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, 2001

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	13-5267260
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

16825 Northchase Drive, Suite 1200, Houston, Texas	77060-2544
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (281) 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 10, 2001: 49,885,084

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	March 31, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 99,709	$ 120,378
Restricted cash equivalents	74,782	69,242
Accounts and notes receivable	161,994	131,540
Receivable from affiliates	1,522	214
Refundable income taxes	13,694	12,302
Inventories	186,811	205,973
Prepaid expenses	3,694	2,458
Deferred income taxes	12,735	11,673
Total current assets	554,941	553,780
Other assets:		
Marketable securities	41,338	47,186
Receivable from affiliate	12,400	--
Investment in TiO2 manufacturing joint venture	148,241	150,002
Prepaid pension cost	22,392	22,789
Restricted cash equivalents	11,289	17,942
Other	4,440	4,707
Total other assets	240,100	242,626
Property and equipment:		
Land	23,975	24,978
Buildings	123,489	129,019
Machinery and equipment	507,932	530,920
Mining properties	65,777	67,134
Construction in progress	8,946	4,586
	730,119	756,637
Less accumulated depreciation and depletion	421,076	432,255
Net property and equipment	309,043	324,382
	$1,104,084	$1,120,788

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2001	December 31, 2000
Current liabilities:		
Notes payable	$ 67,096	$ 69,970
Current maturities of long-term debt	693	730
Accounts payable and accrued liabilities	129,871	147,877
Payable to affiliates	9,354	10,634
Accrued environmental costs	59,132	53,307
Income taxes	12,223	13,616
Deferred income taxes	1,271	1,822
Total current liabilities	279,640	297,956
Noncurrent liabilities:		
Long-term debt	195,168	195,363
Deferred income taxes	149,880	145,673
Accrued environmental costs	51,655	57,133
Accrued pension cost	19,574	21,220
Accrued postretirement benefits cost	28,887	29,404
Other	22,439	23,272
Total noncurrent liabilities	467,603	472,065
Minority interest	6,851	6,279
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	777,595	777,528
Retained earnings	165,615	141,073
Accumulated other comprehensive loss	(201,572)	(181,872)
Treasury stock	(400,003)	(400,596)
Total shareholders' equity	349,990	344,488
	$ 1,104,084	$ 1,120,788

Commitments and contingencies (Note 14)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31, 2001 and 2000

(In thousands, except per share data)

	2001	2000
Revenues and other income:		
Net sales	$226,060	$231,009
Litigation settlement gains, net	10,582	--
Other, net	4,849	4,500
	241,491	235,509
Costs and expenses:		
Cost of sales	149,902	159,265
Selling, general and administrative	32,322	33,390
Interest	6,976	7,856
	189,200	200,511
Income before income taxes and minority interest	52,291	34,998
Income tax expense	17,146	11,199
Income before minority interest	35,145	23,799
Minority interest	586	91
Net income	$ 34,559	$ 23,708
Earnings per share:		
Basic	$ .69	$ .47
Diluted	$ .69	$ .46
Weighted average shares used in the calculation of earnings per share:		
Basic	50,079	50,920
Dilutive impact of stock options	270	234
Diluted	50,349	51,154

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31, 2001 and 2000

(In thousands)

	2001	2000
Net income	$ 34,559	$ 23,708
Other comprehensive income (loss), net of tax:		
Marketable securities adjustment	(3,802)	58
Currency translation adjustment	(15,898)	(15,309)
Total other comprehensive loss	(19,700)	(15,251)
Comprehensive income	$ 14,859	$ 8,457

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Three months ended March 31, 2001

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)		Treasury stock	Total
				Currency translation	Marketable securities		
Balance at December 31, 2000	$ 8,355	$ 777,528	$ 141,073	$(190,757)	$ 8,885	$(400,596)	$ 344,488
Net income	--	--	34,559	--	--	--	34,559
Other comprehensive loss, net	--	--	--	(15,898)	(3,802)	--	(19,700)
Dividends	--	--	(10,017)	--	--	--	(10,017)
Tax benefit of stock options exercised	--	67	--	--	--	--	67
Treasury stock - reissued (35 shares)	--	--	--	--	--	593	593
Balance at March 31, 2001	$ 8,355	$ 777,595	$ 165,615	$(206,655)	$ 5,083	$(400,003)	$ 349,990

