and unpaid commitment fee thereon was nil, which is the unpaid principal, accrued and unpaid interest and accrued and unpaid commitment fee owed under this Note as of the close of business on the date of this Note. This Note contains the entire understanding between the Noteholder and the Borrower with respect to the transactions contemplated hereby and supersedes all other instruments, agreements and understandings between the Noteholder and the Borrower with respect to the subject matter of this Note.

Section 3. Place of Payment. All payments will be made at Noteholder’s address at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697, Attention: Treasurer, or such other place as the Noteholder may from time to time appoint in writing.

Section 4. Payments. The unpaid principal balance of this Note and any accrued and unpaid interest thereon shall be due and payable on the Final Payment Date. Prior to the Final Payment Date, any accrued and unpaid interest on an unpaid principal balance shall be paid in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 2016. All payments on this Note shall be applied first to accrued and unpaid interest, next to accrued interest not yet payable and then to principal. If any payment of principal or interest on this Note shall become due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and the payment shall be the amount owed on the original payment date.

Section 5. Prepayments. This Note may be prepaid in part or in full at any time without penalty.

Section 6. Borrowings. Prior to the Final Payment Date, Noteholder expressly authorizes Borrower to borrow, repay and re-borrow principal under this Note in increments of \$100,000 on a daily basis so long as:

- the aggregate outstanding principal balance does not exceed \$100,000,000.00; and
- no Event of Default has occurred and is continuing.

Notwithstanding anything else in this Note, in no event will Noteholder be required to lend money to Borrower under this Note and loans under this Note shall be at the sole and absolute discretion of Noteholder.

Section 7. Interest. The unpaid principal balance of this Note shall bear interest at the rate per annum of the Prime Rate plus one percent (1.00%). In the event that an Event of Default occurs and is continuing, the unpaid principal amount shall bear interest from the Event of Default at the rate per annum of the Prime Rate plus four percent (4.00%) until such time as the Event of Default is cured. Accrued interest on the unpaid principal of this Note shall be computed on the basis of a 365- or 366-day year for actual days (including the first, but excluding the last day) elapsed, but in no event shall such computation result in an amount of accrued interest that would exceed accrued interest on the unpaid principal balance during the same period at the Maximum Rate. Notwithstanding anything to the contrary, this Note is expressly limited so that in no contingency or event whatsoever shall the amount paid or agreed to be paid to the Noteholder exceed the Maximum Rate. If, from any circumstances whatsoever, the Noteholder shall ever receive as interest an amount that would exceed the Maximum Rate, such amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance and not to the payment of interest, and if the principal amount of this Note is paid in full, any remaining excess shall be paid to Borrower, and in such event, the Noteholder shall not be subject to any penalties provided by any laws for contracting for, charging, taking, reserving or receiving interest in excess of the highest lawful rate permissible under applicable law. All sums paid or agreed to be paid to Noteholder for the use, forbearance or detention of the indebtedness of the Borrower to Noteholder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Maximum Rate. If at any time the Contract Rate is limited to the Maximum Rate, any subsequent reductions in the Contract Rate shall not reduce the rate of interest on this Note below the Maximum Rate until the total amount of interest accrued equals the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate. In the event that, upon the Final Payment Date, the total amount of interest paid or accrued on this Note is less than the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate, then at such time, to the extent permitted by law, in addition to the principal and any other amounts Borrower owes to the Noteholder, the Borrower shall pay to the Noteholder an amount equal to the difference between: (i) the lesser of the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate or the amount of interest that would have accrued if the Maximum Rate had at all times been in effect; and (ii) the amount of interest actually paid on this Note.

Section 8. Fees and Expenses. On the last day of each March, June, September and December, commencing March 31, 2016, and on the Final Payment Date, Borrower shall pay to Noteholder the Unused Commitment Fee for such period, *provided, however*, Borrower will not owe any Unused Commitment Fee for any part of such period (prorated as applicable) that the Noteholder is a net borrower of money from the Borrower. In addition, Borrower and any guarantor jointly and severally agree to pay on the Final Payment Date to Noteholder any other cost or expense reasonably incurred by Noteholder in connection with Noteholder's commitment to Borrower pursuant to the terms of this Note, including without limitation any other cost reasonably incurred by Noteholder pursuant to the terms of any credit facility of Noteholder.

Section 9. Remedy. Upon the occurrence and during the continuation of an Event of Default, the Noteholder shall have all of the rights and remedies provided in the applicable Uniform Commercial Code, this Note or any other agreement among Borrower and in favor of the Noteholder, as well as those rights and remedies

provided by any other applicable law, rule or regulation. In conjunction with and in addition to the foregoing rights and remedies of the Noteholder, the Noteholder may declare all indebtedness due under this Note, although otherwise unmatured, to be due and payable immediately without notice or demand whatsoever. All rights and remedies of the Noteholder are cumulative and may be exercised singly or concurrently. The failure to exercise any right or remedy will not be a waiver of such right or remedy.

Section 10. Right of Offset. The Noteholder shall have the right of offset against amounts that may be due by the Noteholder now or in the future to Borrower against amounts due under this Note.

