

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 - For the quarter ended March 31, 1996

OR

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

Commission file number 1-640

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

New Jersey  
(State or other jurisdiction of  
incorporation or organization)

13-5267260  
(IRS Employer  
Identification No.)

16825 Northchase Drive, Suite 1200, Houston, Texas  
(Address of principal executive offices)

77060-2544  
(Zip Code)

Registrant's telephone number, including area code: (713) 423-3300

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934  
during the preceding 12 months, and (2) had been subject to such filing  
requirements for the past 90 days. Yes X No

Number of shares of common stock outstanding on May 6, 1996: 51,105,344

NL INDUSTRIES, INC. AND SUBSIDIARIES

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## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1995	March 31, 1996
Current assets:		
Cash and cash equivalents	\$ 141,333	\$ 113,058
Accounts and notes receivable	147,428	168,990
Refundable income taxes	4,941	1,801
Inventories	251,630	257,497
Prepaid expenses	3,217	6,184
Deferred income taxes	2,522	2,477
Total current assets	551,071	550,007
Other assets:		
Marketable securities	20,944	24,176
Investment in joint ventures	185,893	184,612
Prepaid pension cost	22,576	23,591
Deferred income taxes	788	910
Other	31,165	28,679
Total other assets	261,366	261,968
Property and equipment:		
Land	22,902	22,453
Buildings	166,349	164,445
Machinery and equipment	648,458	646,708
Mining properties	97,190	96,527
Construction in progress	11,187	11,967
	946,086	942,100
Less accumulated depreciation and depletion	486,870	485,993
Net property and equipment	459,216	456,107
	\$1,271,653	\$1,268,082

## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND SHAREHOLDERS' DEFICIT	December 31, 1995	March 31, 1996
Current liabilities:		
Notes payable	\$ 39,247	\$ 37,968
Current maturities of long-term debt	43,369	43,986
Accounts payable and accrued liabilities	165,985	152,429
Payable to affiliates	10,181	10,031
Income taxes	40,088	39,494
Deferred income taxes	3,555	3,569
Total current liabilities	302,425	287,477
Noncurrent liabilities:		
Long-term debt	740,334	760,624
Deferred income taxes	157,192	151,188
Accrued pension cost	69,311	62,742
Accrued postretirement benefits cost	60,235	59,687
Other	148,511	143,133
Total noncurrent liabilities	1,175,583	1,177,374
Minority interest	3,066	268

Shareholders' deficit:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(126,934)	(125,030)
Pension liabilities	(1,908)	(1,908)
Marketable securities	(525)	1,575
Accumulated deficit	(481,432)	(473,097)
Treasury stock	(366,258)	(366,213)
Total shareholders' deficit	(209,421)	(197,037)
	\$1,271,653	\$1,268,082

Commitments and contingencies (Note 13)

NL INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Three months ended March 31, 1995 and 1996  
(In thousands, except per share data)

	1995	1996
Revenues and other income:		
Net sales	\$250,875	\$240,440
Other, net	2,894	10,548
	253,769	250,988
Costs and expenses:		
Cost of sales	169,768	169,816
Selling, general and administrative	44,172	42,891
Interest	20,676	19,139
	234,616	231,846
Income before income taxes and minority interest	19,153	19,142
Income tax expense	5,746	5,740
Income before minority interest	13,407	13,402
Minority interest	345	(42)
Net income	\$ 13,062	\$ 13,444
Net income per share of common stock	\$ .26	\$ .26
Weighted average common and common equivalent shares outstanding	51,176	51,510

NL INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT  
Three months ended March 31, 1996  
(In thousands)

	Common stock	Additional paid-in capital	Currency translation	Adjustments Pension liabilities	Marketable securities
Balance at December 31, 1995	\$8,355	\$759,281	\$(126,934)	\$(1,908)	\$ (525)
Net income	-	-	-	-	-
Dividends	-	-	-	-	-
Adjustments	-	-	1,904	-	2,100

Treasury stock reissued	-	-	-	-	-
Balance at March 31, 1996	\$8,355	\$759,281	\$(125,030)	\$(1,908)	\$1,575

	Accumulated deficit	Treasury stock	Total
Balance at December 31, 1995	\$(481,432)	\$(366,258)	\$(209,421)
Net income	13,444	-	13,444
Dividends	(5,109)	-	(5,109)
Adjustments	-	-	4,004
Treasury stock reissued	-	45	45
Balance at March 31, 1996	\$(473,097)	\$(366,213)	\$(197,037)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31, 1995 and 1996