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31, 2001 and 2000

(In thousands)

	2001	2000
Cash flows from operating activities:		
Net income	$ 34,559	$ 23,708
Depreciation, depletion and amortization	7,511	7,875
Deferred income taxes	7,555	3,368
Distribution from TiO2 manufacturing joint venture	1,500	3,500
Litigation settlement gain, net included in restricted cash.	(10,307)	--
Other, net	(1,606)	(1,428)
	39,212	37,023
Change in assets and liabilities:		
Accounts and notes receivable	(24,788)	(12,517)
Inventories	11,928	11,092
Prepaid expenses	(1,348)	(712)
Accounts payable and accrued liabilities	(14,578)	(4,145)
Income taxes	(2,404)	4,309
Other, net	1,248	(1,287)
Net cash provided by operating activities	9,270	33,763
Cash flows from investing activities:		
Capital expenditures	(5,913)	(6,153)
Loan to affiliate	(13,400)	--
Purchase of Tremont Corporation common stock	--	(9,520)
Change in restricted cash equivalents, net	615	357
Other, net	280	57
Net cash used by investing activities	(18,418)	(15,259)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Three months ended March 31, 2001 and 2000

(In thousands)

	2001	2000
Cash flows from financing activities:		
Dividends paid	$ (10,017)	$ (7,595)
Treasury stock:		
Purchased	--	(10,331)
Reissued	593	317
Principal payments on debt	(177)	(89)
Net cash used by financing activities	(9,601)	(17,698)
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities.	(18,749)	806
Currency translation	(1,920)	(1,332)
Balance at beginning of period	120,378	134,224
Balance at end of period	$ 99,709	$ 133,698
Supplemental disclosures - cash paid for:		
Interest	$ 1,160	$ 141
Income taxes, net	12,319	3,505

See accompanying notes to consolidated financial statements.

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its titanium dioxide pigments ("TiO2") operations through its wholly owned subsidiary, Kronos, Inc. At March 31, 2001, Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 60% and 20%, respectively, of NL's outstanding common stock. At March 31, 2001, Contran and its subsidiaries held approximately 93% of Valhi's outstanding common stock, and a subsidiary of Valhi and NL held approximately 80% of Tremont's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board and Chief Executive Officer of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies. See Notes 6 and 15.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 2000 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at March 31, 2001 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended March 31, 2001 and 2000 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 current year 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, 2000 (the "2000 Annual Report").

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, effective January 1, 2001. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives are recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives is dependent upon the intended use of the derivative. As permitted by the transition requirements of SFAS No. 133, as amended, the Company exempted from the scope of SFAS No. 133 all host contracts containing embedded derivatives which were issued or acquired prior to January 1, 1999. The Company is not a party to any significant derivative or hedging instrument covered by SFAS No. 133 at March 31, 2001, and there was no impact on the Company's financial statements from adopting SFAS No. 133.

Note 2 - Earnings per share:

Basic earnings per share is based on the weighted average number of common shares outstanding during each period. Diluted earnings per share is based on the weighted average number of common shares outstanding and the dilutive impact of outstanding stock options.

Note 3 - Business segment information:

The Company's operations are conducted by Kronos in one operating business segment - the production and sale of TiO_2.