Section 11. Record of Outstanding Indebtedness. The date and amount of each repayment of principal outstanding under this Note or interest thereon shall be recorded by Noteholder in its records. The principal balance outstanding and all accrued or accruing interest owed under this Note as recorded by Noteholder in its records shall be the best evidence of the principal balance outstanding and all accrued or accruing interest owed under this Note; *provided* that the failure of Noteholder to so record or any error in so recording or computing any such amount owed shall not limit or otherwise affect the obligations of the Borrower under this Note to repay the principal balance outstanding and all accrued or accruing interest.

Section 12. Waiver. Borrower and each surety, endorser, guarantor, and other party now or subsequently liable for payment of this Note, severally waive demand, presentment for payment, notice of nonpayment, notice of dishonor, protest, notice of protest, notice of the intention to accelerate, notice of acceleration, diligence in collecting or bringing suit against any party liable on this Note, and further agree to any and all extensions, renewals, modifications, partial payments, substitutions of evidence of indebtedness, and the taking or release of any collateral with or without notice before or after demand by the Noteholder for payment under this Note.

Section 13. Costs and Attorneys' Fees. In addition to any other amounts payable to Noteholder pursuant to the terms of this Note, in the event the Noteholder incurs costs in collecting on this Note, this Note is placed in the hands of any attorney for collection, suit is filed on this Note or if proceedings are had in bankruptcy, receivership, reorganization, or other legal or judicial proceedings for the collection of this Note, Borrower and any guarantor jointly and severally agree to pay on demand to the Noteholder all expenses and costs of collection, including, but not limited to, reasonable attorneys' fees incurred in connection with any such collection, suit, or proceeding, in addition to the principal and interest then due.

Section 14. Time of Essence. Time is of the essence with respect to all of Borrower's obligations and agreements under this Note.

Section 15. Jurisdiction and Venue. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF TEXAS. BORROWER CONSENTS TO JURISDICTION IN THE COURTS LOCATED IN DALLAS, TEXAS.

Section 16. Notice. Any notice or demand required by this Note shall be deemed to have been given and received on the earlier of **(i)** when the notice or demand is actually received by the recipient or **(ii)** 72 hours after the notice is deposited in the United States mail, certified or registered, with postage prepaid, and addressed to the recipient. The address for giving notice or demand under this Note **(i)** to the Noteholder shall be the place of payment specified in **Section 3** or such other place as the Noteholder may specify in writing to the Borrower and **(ii)** to Borrower shall be the address below the Borrower's signature or such other place as the Borrower may specify in writing to the Noteholder.

Section 17. Amendment or Waiver of Provisions of this Note. No amendment or waiver of any provision of this Note shall in any event be effective unless the same shall be in a writing referring to this Note and signed by the Borrower and the Noteholder. Such amendment or waiver shall be effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Note shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

Section 18. Successors and Assigns. All of the covenants, obligations, promises and agreements contained in this Note made by Borrower shall be binding upon its successors and permitted assigns, as applicable. Notwithstanding the foregoing, Borrower shall not assign this Note or its performance under this Note without the

prior written consent of the Noteholder. Noteholder at any time may assign this Note without the consent of Borrower.

Section 19 Definitions. For purposes of this Note, the following terms shall have the following meanings:

(a) “**Basis Point**” shall mean 1/100th of 1 percent.

(b) “**Business Day**” shall mean any day banks are open in the state of Texas.

(c) “**Contract Rate**” means the amount of any interest (including fees, charges or expenses or any other amounts that, under applicable law, are deemed interest) contracted for, charged or received by or for the account of Noteholder.

(d) “**Event of Default**” wherever used herein, means any one of the following events:

(i) the Borrower fails to pay any amount due on this Note and/or any fees or sums due under or in connection with this Note after any such payment otherwise becomes due and payable and three Business Days after demand for such payment;

(ii) the Borrower otherwise fails to perform or observe any other provision contained in this Note and such breach or failure to perform shall continue for a period of thirty days after notice thereof shall have been given to the Borrower by the Noteholder;

(iii) a case shall be commenced against Borrower, or Borrower shall file a petition commencing a case, under any provision of the Federal Bankruptcy Code of 1978, as amended, or shall seek relief under any provision of any other bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or shall consent to the filing of any petition against it under such law, or Borrower shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver, trustee or liquidator of Borrower or all or any part of its property; or

(iv) an event occurs that, with notice or lapse of time, or both, would become any of the foregoing Events of Default.

(e) “**Final Payment Date**” shall mean the earlier of:

- written demand by the Noteholder for payment of all or part of the unpaid principal, the accrued and unpaid interest thereon and the accrued and unpaid commitment fee thereon, but in any event no earlier than December 31, 2017; or
- acceleration as provided herein.

(f) “**Maximum Rate**” shall mean the highest lawful rate permissible under applicable law for the use, forbearance or detention of money.

(g) “**Prime Rate**” shall mean the fluctuating interest rate per annum in effect from time to time equal to the base rate on corporate loans as reported as the Prime Rate in the Money Rates column of *The Wall Street Journal* or other reliable source.