(In thousands)

	1995	1996
Cash flows from operating activities:		
Net income	\$ 13,062	\$ 13,444
Depreciation, depletion and amortization	9,326	10,125
Noncash interest expense	4,646	5,026
Deferred income taxes	3,286	(4,065)
Other, net	(603)	(4,155)
	29,717	20,375
Change in assets and liabilities:		
Accounts and notes receivable	(31,375)	(24,052)
Inventories	(2,115)	(10,213)
Prepaid expenses	(3,491)	(3,433)
Accounts payable and accrued liabilities	5,587	(14,573)
Income taxes	129	3,153
Other, net	(29)	(2,514)
Marketable trading securities, net	(762)	-
Net cash used by operating activities	(2,339)	(31,257)
Cash flows from investing activities:		
Capital expenditures	(12,382)	(12,250)
Purchase of minority interest	-	(5,168)
Investment in joint ventures, net	(2,371)	1,379
Other, net	12	82
Net cash used by investing activities	(14,741)	(15,957)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Three months ended March 31, 1995 and 1996

(In thousands)

	1995	1996
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 2,095	\$ 35,079
Principal payments	(12,543)	(10,002)
Dividends	-	(5,109)

Other, net	5	(406)
Net cash provided (used) by financing activities	(10,443)	19,562
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	(27,523)	(27,652)
Currency translation	3,885	(623)
Balance at beginning of period	131,124	141,333
Balance at end of period	\$107,486	\$113,058
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	\$ 4,958	\$6,557
Income taxes	2,188	6,637

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

NL Industries, Inc. conducts its operations primarily through its wholly-owned subsidiaries, Kronos, Inc. (titanium dioxide pigments, or "TiO2") and Rheox, Inc. (specialty chemicals). Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold 54% and 18%, respectively, of NL's outstanding common stock. Contran holds, directly or through subsidiaries, approximately 91% of Valhi's and 44% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1995 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at March 31, 1996 and the consolidated statements of operations, shareholders' deficit and cash flows for the interim periods ended March 31, 1995 and 1996, have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior-year amounts have been reclassified to conform to the 1996 presentation. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Annual Report").

NOTE 2 - NET INCOME PER SHARE OF COMMON STOCK:

Net income per share of common stock is based on the weighted average number of common shares and equivalents outstanding. Common stock equivalents, consisting of nonqualified stock options, are excluded from the computation when their effect is antidilutive.

NOTE 3 - BUSINESS SEGMENT INFORMATION:

The Company's operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended March 31,	
	1995	1996
	(In thousands)	
Net sales:		
Kronos	\$217,328	\$206,368
Rheox	33,547	34,072
	\$250,875	\$240,440
Operating income:		
Kronos	\$ 32,453	\$ 29,472
Rheox	9,515	12,466
	41,968	41,938
General corporate income (expense):		
Securities earnings, net	2,469	1,307

Expenses, net	(4,608)	(4,964)
Interest expense	(20,676)	(19,139)
	\$ 19,153	\$ 19,142

NOTE 4 - INVENTORIES:

	December 31, 1995	March 31, 1996
	(In thousands)	
Raw materials	\$ 35,075	\$ 37,726
Work in process	9,132	9,899
Finished products	172,330	173,482
Supplies	35,093	36,390
	\$251,630	\$257,497

NOTE 5 - MARKETABLE SECURITIES AND SECURITIES TRANSACTIONS:

	December 31, 1995	March 31, 1996
	(In thousands)	
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	\$ 1,962	\$ 3,403
Unrealized losses	(2,770)	(979)
Cost	21,752	21,752
Aggregate market	\$20,944	\$24,176

Net gains and losses from trading securities transactions are composed of:

	Three months ended March 31,	
	1995	1996
	(In thousands)	
Unrealized gains	\$ 692	\$ -
Realized losses	(103)	-
	\$ 589	\$ -

NOTE 6 - INVESTMENT IN JOINT VENTURES:

	December 31, 1995	March 31, 1996
	(In thousands)	
TiO2 manufacturing joint venture	\$183,129	\$181,900
Other	2,764	2,712
	\$185,893	\$184,612

NOTE 7 - OTHER NONCURRENT ASSETS:

	December 31, 1995	March 31, 1996
	(In thousands)	
Intangible assets, net	\$11,803	\$ 10,715
Deferred financing costs, net	13,199	12,128
Other	6,163	5,836
	\$31,165	\$ 28,679

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	December 31, 1995	March 31, 1996
	(In thousands)	
Accounts payable	\$ 68,734	\$ 53,805
Accrued liabilities:		
Employee benefits	49,884	40,875
Environmental costs	6,000	6,000
Interest	6,633	14,234
Miscellaneous taxes	2,557	2,080
Other	32,177	35,435
	97,251	98,624
	\$165,985	\$152,429

NOTE 9 - OTHER NONCURRENT LIABILITIES:

	December 31, 1995	March 31, 1996
	(In thousands)	
Environmental costs	\$112,827	\$111,630
Insurance claims and expenses	12,088	11,506
Employee benefits	13,148	12,390
Deferred technology fee income	8,456	5,720
Other	1,992	1,887
	\$148,511	\$143,133

NOTE 10 - NOTES PAYABLE AND LONG-TERM DEBT:

	December 31, 1995	March 31, 1996
	(In thousands)	
Notes payable - Kronos (DM 56,000)	\$ 39,247	\$ 37,968
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	\$250,000	\$250,000
13% Senior Secured Discount Notes	132,034	136,210
	382,034	386,210
Kronos:		
DM bank credit facility (DM 397,610 and DM 447,610, respectively)	276,895	303,479
Joint venture term loan	73,286	69,429
Other	13,672	13,442
	363,853	386,350
Rheox:		
Bank term loan	37,263	31,534
Other	553	516
	37,816	32,050
	783,703	804,610
Less current maturities	43,369	43,986
	\$740,334	\$760,624

NOTE 11 - INCOME TAXES:

The difference between the provision for income tax expense attributable to income before income taxes and minority interest and the amount that would be expected using the U.S. federal statutory income tax rate of 35% is presented below.

Three months ended  
March 31,  
1995                      1996  
(In thousands)

Expected tax expense	\$ 6,704	\$ 6,700
Non-U.S. tax rates	(1,045)	(1,462)
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return	125	114
Valuation allowance	(1,276)	(709)
U.S. state income taxes	332	364
Other, net	906	733
Income tax expense	\$ 5,746	\$ 5,740

NOTE 12 - OTHER INCOME, NET:

	Three months ended March 31,	
	1995	1996
	(In thousands)	
Securities earnings:		
Interest and dividends	\$ 1,880	\$1,307
Securities transactions	589	-
	2,469	1,307
Pension curtailment gain	-	4,791
Technology fee income	2,586	3,081
Currency transaction gains (losses), net	(2,633)	1,046
Other, net	472	323
	\$ 2,894	\$10,548

The Company recognized a pension curtailment gain of \$4.8 million in the first quarter of 1996 resulting from the reduction of certain U.S. employee pension benefits.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

For descriptions of certain legal proceedings, income tax and other commitments and contingencies related to the Company, reference is made to (i) Part II, Item 1 - "Legal Proceedings" and (ii) the 1995 Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Company's chemical operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended March 31,		% Change
	1995	1996	
	(In millions)		
Net sales:			
Kronos	\$217.4	\$206.3	-5%
Rheox	33.5	34.1	+2%
	\$250.9	\$240.4	-4%
Operating income:			
Kronos	\$ 32.5	\$ 29.5	-9%
Rheox	9.5	12.4	+31%
	\$ 42.0	\$ 41.9	N/C
Percent changes in TiO2:			
Sales volume			-11%
Average selling prices (in billing currencies)			+5%

Kronos' TiO2 operating income in the first quarter of 1996 decreased from the first quarter of 1995 as higher average selling prices were more than offset by lower production and sales volumes. Kronos' first quarter sales volumes declined 11% from the record sales volumes of the first quarter of 1995. Slow economic activity in markets in which Kronos sells TiO2 contributed to continued soft demand during the first quarter of 1996. While average TiO2 selling prices for the first quarter of 1996 were 5% higher than the first quarter of 1995, average prices for the quarter were 3% lower than the fourth quarter of 1995. Kronos anticipates TiO2 demand will remain soft through at least the first half of 1996.



Rheox's operating results for the first quarter of 1996 improved compared to the first quarter of 1995 on higher sales volumes and selling prices and included a \$2.7 million gain related to the curtailment of certain U.S. employee pension benefits.