	Three months ended March 31, 2001	Three months ended March 31, 2000
	(In thousands)	
Net sales	$ 226,060	$ 231,009
Other income, excluding corporate	1,242	1,670
	227,302	232,679
Cost of sales	149,902	159,265
Selling, general and administrative, excluding corporate	25,484	27,179
Operating income	51,916	46,235
General corporate income (expense):		
Securities earnings, net	2,606	1,718
Litigation settlement gains, net and other income	11,583	1,112
Corporate expenses	(6,838)	(6,211)
Interest expense	(6,976)	(7,856)
Income before income taxes and minority interest	$ 52,291	$ 34,998

Note 4 - Inventories:

	March 31, 2001	December 31, 2000
	(In thousands)	
Raw materials	$ 41,065	$ 66,061
Work in process	8,123	7,117
Finished products	112,676	107,120
Supplies	24,947	25,675
	$186,811	$205,973

Note 5 - Marketable securities:

	March 31, 2001	December 31, 2000
	(In thousands)	
Available-for-sale marketable equity securities:		
Unrealized gains	$ 11,092	$ 14,912
Unrealized losses	(3,272)	(1,244)
Cost	33,518	33,518
Aggregate fair value	$ 41,338	$ 47,186

Note 6 - Receivable from affiliate:

A majority-owned subsidiary of the Company, NL Environmental Management Services, Inc. ("EMS"), loaned $13.4 million to Tremont under a reducing revolving loan agreement in the first quarter of 2001. See Note 1. The loan was approved by special committees of the Company's and EMS's Board of Directors. The loan bears interest at prime plus 2% (10.5% at March 31, 2001), is due March 31, 2003 and is collateralized by 10.2 million shares of NL common stock owned by Tremont. The amount available for borrowing by Tremont is reduced by $250,000 per quarter, with the first reduction occurring on June 30, 2001. As a result, $1 million of the loan is classified as a current asset on March 31, 2001.

Note 7 - Accounts payable and accrued liabilities:

	March 31, 2001	December 31, 2000
	(In thousands)	
Accounts payable	$ 49,831	$ 64,553
Accrued liabilities:		
Employee benefits	27,067	34,160
Interest	10,725	5,019
Deferred income	4,000	4,000
Other	38,248	40,145
	80,040	83,324
	$129,871	$147,877

Note 8 - Other noncurrent liabilities:

	March 31, 2001	December 31, 2000
	(In thousands)	
Insurance claims and expenses	$10,325	$10,314
Employee benefits	7,920	7,721
Deferred income	3,333	4,333
Other	861	904
	$22,439	$23,272

Note 9 - Notes payable and long-term debt:

	March 31, 2001	December 31, 2000
	(In thousands)	
Notes payable - Kronos	$ 67,096	$ 69,970
Long-term debt:		
NL Industries, Inc. - 11.75% Senior Secured Notes (See Note 13)	$194,000	$194,000
Kronos	1,861	2,093
	195,861	196,093
Less current maturities	693	730
	$195,168	$195,363

Notes payable consists of euro 51 million and NOK 200 million at both March 31, 2001 and December 31, 2000.

Note 10 - 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, 2001	2000
	(In thousands)	
Expected tax expense	$ 18,302	$ 12,249
Non-U.S. tax rates	(1,443)	(991)
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return	180	281
Valuation allowance	(653)	(1,291)
U.S. state income taxes	195	141
Other, net	565	810
Income tax expense	$ 17,146	$ 11,199

Note 11 - Litigation settlement gains, net and other income, net:

Litigation settlement gains, net

The Company reached an agreement in January 2001 with the remaining members of the second of two principal former insurance carrier groups to settle certain insurance coverage claims related to environmental remediation. The Company recognized a $10.3 million net pretax gain in the first quarter of 2001. A majority of the proceeds from this settlement was transferred in April to a special-purpose trust established by the insurance carrier group to pay future remediation and other environmental expenditures of the Company. No further material settlements relating to litigation concerning environmental remediation coverage are expected.

The Company also recognized a $.3 million pretax gain related to another litigation settlement in the first quarter of 2001.

Other income, net

	Three months ended March 31, 2001	Three months ended March 31, 2000
	(In thousands)	
Corporate interest and dividend income	$ 2,606	$ 1,718
Currency transaction gains, net	1,067	1,241
Noncompete agreement income	1,000	1,000
Disposition of property and equipment	(361)	(402)
Trade interest income	593	357
Other, net	(56)	586
	$ 4,849	$ 4,500

Note 12 - Leverkusen fire and insurance claim:

A fire on March 20, 2001 damaged a section of the Company's Leverkusen, Germany 35,000 metric ton sulfate-process TiO2 plant ("Sulfate Plant") and, as a result, production of TiO2 at the Leverkusen facility was halted. The fire did not enter the Company's adjacent 125,000 metric ton chloride-process TiO2 plant ("Chloride Plant"), but did damage certain support equipment necessary to operate that plant. The damage to the support equipment resulted in a temporary shutdown of the Chloride Plant.