(h) “**Unused Commitment Amount**” for any period on after the date of this Note shall mean the average on each day of such period of the difference between (A) \$100,000,000.00 and (B) the amount of the unpaid principal balance of this Note.

(i) “*Unused Commitment Fee*” shall mean the product of (A) 50 Basis Points per annum (pro rated to take into account that the fee is payable quarterly, or such shorter period if applicable) and (B) the Unused Commitment Amount.

BORROWER:

VALHI, INC.

By: _____
Gregory M. Swalwell
Executive Vice President, Controller and Chief Accounting Officer

Address:

5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697

As of the date hereof, Kronos Worldwide, Inc., as the Noteholder, hereby agrees that this Note renews, replaces, amends and restates in its entirety each Prior Note (but shall not extinguish the obligations under each Prior Note, nor effect a novation thereof), and that the unpaid principal of nil, the accrued and unpaid interest thereon of nil and the accrued and unpaid commitment fee thereon of nil that was owed under the Seventh Amended Note as of the close of business on December 31, 2015 are the unpaid principal, the accrued and unpaid interest thereon and the accrued and unpaid commitment fee thereon, respectively, owed under this Note as of the close of business on the date of this Note.

KRONOS WORLDWIDE, INC.

By: _____
Tim C. Hafer
Vice President and Controller

Portions of this Exhibit have been omitted based upon a request for confidential treatment. This Exhibit, including the non-public information, has been filed separately with the U.S. Securities and Exchange Commission. "[*]" designates portions of this document that have been redacted pursuant to the request for confidential treatment filed with the U.S. Securities and Exchange Commission.

RICHARDS BAY CHLORIDE SLAG SALES AGREEMENT

THIS RESTATED AND AMENDED AGREEMENT is made as of **January 21, 2016** but effective January 1, 2016 by and between **RICHARDS BAY TITANIUM (PROPRIETARY) LIMITED**, a South African Corporation with offices at Richards Bay, KwaZulu Natal, South Africa (hereafter "RBT") (acting through its sales agent **RIO TINTO IRON & TITANIUM LIMITED** a corporation with offices at 6 St. James's Square, London, SW1Y 4AD, United Kingdom (hereinafter "RIT")) and **KRONOS (US), INC.**, a Delaware corporation with offices at Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, U.S.A. (hereafter "Buyer") (herein the "Agreement").

WITNESSETH

WHEREAS:

- A. RBT is a significant producer of titanium bearing slag and Buyer is a significant consumer of titanium bearing slag of the type produced by RBT;
- B. RIT is the exclusive sales and marketing agent for RBT;
- C. The parties are desirous of entering into a new Richards Bay Chloride Slag Sales Agreement (i) where the manufacture and purchase of a * of product is established for the mutual benefit of enhancing predictability of the operations of each of the parties and (ii) that remains in effect through the peaks and troughs of the TIO2 and feedstock market cycles, and establishes a pricing mechanism that * of Buyer's chloride slag requirements; and
- D. The parties entered into a Richards Bay Slag Sales Agreement dated November 17, 2011 (the "Previous Agreement") and that such agreement and all subsequent amendments are hereby terminated and superseded by this Agreement effective January 1, 2016.

NOW, THEREFORE, for and in consideration of the covenants and conditions herein contained, the parties hereto agree as follows:

ARTICLE I. SCOPE

RBT agrees to sell and deliver, and Buyer agrees to buy and take delivery of chloride grade titanium bearing slag, produced by RBT at Richards Bay, South Africa (hereinafter called "Product"), in the quantities and at the times hereinafter specified.

ARTICLE II. DEFINITIONS

Unless otherwise indicated, a "ton" is a metric ton of one thousand kilograms dry weight, a "month," a "quarter" and a "year" are a calendar month, a calendar quarter and a calendar year, respectively, "dollars," "cents" and the dollar and cent signs ("\$" and "¢") refer to lawful money of the United States of America, "Official Samples" has the meaning given to it in Article XI, all percentages are based on dry weights.

ARTICLE III. TERM

- A. This Agreement shall be for a term of three (3) years commencing on January 1, 2016 and ending on December 31, 2018 unless terminated in writing ("Notice of Termination") by either Party prior to December 31, 2018 as provided for in Article III.B., C., and D. Thereafter the Agreement shall automatically be extended for two year periods (the "Extended Term") unless terminated in writing by either Party no less than twelve months prior to December 31 of any subsequent year of the Extended Term.
- B. Both Parties have the right to review the Agreement after December 31, 2016 and if either Party reasonably considers that termination is required prior to December 31, 2018 due to circumstances pertaining to the pricing mechanism, it shall promptly notify the other Party in writing ("Notice of Potential Termination") no less than three months prior to serving the Notice of Termination.
- C. From the date of delivery of a Notice of Potential Termination the Parties shall have no less than three months (the "Discussion Period") to consult, discuss and negotiate in good faith, to find a solution to remove, reduce or ameliorate the circumstances pertaining to the pricing mechanism causing the need for termination.
- D. In the event that the Parties have not mutually agreed a solution during the Discussion Period the Party which has served a Notice of Potential Termination may serve the other Party with a Notice of Termination and the Agreement shall terminate six months after delivery of such Notice of Termination.
- E. In the event that either Party shall become bankrupt, insolvent, commit any act of bankruptcy or insolvency, or compromise with its creditors, then the other Party shall have the option, without notice or demand, to terminate this Agreement or, at its option, to require specific performance and demand damages hereunder to the extent such performance does not occur. The preceding rights are without prejudice to any other rights and remedies as are available to the Parties hereunder or otherwise under the law.
- F. In the event of termination of this Agreement in accordance with the terms herein, Articles XII, XVIII and XXII shall survive termination, and each Party shall retain any accrued rights and remedies, including any rights and remedies it has or may have against the other Party in respect of any past breach of this Agreement.