A significant amount of sales are denominated in currencies other than the U.S. dollar, and fluctuations in the value of the U.S. dollar relative to other currencies increased the dollar value of sales for the first quarter of 1996 by \$5 million compared to the first quarter of 1995.

The following table sets forth certain information regarding general corporate income (expense).

	Three months ended March 31, 1995	1996 (In millions)	Difference
Securities earnings	\$ 2.5	\$ 1.3	\$(1.2)
Corporate expenses, net	(4.6)	(5.0)	(.4)
Interest expense	(20.7)	(19.1)	1.6
	\$(22.8)	\$(22.8)	\$ -

Securities earnings were lower due to lower average balances available for investment. Interest expense was lower primarily due to lower variable interest rates.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the three months ended March 31, 1995 and 1996 are presented below.

	Three months ended March 31, 1995      1996 (In millions)	
Net cash provided (used) by:		
Operating activities	\$ (2.3)	\$(31.3)
Investing activities	(14.7)	(16.0)
Financing activities	(10.5)	19.6
Net cash used by operating, investing and financing activities	\$(27.5)	\$(27.7)

The TiO2 industry is cyclical, with a peak in selling prices in early 1990 and a trough in the third quarter of 1993. Although selling prices increased significantly since the 1993 trough, prices began declining during the last half of 1995. The Company's cash flows from operations declined during the first quarter of 1996 primarily due to changes in the Company's inventories, receivables and payables (excluding the effect of currency translation).

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions, including Germany, are being examined and tax authorities have proposed or may propose tax deficiencies. The Company has reached an agreement in principle with the German tax authorities regarding such examinations which will resolve certain significant tax contingencies for years through 1990. The Company expects to finalize assessments and pay tax deficiencies of approximately DM 50 million (\$34 million at March 31, 1996), including interest, in settlement of these issues during 1996. Certain other German tax contingencies remain outstanding and will continue to be litigated. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million (\$68 million at March 31, 1996) lien on its Nordenham, Germany TiO2 plant in favor of the German tax authorities until the litigation is resolved. No assurance can be given that this litigation will be resolved in the Company's favor in view of the inherent uncertainties involved in court rulings. The Company believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Rheox acquired the minority interests of its non-U.S. subsidiaries for \$5.2 million in the first quarter of 1996.

The Company borrowed DM 50 million (\$35 million when borrowed) under its DM credit facility during the first quarter of 1996. Repayments of indebtedness in

the same period included payments of \$5.8 million on the Rheox bank term loan and \$3.9 million on the joint venture term loan.

In the first quarter of 1996, the Company resumed its quarterly dividend by paying a \$.10 per share dividend to shareholders aggregating \$5.1 million. The Company's ability to continue paying dividends in the near term is contingent upon, among other things, meeting certain covenants of its Senior Notes.

At March 31, 1996, the Company had cash and cash equivalents aggregating \$113 million (27% held by non-U.S. subsidiaries) including restricted cash and cash equivalents of \$11 million. The Company's subsidiaries had \$15 million and \$152 million available for borrowing at March 31, 1996 under existing U.S. and non-U.S. credit facilities, respectively, of which \$85 million of the non-U.S. amount is available only for (i) permanently reducing the DM term loan or (ii) paying future German income tax assessments, as described above.

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites or facilities currently or formerly owned, operated or used by the Company, many of which disposal sites or facilities are on the U.S. Environmental Protection Agency's (the "U.S. EPA") Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. The Company believes it has adequate accruals (\$100 million at March 31, 1996 with respect to domestic sites) for reasonably estimable costs of such matters. It is not possible to estimate the range of costs for certain sites. The Company has estimated that the upper end of the range of reasonably possible costs to the Company for sites for which it is possible to estimate costs is approximately \$165 million. The Company's estimates of such liabilities have not been discounted to present value, and the Company has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. Although, no assurance can be given that the Company will not incur future liability in respect of this litigation, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment and paint litigation is without merit. The Company has not accrued any amounts for such pending litigation. Liability that may result, if any, cannot be reasonably estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed at the state, local and federal levels that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. The Company currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future.

The Company periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, the Company has in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, modify its dividend policy, restructure ownership interests, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, the Company may also review opportunities for the acquisition of businesses and assets in the chemicals industry. In the event of any future acquisition, the Company may consider using available cash, issuing equity securities or increasing its indebtedness to the extent permitted by the agreements governing the Company's existing debt.