On April 8, 2001, repairs to the damaged support equipment were substantially completed and full production resumed at the Chloride Plant. In April, the undamaged section of the Sulfate Plant resumed limited production (5% to 20% of capacity) of an intermediate form of TiO2 ("Hydrated TiO2"). The Hydrated TiO2 is being transported to the Company's Nordenham, Germany sulfate-process TiO2 plant to be further processed and finished into certain grades of TiO2. The Company's ability to produce the Hydrated TiO2 at the Sulfate Plant is limited by the available excess capacity at its Nordenham plant. The Company expects the Sulfate Plant to become 50% to 70% operational in August 2001 and fully operational in October 2001.

The Company believes that the damage to property and the business interruption losses caused by the fire are covered by insurance, but the effect on the financial results of the Company on a quarter-to-quarter basis or a year-to-year basis will depend on the timing and amount of insurance recoveries. No insurance proceeds have been recognized during the first quarter of 2001 for the business interruption portion of the loss because the amount of such proceeds is presently not determinable. No provision for impairment of the damaged fixed assets has been recognized because the Company believes the insurance proceeds will exceed their carrying value.

Note 13 - Condensed consolidating financial information:

The Company's 11.75% Senior Secured Notes are collateralized by a series of intercompany notes to NL (the "Parent Issuer"). The Notes are also collateralized by a first priority lien on the stock of Kronos. A second priority lien on the stock of NL Capital Corporation ("NLCC") collateralized the notes until February 2000, at which time it was merged into KII and became included in the first priority lien on the stock of Kronos.

In the event of foreclosure, the holders of the Notes would have access to the consolidated assets, earnings and equity of the Company. The Company believes the collateralization of the Notes, as described above, is the functional economic equivalent of a joint and several, full and unconditional guarantee of the Notes by Kronos and, prior to its merger into KII, NLCC.

Management believes that separate financial statements would not provide additional material information that would be useful in assessing the financial position of Kronos and NLCC (the "Guarantor Subsidiaries"). In lieu of providing separate financial statements of the Guarantor Subsidiaries, the Company has included condensed consolidating financial information of the Parent Issuer, Guarantor Subsidiaries and non-guarantor subsidiaries in accordance with Rule 3-10 (e) of the SEC's Regulation S-X. The Guarantor Subsidiaries and the non-guarantor subsidiaries comprise all of the direct and indirect subsidiaries of the Parent Issuer.

Investments in subsidiaries are accounted for by NL under the equity method, wherein the parent company's share of earnings is included in net income. Elimination entries eliminate (i) the parent's investments in subsidiaries and the equity in earnings of subsidiaries, (ii) intercompany payables and receivables and (iii) other transactions between subsidiaries.

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
March 31, 2001
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,361	$ 45,860	$ 50,488	$ --	$ 99,709
Restricted cash equivalents	74,782	--	--	--	74,782
Accounts and notes receivable	10,953	150,968	73	--	161,994
Receivable from affiliates	11,985	--	1,311	(11,774)	1,522
Refundable income taxes	10,557	3,137	--	--	13,694
Inventories	--	186,811	--	--	186,811
Prepaid expenses	382	3,312	--	--	3,694
Deferred income taxes	7,315	5,420	--	--	12,735
Total current assets	119,335	395,508	51,872	(11,774)	554,941
Other assets:					
Investment in subsidiaries	695,105	--	285	(695,390)	--
Marketable securities	492	--	40,846	--	41,338
Notes receivable from affiliates	194,000	301,695	35,400	(518,695)	12,400
Investment in TiO2 manufacturing joint venture	--	148,241	--	--	148,241
Prepaid pension cost	1,879	20,513	--	--	22,392
Restricted cash equivalents	11,289	--	--	--	11,289
Other	1,615	2,825	--	--	4,440
Total other assets	904,380	473,274	76,531	(1,214,085)	240,100
Property and equipment, net	4,251	304,792	--	--	309,043
	$ 1,027,966	$ 1,173,574	$ 128,403	$(1,225,859)	$ 1,104,084