ARTICLE IV. QUANTITY

- A. Subject to the following provisions of this Article IV, RBT shall sell and deliver and Buyer shall purchase and take delivery of the following quantity of Product during each year of the Agreement:
 - 1. In consideration of RBT's agreement to supply Product in such quantities as Buyer may request pursuant to this Article IV.A., Buyer shall purchase and take delivery of * for Buyer's CP Plants. "CP Plants" shall mean Buyer's chloride pigment plants in Leverkusen, Germany; Ghent, Belgium; Varennes, Canada and Buyer's 50% share of Louisiana Pigment Company.
 - 2. Buyer shall use its best effort to provide RBT in writing with a non-binding annual forecast of its Product needs by October 31 of each year for Product to be delivered in the following calendar year. For the year 2016 the forecasted quantity shall be * metric tons.

ARTICLE V. PRICE

Basic Price

- A. As provided below, the "Basic Price" for Product for the applicable period shall be *
1. *
 2. *
 3. Buyer shall have the right, exercisable not more frequently than once per calendar year, to have a mutually-agreeable, independent third party conduct an audit of the relevant records of RBT in order to verify the calculation of the *.
 4. For the purpose of clarity, chloride slag referred to in Articles V.A.1. and V.A.2 includes all chloride slag produced by Rio Tinto Iron and Titanium at its facilities globally excluding upgraded slag ("UGS") produced in Canada.
 5. For the purpose of clarity, the Base Price referred to in Articles V.A.1. and V.A.2. shall be on a FOB basis, *.

Price Adjustment for TiO2 Content

The Basic Price established under this Article V.A is for Product containing *% titanium dioxide ("TiO2") content. If the TiO2 content of Product exceeds *%, the Basic Price shall be adjusted * of the Basic Price for each increment of *% or part thereof by which the TiO2 content exceeds *%. If the TiO2 content of Product is less than *%, the Basic Price shall be * of the Basic Price for each decrement of *% or part thereof by which the TiO2 content is less than *% but greater than *%.

Price Adjustment for Product Sizing

- A. In the event the sizing of the Product shipments exceeds the specifications set forth below, the Basic Price shall be adjusted downwards by a percentage, or fractions thereof, equal to the percentage of the Product:

*

- B. Price adjustments pursuant to sizing shall be made on an individual shipment.

ARTICLE VI. SHIPMENTS

- A. Shipments shall be as ordered by and pursuant to the instructions of Buyer as the same shall be agreed to by RBT. Buyer shall obtain any import licenses or other documents that may be required to import Product into the country of destination. RBT shall obtain any export license or other documents that may be required to export product from South Africa.
- B. RBT and Buyer shall agree on a shipping schedule whereby deliveries are spread more or less evenly throughout the year on a quarterly basis. Buyer shall arrange

for and furnish a bulk cargo vessel (herein called "Buyer's Vessel") for each shipment. Notwithstanding the agreed shipping schedule, Buyer must request STEM (as defined in Article VI.D. below) for a specific tonnage from RBT and RBT must confirm STEM in respect of each shipment at least forty-five (45) days prior to the arrival of Buyer's Vessel in Richards Bay.

Buyer shall provide RBT with a notice of arrival of each of Buyer's Vessels at least two (2) weeks prior to its estimated time of arrival at Richards Bay.

- C. In the event RBT has given STEM to Buyer and if Product is not available for loading at the stockpile area provided by S.A. Port Operations on the date for which STEM has been given and if demurrage or dead freight is incurred as a result of such non-availability, RBT shall pay Buyer demurrage and/or dead freight at the rate specified or determined between Buyer and the shipping company under the Charter Party. In arranging for any Buyer's Vessel, Buyer will use its best efforts to have the terms of the Charter Party permit RBT, in the case of a shortfall of Product at the Richards Bay dock, to elect between having Buyer's Vessel:
- a) wait for arrival of Product at docks and thereby incur demurrage up to the expiration of time stipulated or determined under the charter party (and incur dead freight if a shortfall is not cured eventually); or
 - b) load a portion of a shipment of Product and thereby incur dead freight.
In order to facilitate RBT's decision, Buyer shall promptly advise RBT, on request, of the applicable demurrage or dead freight rates.
- D. The word "STEM", as used in this Article VI shall mean the confirmation of availability of sufficient Product for a particular shipment, at Richards Bay Harbour, on a given date or period to be stated when stem is requested and given.
- E. In no event shall RBT be liable for any losses, cost or damages in excess of such demurrage or dead freight rates except as provided for in Article XVI hereof or in the event of non-availability of product as defined in this Article VI.