The statements contained in this Report on Form 10-Q ("Quarterly Report") which are not historical facts, including, but not limited to, statements found under the captions "Results of Operations" and "Liquidity and Capital Resources" above, are forward-looking statements that involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this Quarterly Report could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report and in the 1995 Annual Report, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's other public reports and filings and public statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1995 Annual Report for descriptions of certain previously-reported legal proceedings.

Gates v. American Cyanamid Co., et al. (I1996-2114). In April 1996, the Company was served with a complaint filed in New York state court which seeks compensatory and punitive damages for personal injury purportedly caused by lead paint and alleges causes of action against the Company and other former lead pigment manufacturers and the Lead Industries Association for negligence, strict products liability, fraud, concert of action, civil conspiracy, enterprise liability, market share liability and alternative liability. The complaint also asserts causes of action against the landlords of the apartments in which plaintiff has lived since 1977. The Company intends to file an answer denying plaintiff's allegations.

Hines v. Gates, et al. (96-616161). In May 1996, the Company was served with a complaint filed in Michigan state court seeking recovery for personal injury purportedly caused by lead paint and alleging causes of action on behalf of plaintiff against the Company, other former lead pigment manufacturers and others for negligence, negligent failure to warn, breach of warranty, alternative liability and concert of action. The complaint also asserts causes of action against plaintiff's landlord. The Company intends to file an answer denying plaintiff's allegations.

Skipworth v. Sherwin-Williams Co., et al. In April 1996, the Pennsylvania Supreme Court granted a petition to hear plaintiffs' appeal from the appellate court decision in defendants' favor.

City of New York, et al. v. Lead Industries Association, et al. In February 1996, defendants' motion for summary judgment on the basis that the fraud claim is time-barred was denied. Defendants have appealed.

NL Industries, Inc. v. Commercial Union Insurance Cos., et al. On remand from the Court of Appeals, the trial court in April 1996 granted the Company's motion for summary judgment, finding that Commercial Union had a duty to defend the Company in the four lead paint cases which were the subject of the Company's second amended complaint. The court also issued a partial ruling on Commercial Union's motion for summary judgment in which it sought allocation of defense costs and contribution from the Company and two other insurance carriers in connection with the three lead paint actions on which the court had granted the Company summary judgment in 1991. The court ruled that Commercial Union is entitled to receive such contribution from the Company and the two carriers, but reserved ruling with respect to the relative contributions to be made by each of the parties, including contributions by the Company that may be required with respect to periods in which it was self-insured and contributions from one carrier which were reinsured by a former subsidiary of the Company, the reinsurance costs of which the Company may ultimately be required to bear.

Portland, Oregon smelter site. The U.S. EPA has issued a proposed Record of Decision Amendment changing portions of the cleanup remedy selected for the site. The U.S. EPA estimates the cost of the proposed remedy to be from \$10 million to \$13 million.

People of the State of Illinois v. NL Industries, Inc., et al. The Appeals Court has granted the State's motion to reconsider the Court's affirmance of the dismissal of this case. In addition, the U.S. EPA has issued an order to the Company to perform a removal action at the Company's former facility involved in the State of Illinois case. The Company has notified the U.S. EPA that it intends to comply with the order.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)EXHIBITS

27.1 - Financial Data Schedule for the three-month period ended March 31, 1996.

(b)REPORTS ON FORM 8-K

Reports on Form 8-K for the quarter ended March 31, 1996 and through the date of this report:

January 25, 1996 - reported Items 5 and 7.

February 15, 1996 - reported Items 5 and 7.

April 19, 1996 - reported Items 5 and 7.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NL INDUSTRIES, INC.  
(Registrant)

Date: May 7, 1996

By /s/ Joseph S. Compofelice  
Joseph S. Compofelice  
Vice President and  
Chief Financial Officer

Date: May 7, 1996

By /s/ Dennis G. Newkirk  
Dennis G. Newkirk  
Vice President and Controller  
(Principal Accounting Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

1,000

	3-MOS	DEC-31-1996	JAN-01-1996	MAR-31-1996
				113,058
				0
			155,311	
			3,979	
			257,497	
		550,007		
			942,100	
		485,993		
		1,268,082		
	287,477		760,624	
	8,355		0	
			0	
			(205,392)	
1,268,082			240,440	
		240,440		
			169,816	
		169,816		
		0		
		89		
	19,139			
		19,142		
		(5,740)		
	13,444			
		0		
		0		
			0	
		13,444		
		0.26		
		0.26		