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet, (Continued)
March 31, 2001
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Notes payable	$ --	$ 67,096	$ --	$ --	$ 67,096
Current maturities of long-term debt	--	693	--	--	693
Accounts payable and accrued liabilities	35,820	101,481	51,702	--	189,003
Payable to affiliates	9,648	10,859	621	(11,774)	9,354
Income taxes	--	12,222	1	--	12,223
Deferred income taxes	--	1,271	--	--	1,271
Total current liabilities	45,468	193,622	52,324	(11,774)	279,640
Noncurrent liabilities:					
Long-term debt	194,000	1,168	--	--	195,168
Notes payable to affiliate	324,695	194,000	--	(518,695)	--
Deferred income taxes	76,361	74,592	(1,073)	--	149,880
Accrued pension cost	1,442	18,132	--	--	19,574
Accrued postretirement benefits cost	14,983	13,904	--	--	28,887
Other	21,027	16,466	36,601	--	74,094
Total noncurrent liabilities	632,508	318,262	35,528	(518,695)	467,603
Minority interest	--	290	6,561	--	6,851
Shareholders' equity	349,990	661,400	33,990	(695,390)	349,990
	$ 1,027,966	$ 1,173,574	$ 128,403	$(1,225,859)	$ 1,104,084

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
December 31, 2000
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,632	$ 52,979	$ 63,767	$ --	$ 120,378
Restricted cash equivalents	69,242	--	--	--	69,242
Accounts and notes receivable	172	131,295	73	--	131,540
Receivable from affiliates	6,189	--	216	(6,191)	214
Refundable income taxes	10,512	1,790	--	--	12,302
Inventories	--	205,973	--	--	205,973
Prepaid expenses	347	2,111	--	--	2,458
Deferred income taxes	6,394	5,279	--	--	11,673
Total current assets	96,488	399,427	64,056	(6,191)	553,780
Other assets:					
Investment in subsidiaries	687,300	--	285	(687,585)	--
Marketable securities	452	--	46,734	--	47,186
Notes receivable from affiliates	194,000	301,695	23,000	(518,695)	--
Investment in TiO_2 manufacturing joint venture	--	150,002	--	--	150,002
Prepaid pension cost	1,772	21,017	--	--	22,789
Restricted cash equivalents	17,942	--	--	--	17,942
Other	1,739	2,968	--	--	4,707
Total other assets	903,205	475,682	70,019	(1,206,280)	242,626
Property and equipment, net	4,425	319,957	--	--	324,382
	$ 1,004,118	$ 1,195,066	$ 134,075	$(1,212,471)	$ 1,120,788

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet, (Continued)
December 31, 2000
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Notes payable	$ --	$ 69,970	$ --	$ --	$ 69,970
Current maturities of long-term debt ...	--	730	--	--	730
Accounts payable and accrued liabilities	29,144	123,555	48,485	--	201,184
Payable to affiliates	2,140	14,073	612	(6,191)	10,634
Income taxes	--	13,604	12	--	13,616
Deferred income taxes	--	1,822	--	--	1,822
Total current liabilities	31,284	223,754	49,109	(6,191)	297,956
Noncurrent liabilities:					
Long-term debt	194,000	1,363	--	--	195,363
Notes payable to affiliate	324,695	194,000	--	(518,695)	--
Deferred income taxes	70,985	73,699	989	--	145,673
Accrued pension cost	1,438	19,782	--	--	21,220
Accrued postretirement benefits cost ...	15,039	14,365	--	--	29,404
Other	22,189	16,511	41,705	--	80,405
Total noncurrent liabilities	628,346	319,720	42,694	(518,695)	472,065
Minority interest	--	299	5,980	--	6,279
Shareholders' equity	344,488	651,293	36,292	(687,585)	344,488
	$ 1,004,118	$ 1,195,066	$ 134,075	$(1,212,471)	$ 1,120,788