ARTICLE VII. TITLE AND RISK OF LOSS

Title to and risk of loss in Product shall pass to Buyer upon passing the ship's rail of Buyer's Vessel at the loading dock at the Port of Richards Bay, South Africa. Once the title to and risk of loss in Product has passed to Buyer, RBT shall not be responsible for any losses or damages of any kind and howsoever arising in connection with Product or otherwise, except as expressly provided in this Agreement.

ARTICLE VIII. PAYMENT

A. Regular Payments

Unless otherwise agreed, payment in U.S. dollars shall be made by Buyer by telegraphic transfer to RBT's account *, naming Richard Bay Titanium as beneficiary, or such other account as RBT shall notify Buyer, within * of the Bill of Lading date. RBT shall supply the following documents:

1. RBT's commercial invoice covering the shipment, based on the assumption that the TiO₂ content of Product is *%;
2. Surveyor's certificate of mass (weight certificate);

3. Full set of clean onboard ocean bills of lading covering the shipment by the cargo vessel in question, designating "Richards Bay Titanium (Proprietary) Limited" as shipper and Buyer as consignee or any other affiliated company designated by Buyer as consignee; and
4. Such other documents and papers as may be required to clear Product for shipment from South Africa to the port of destination.

The above mentioned documents shall be couriered to Buyer or such affiliated company as Buyer shall have designated in accordance with Article XIX. RBT shall accept payment from Buyer or any of Buyer's affiliated companies, but Buyer shall be primarily and separately liable for all sums due under this Agreement.

B. Final Invoice and Payment

Any price adjustment which may be necessary as a result of the outcome of RBT's analysis of the Official Sample shall be embodied in a final invoice that will be forwarded to Buyer along with the certificate of analysis signed by RBT within twenty-one (21) days of completion of loading. In the event of a debit to Buyer, the final invoice shall be presented, and payment by Buyer shall be effected, in the same manner as detailed in Article VIII.A above. In the event of a credit to Buyer, RBT shall remit the relevant amount to Buyer by telegraphic transfer within * of the date of the final invoice.

C. Other Invoices and Payments

Payment of other amounts due hereunder, such as the fees referred to in Articles XI.B.2 and XI.C.5 shall be made by Buyer to RBT within * of Buyer's receipt of an invoice for such amounts.

ARTICLE IX. SPECIFICATIONS

- A. The Product shall contain at least *%, but typically *% equivalent TiO₂ by weight, determined as set forth in Article XI hereof.
- B. The Product shall meet the following specifications:
 1. *
- C. The product shall meet the following typical sizing specifications:

*
- D. The specifications set out in Article IX.A., IX.B. and IX.C. shall be referred to in this Agreement as the "Specifications".

ARTICLE X. WARRANTY

- A. RBT warrants that Product sold and delivered hereunder shall conform to the Specifications set forth in Article IX, hereof.
- B. In the event that any Product sold and delivered hereunder does not conform to said Specifications and in the event the parties are unable to agree on an equitable adjustment, RBT shall, at its cost and expense, including freight, insurance and handling costs, remove or otherwise dispose of such nonconforming Product from Buyer's location and replace it with an equivalent quantity of Product at Buyer's plant which meets the Specifications within *. RBT's obligation to remove or dispose of and replace

nonconforming Product shall not be applicable in the event Buyer fails to give notice to RBT of such nonconforming Product as provided for in Article XI. Buyer may terminate the Agreement should RBT fail to deliver conforming Product within *

The warranty and remedy expressed in this Article X is the sole and exclusive warranty made by RBT with respect to the Product to be delivered under this Agreement. RBT makes no other warranty, express, implied (including any warranty of merchantability or fitness for a particular purpose), statutory or otherwise.

- C. RBT shall not be responsible for any damage, direct, indirect, consequential or incidental relating directly or indirectly to the use, sale and/or resale of any Product. RBT's sole obligation in the event of delivery of nonconforming Product shall be that set forth in this Article X. Buyer agrees to indemnify and hold RBT harmless from and against any claims, losses, damages, costs, expenses or liability of whatsoever nature from third parties arising out of or in connection with such use, sale and/or resale of any Product.

ARTICLE XI. INSPECTION, WEIGHING, SAMPLING AND ANALYSIS

- A. Inspection and Weighing. Inspection of Buyer's Vessels' holds for cleanliness and protection and determination of weight of Product loaded aboard Buyer's Vessel, by draft survey, will be made by Capt. G.A. Chettles & Assoc., a registered independent surveyor, or such other inspector acceptable to RBT and Buyer. The cost of such surveys shall be borne equally by RBT and Buyer and shall be included in RBT's commercial invoice referred to in Article VIII.A.1. Such surveyor shall be entitled to reject any vessel not found to be suitable for loading of Product, provided such surveyor sends to Buyer, by facsimile, the reasons for such rejection and his certification that the Buyer's Vessel as presented would not adequately protect the Product from contamination. Such rejection shall be for Buyer's account. Such surveyor shall determine the weight of Product loaded aboard Buyer's Vessel. The Product weight so determined, which includes moisture, shall, on the basis of the analyses of the Official Samples then be adjusted for the moisture content. The resulting dry weight shall be the basis on which Product is invoiced for payment.

- B. Sampling. Each shipment of Product delivered to Buyer's Vessel at Richards Bay shall be sampled by an independent testing company, Bureau Veritas or such other independent testing laboratory acceptable to both parties. Such independent laboratory shall take and distribute representative samples (hereinafter called "Official Samples") from each shipment in accordance With the "Sampling and Sample Preparation Procedure", set forth in Exhibit "A," Procedure "SAM 78," attached hereto and made a part hereof.

The fees for services of such independent testing laboratory shall be paid for equally by RBT and Buyer and shall be included in RBT's commercial invoice referred to in Article VIII.

- C. Analysis

1. Methods of Analysis. All analyses shall be made by the methods outlined in Exhibit "B" Procedure "SAM 004", Exhibit "C" Procedure "SAM 124", Exhibit "D" Procedure "SAM 051", Exhibit "E" Procedure "SAM 079" and Exhibit "F" Procedure "SAM 008" which are attached hereto and made a part hereof, or by such other methods as RBT shall consider appropriate provided that the results obtained from such other methods are consistent with the results

which would be obtained by using the methods outlined in the above-mentioned exhibits.

2. Analysis by RBT. RBT shall analyze the Official Samples and the results of such analysis for each shipment shall be provided to Buyer not later than thirty (30) days following the date of such shipment.
3. Analysis by Buyer. Buyer may, but shall not be obligated to, analyze the Official Samples. Unless Buyer notifies RBT within sixty (60) days of receipt of an Official Sample that Buyer's analysis indicates that Product fails to meet Specifications or that the TiO₂ content is more than * different from RBT's analysis, the results of RBT's analysis shall be final and conclusive.
4. Umpire Procedure. Should Buyer's analysis of the Official Sample indicate that Product does not meet Specifications or that the TiO₂ content of Product is more than * different from RBT's analysis, Buyer may so advise RBT and RBT shall request the independent testing laboratory referred to above to forward for analysis its retained Official Sample to such umpire analyst (being an independent testing laboratory) as shall be agreed to from time to time by the parties. The parties hereby agree at this time for this purpose that Inspectorate Griffith Limited, 2 Perry Road, Witham, Essex, CM8 3TU, U.K. shall be the initial umpire analyst. The umpire shall analyze the Official Sample in accordance with the methods outlined in the Exhibits referred to in Article XI.C.
5. Settlement. The umpire's analysis as to TiO₂ content and that of Buyer or RBT, whichever is in closer agreement, shall be averaged as the basis for final settlement; provided that if the umpire's analysis lies exactly halfway between Buyer's and RBT's analyses, the umpire's analysis shall be the basis for final settlement.

If such final basis for settlement results in a price adjustment in accordance with the procedure described in Article V of this Agreement, RBT shall issue a credit or debit invoice as the case may be. If an umpire's analysis is required on any Specification other than TiO₂, the umpire's analysis and that of Buyer or RBT, whichever is in closer agreement, shall be averaged as the basis for final settlement; provided that if the umpire's analysis lies exactly halfway between the Buyer's and RBT's analyses, the umpire's analysis shall be the basis for final settlement. If such analysis determines that Product does not meet each of such Specifications, the parties shall proceed as described in Article IX.B. of this Agreement. The cost of an umpire's analysis shall be paid by the party whose analysis varies most from the umpire's analysis unless such variations are equal and then the cost shall be borne equally by the parties.

- D. Revision of Sampling and Analytical Procedures. The procedures set forth in the Exhibits referred to in this article are believed to be the most satisfactory ones now available. However, better procedures may become available. Each of said Exhibits may be revised from time to time, without formal amendment to this Agreement; provided that each such revision shall require the written approval of Buyer and RBT.

ARTICLE XII. ARBITRATION

Any dispute between the parties hereto arising out of or in any way connected with this Agreement, its negotiation, performance, breach, existence or validity shall, unless settled by

mutual agreement or conciliation and failing settlement thereunder, be referred for final and binding arbitration, in London, England, under the Rules of Conciliation and Arbitration of the International Chamber of Commerce. The arbitration shall be presided over by three arbitrators of which RBT shall appoint one and Buyer shall appoint another, and the two appointed arbitrators shall appoint the Chairman of the arbitral tribunal within thirty (30) days following their appointment by the parties hereto, failing which the Chairman shall be appointed by the International Court of Arbitration of the International Chamber of Commerce. The language of the arbitration and all documents submitted therein shall be in English.

ARTICLE XIII. TAXES AND DUTIES

All South African taxes and duties now or hereafter imposed during the term of this Agreement shall be for the sole account of RBT. All taxes and duties now or hereafter imposed on the import of the Product during the term of this Agreement shall be for the sole account of Buyer.