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Income
Three months ended March 31, 2001
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues and other income:					
Net sales	$ --	$ 226,060	$ --	$ --	$ 226,060
Interest and dividends	7,140	6,595	1,559	(12,095)	3,199
Equity in income of subsidiaries	37,477	--	--	(37,477)	--
Litigation settlement gains, net	10,582	--	--	--	10,582
Other income, net	1,001	649	--	--	1,650
	56,200	233,304	1,559	(49,572)	241,491
Costs and expenses:					
Cost of sales	--	149,902	--	--	149,902
Selling, general and administrative	6,641	26,215	(534)	--	32,322
Interest	12,162	6,909	--	(12,095)	6,976
	18,803	183,026	(534)	(12,095)	189,200
Income before income taxes and minority interest	37,397	50,278	2,093	(37,477)	52,291
Income tax expense	2,838	14,308	--	--	17,146
Income before minority interest	34,559	35,970	2,093	(37,477)	35,145
Minority interest	--	5	581	--	586
Net income	$ 34,559	$ 35,965	$ 1,512	$ (37,477)	$ 34,559

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Income
Three months ended March 31, 2000
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues and other income:					
Net sales	$ --	$ 231,009	$ --	$ --	$ 231,009
Interest and dividends	7,634	5,800	1,400	(12,759)	2,075
Equity in income of subsidiaries	73,153	--	--	(73,153)	--
Other income, net	1,112	1,313	--	--	2,425
	81,899	238,122	1,400	(85,912)	235,509
Costs and expenses:					
Cost of sales	--	159,265	--	--	159,265
Selling, general and administrative	5,031	27,942	417	--	33,390
Interest	12,567	8,048	--	(12,759)	7,856
	17,598	195,255	417	(12,759)	200,511
Income before income taxes and minority interest	64,301	42,867	983	(73,153)	34,998
Income tax expense (benefit)	40,593	(29,394)	--	--	11,199
Income before minority interest	23,708	72,261	983	(73,153)	23,799
Minority interest	--	21	70	--	91
Net income	$ 23,708	$ 72,240	$ 913	$ (73,153)	$ 23,708

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
Three months ended March 31, 2001
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 6,896	$ 10,608	$ 124	$ (8,358)	$ 9,270
Cash flows from investing activities:					
Capital expenditures	--	(5,913)	--	--	(5,913)
Loan to Tremont Corporation	--	--	(13,400)	--	(13,400)
Change in restricted cash	2,257	--	--	(1,642)	615
Other, net	--	280	--	--	280
Net cash provided (used) by investing activities	2,257	(5,633)	(13,400)	(1,642)	(18,418)
Cash flows from financing activities:					
Treasury stock reissued	593	--	--	--	593
Dividends, net	(10,017)	(10,000)	--	10,000	(10,017)
Principal payments on debt	--	(177)	--	--	(177)
Net cash provided (used) by financing activities	(9,424)	(10,177)	--	10,000	(9,601)
Cash and cash equivalents:					
Net change from:					
Operating, investing and financing activities	(271)	(5,202)	(13,276)	--	(18,749)
Currency translation	--	(1,917)	(3)	--	(1,920)
	(271)	(7,119)	(13,279)	--	(20,669)
Balance at beginning of year	3,632	52,979	63,767	--	120,378
Balance at end of year	$ 3,361	$ 45,860	$ 50,488	$ --	$ 99,709