ARTICLE XIV. PATENTS

- A. RBT agrees to protect and hold Buyer harmless against any and all claims that Product in the state or form as sold under this Agreement infringes or allegedly infringes any Product claims of any South African or United States patent owned by third parties. RBT will, at its own cost and expense, defend any and all suits which may be brought against Buyer on account of said infringement of such patent or patents, and RBT shall pay any and all fees, costs and damages awarded in said suits; provided, however, that the total liability for damages under this Article XIV shall in no event exceed the aggregate sales price of Product sold to Buyer during the year in which such infringement commenced.
- B. RBT's obligations pursuant to Article XIV shall be conditional upon Buyer giving prompt notice to RBT of any claims by third parties of any such alleged infringement and of all information available to Buyer in respect of such alleged infringement or claim.

ARTICLE XV. FORCE MA.IEURE

In the event of any contingency which is beyond the reasonable control of RBT or Buyer including, but not limited to (i) any strike, lockout, industrial dispute, difference with workmen, accident, fire, explosion, earthquake, flood, mobilization, war (whether declared or undeclared), act of any belligerent in any such war, civil commotion, political demonstration or disturbance, riot, rebellion, revolution or blockage, (ii) any requirement, regulation, restriction, intervention, or other act of any Government, whether legal or otherwise, (iii) any inability to secure or delay in securing export licenses or import licenses, cargo space or other transportation facilities necessary for the shipment or receipt of Product or fuel or other supplies or material including but not limited to water, ilmenite ore or electric power necessary for the operation of the mines and plants where Product is produced or consumed, (iv) any delay in or interruption to transportation by rail, water or otherwise, (v) any damage to or destruction of such mines or plants or any breakdown of plants or machinery of RBT or Buyer, or (vi) any other contingency which is beyond the reasonable control of RBT or Buyer, whether or not of the nature or character hereinbefore specifically enumerated, but excluding market conditions of any nature, which event delays or interferes with the performance of this Agreement or the consumption of Product, in spite of the affected parties' bona fide efforts to mitigate such event, then such event shall be considered sufficient justification for delay in making shipment or delivery or taking delivery or performance hereunder (other than the payment of money), in whole or in part, until such event ceases to exist, and this Agreement shall be deemed suspended for so long as such event delays or interferes with the performance hereof, provided that prompt notice (normally within one week of the occurrence of the event) of the commencement and end of any such event is given by the party affected to the other party.

Any delay or interference which affects RBT' s supply of Product to customers shall entitle RBT to allocate equitably any available Product among customers in its discretion. During the pendency of any Force Majeure declared by RBT, Buyer * for such year shall be adjusted accordingly.

Anything to the contrary hereinabove notwithstanding, if such event occurs, the obligation of RBT to sell and deliver and of Buyer to buy and to take delivery of Product with respect to any year shall terminate unless otherwise agreed between the parties at the end of the year as to quantities of Product which have not been loaded aboard Buyer's Vessel at Richards Bay, by the end of the year due to such event. Nothing contained in this Article shall require Buyer to pay for, or RBT to make up or compensate for, any Product not delivered due to application of this Article. Either party may terminate the Agreement if such event continues for more than one hundred and eighty (180) days.

ARTICLE XVI. DEFAULT & LIMITS OF LIABILITY

For purposes of Article XVI, a "default" shall mean any failure by either party to make any payment when due or to perform any obligation under or pursuant to this Agreement for any reason other than an event of Force Majeure as defined in Article XV.

No default shall be deemed to have occurred unless the party in default shall have first been given written notice of such default and shall have failed to cure such default within thirty (30) days in the event of a failure to pay and in all other events, within sixty (60) days after receipt of such written notice.

In the event of a default arising from a breach of Buyer's duty to pay for Product delivered or for the total quantity of Product to be purchased in any particular year, RBT shall have the right to seek damages for all loss or damage actually sustained as a direct result of the default. In addition, RBT shall have the right (subject to Buyer's right to cure its default pursuant to this Article) to terminate this Agreement forthwith by providing notice to such effect to Buyer. Notwithstanding anything contained herein to the contrary, in no event shall Buyer be liable for consequential, indirect or special damages as a result of a default for failure to pay under this Agreement.

In the event of any default by RBT arising from a failure to deliver Product pursuant to this Agreement, RBT (subject to RBT's rights to cure its default pursuant to this Article) shall compensate Buyer for all loss or damage actually sustained as a direct result of the failure to deliver but excluding indirect, consequential, punitive or contingent damages of the default Buyer may suffer therewith including, but not limited to, loss of revenue or profits as a result of Buyer's inability to operate, or shutdown of its operations, loss of use of equipment, or cost of substitute equipment, claims of third parties, and the like.

ARTICLE XVII. WAIVER OF DEFAULT

Any failure by either party to give notice in writing to the other party of any breach or default in any terms or conditions of this Agreement shall not constitute a waiver thereof, nor shall any delay by either party in enforcing any of its rights hereunder be deemed a waiver of such rights nor shall a waiver by either party of any defaults of the other party be deemed a waiver of any other or subsequent defaults.

ARTICLE XVIII. CONFIDENTIALITY

This Agreement and information obtained by one party from the other by virtue of this Agreement, shall remain confidential and shall not be disclosed to any third party without the prior written consent of the other party, unless such information is publicly available, or

previously known to the recipient or is required to be disclosed by law.

ARTICLE XIX. NOTICES

Any notice to be given to any party under the terms of this Agreement shall be deemed to have been delivered by courier service or transmitted by telefax and subsequently confirmed by prepaid registered mail to the respective addresses or telefax numbers given below:

TO RBT: **c/o Rio Tinto Iron and Titanium Ltd.**
St James's Square
London, SW1Y 4AD
United Kingdom
Telefax: (44) 20 7781 1819
Attention: General Manager Sales & Marketing, TiO2 Products

TO BUYER: **Kronos (US) Inc.**
c/o KRONOS INTERNATIONAL, Inc.
Peschstrasse 5
D-51373 Leverkusen
Germany
Telefax: (49) 214 401 526
Attention: Vice President Purchasing

or to such other address as the addressee shall have previously furnished in writing to the addressor. All notices shall be deemed to have been received on the day of delivery, if delivered by courier service or on the day of transmission, if sent by telefax, during normal business hours (9.00am to 5.00pm) of the recipient, failing which, such notice shall be deemed to have been received on the next business day.

ARTICLE XX. ASSIGNMENT

Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party, which consent shall not be reasonably withheld or delayed. The preceding sentence shall not apply to assignments made to parents, subsidiaries, or related corporations, partnerships or other entities of the parties hereto, providing that the party executing this Agreement shall remain primarily responsible for performance of its obligations hereunder unless such is waived in writing by the other party. Buyer may also assign its rights or obligations under this Agreement without prior written consent of RBT to an unrelated financially capable purchaser of all or essentially of Buyer's TiO2 pigment business, provided that the assignee agrees to assume all of Buyer's duties and obligations hereunder and Buyer agrees to and shall remain secondarily responsible for performance of its obligations hereunder unless such is waived in writing by RBT.

ARTICLE XXI. ENTIRE AGREEMENT, AMENDMENT, MODIFICATION

This Agreement states the entire understanding between the parties hereto with respect to the subject matter hereof, and there are no agreements or understandings, oral or written, expressed or implied with reference to the subject matter hereof that are not merged herein or superseded hereby. This Agreement may not be changed, modified or supplemented in any manner orally or otherwise except by an instrument in writing signed by a duly authorized representative of each of the parties hereto. The parties recognize that, for administrative purposes, documents such as purchase orders, acknowledgements, invoices and similar documents may be used during the term of this Agreement. In no event shall any term or

condition contained in any such administrative documents be interpreted as amending or modifying the terms of this Agreement whether such administrative documents are signed or not.

ARTICLE XXII. GOVERNING LAW

This agreement shall be governed by and construed under the laws of England and Wales, in all respects, including construction, validity and performance to the exclusion of the United Nations Convention on International Sale of Goods and excluding any choice of law rules that would apply the law of any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective representatives, as of the day and year first above written.

**RICHARDS BAY TITANIUM
(PROPRIETARY) LIMITED**
(acting through its sales agent,
Rio Tinto Iron & Titanium Ltd)

KRONOS (US, INC.)

By: /s/ Mark Davies

By: /s/ Juergen Theus

Name: Mark Davies

Name: Juergen Theus

Title: COO

Title: VP Global Purchasing

SUBSIDIARIES OF THE REGISTRANT

NAME OF CORPORATION	Jurisdiction of incorporation or organization	% of voting securities held at December 31, 2015(a)
Kronos Canada, Inc.	Canada	100
Kronos International, Inc.	Delaware	100
Kronos Titan GmbH	Germany	100
Kronos Specialties GmbH	Germany	100
Kronos Recovery GmbH	Germany	100
Société Industrielle du Titane, S.A.	France	99
Kronos Limited	United Kingdom	100
Kronos Denmark ApS	Denmark	100
Kronos Europe S.A./N.V.	Belgium	100
Kronos B.V.	Netherlands	100
Kronos Norge A/S	Norway	100
Kronos Titan A/S	Norway	100
Titania A/S	Norway	100
The Jossingfjord Manufacturing Company A/S	Norway	100
Elkania DA	Norway	50
Kronos Louisiana, Inc.	Delaware	100
Kronos (US), Inc.	Delaware	100
Louisiana Pigment Company, L.P.	Delaware	50

(a) Held by the Registrant or the indicated subsidiary of the Registrant

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-181793) of Kronos Worldwide, Inc. of our report dated March 10, 2016 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
March 10, 2016

CERTIFICATION

I, Bobby D. O'Brien, certify that:

- 1) I have reviewed this annual report on Form 10-K of Kronos Worldwide, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016

/s/ Bobby D. O'Brien

Bobby D. O'Brien

Chief Executive Officer

CERTIFICATION

I, Gregory M. Swalwell, certify that:

- 1) I have reviewed this annual report on Form 10-K of Kronos Worldwide, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016

/s/ Gregory M. Swalwell

Gregory M. Swalwell
Chief Financial Officer

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

In connection with the Annual Report of Kronos Worldwide, Inc. (the Company) on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Bobby D. O'Brien, Chief Executive Officer of the Company, and I, Gregory M. Swalwell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bobby D. O'Brien

Bobby D. O'Brien
Chief Executive Officer

/s/ Gregory M. Swalwell

Gregory M. Swalwell
Chief Financial Officer

March 10, 2016

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