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
Three months ended March 31, 2000
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 25,429	$ 36,104	$ 230	$ (28,000)	$ 33,763
Cash flows from investing activities:					
Capital expenditures	--	(6,153)	--	--	(6,153)
Purchase of Tremont Corporation common stock	(9,520)	--	--	--	(9,520)
Change in restricted cash	357	--	--	--	357
Loans to affiliates	--	(64,277)	68,000	(3,723)	--
Other, net	--	57	--	--	57
Net cash provided (used) by investing activities	(9,163)	(70,373)	68,000	(3,723)	(15,259)
Cash flows from financing activities:					
Treasury stock:					
Purchased	(10,331)	--	--	--	(10,331)
Reissued	317	--	--	--	317
Dividends, net	(7,595)	(28,000)	--	28,000	(7,595)
Principal payments on debt	--	(89)	--	--	(89)
Loans from affiliates	(3,723)	--	--	3,723	--
Net cash provided (used) by financing activities	(21,332)	(28,089)	--	31,723	(17,698)
Cash and cash equivalents:					
Net change from:					
Operating, investing and financing activities	(5,066)	(62,358)	68,230	--	806
Currency translation	--	(1,329)	(3)	--	(1,332)
	(5,066)	(63,687)	68,227	--	(526)
Balance at beginning of year	13,415	113,062	7,747	--	134,224
Balance at end of year	$ 8,349	$ 49,375	$ 75,974	$ --	$ 133,698

Note 14 - 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) Management's Discussion and Analysis of Financial Condition and Results of Operations, (ii) Part II, Item 1 - "Legal Proceedings" and (iii) the 2000 Annual Report.

Note 15 - Subsequent event:

In May 2001, a wholly owned subsidiary of EMS loaned $20 million to the Harold C. Simmons Family Trust #2 (the "Trust"), one of the trusts described in Note 1, under a new $25 million revolving credit agreement. The Trust owns 16,855 shares, or approximately 43%, of Contran's outstanding Class A voting common stock. The loan was approved by special committees of the Company's and EMS's Board of Directors. The loan bears interest at prime (7.5% at the time of the loan), is due on demand with 60 days notice and is collateralized by 15,768 shares of the Contran Class A common stock held by the Trust.

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

RESULTS OF OPERATIONS

	Three months ended March 31, 2001	Three months ended March 31, 2000	% Change
	(In millions, except percentages and metric tons)		
Net sales and operating income			
Net sales	$226.1	$231.0	-2%
Operating income	$ 51.9	$ 46.2	+12%
Operating income margin percentage	23%	20%	
TiO_2 operating statistics			
Percent change in average selling prices (in billing currencies)			+5%
Sales volume (metric tons in thousands)	103	111	-7%
Production volume (metric tons in thousands)	108	106	+2%

Kronos' operating income in the first quarter of 2001 increased $5.7 million or 12% from the first quarter of 2000 due to higher average selling prices in billing currencies and higher production volume, partially offset by lower sales volume.

Kronos' average selling price in billing currencies (which excludes the effects of foreign currency translation) during the first quarter of 2001 was 5% higher than the first quarter of 2000 and 1% lower than the fourth quarter of 2000. Compared to the fourth quarter of 2000, prices were lower in all major markets. The average selling price in billing currencies in March was 1% lower than the average selling price during the first quarter. Market conditions in the TiO_2 industry have generally stalled the Company's efforts to increase prices. The Company believes worldwide economic conditions will determine whether any price increases will be realized during the remainder of the year.

Kronos' first-quarter 2001 sales volume decreased 7% from the record first quarter of 2000 and increased 11% from the fourth quarter of 2000. Sales volume in the first quarter of 2001 was 7% and 11% lower in Europe and North America, respectively, compared to the first quarter of 2000 while export volume increased by 7%. Compared to the fourth quarter of 2000, sales volume increased by more than 10% in each of Kronos' major markets. Finished goods inventory levels at the end of March increased slightly from December 2000 levels and represent about two months of sales.

First-quarter 2001 production volume was 2% higher than the comparable 2000 period with operating rates near full capacity in both periods. Production at the Company's Leverkusen facility was adversely affected late in the first quarter by a fire on March 20, 2001. See Note 12 to the Consolidated Financial Statements. Production rates at the Company's Leverkusen chloride-process plant returned to full capacity on April 8th, and the Company's Leverkusen sulfate-process plant is expected to be 50% to 70% operational in August 2001 and fully operational in October 2001.

The Company believes that the damage to property and the business interruption losses caused by the fire are covered by insurance, but the effect on the financial results of the Company on a quarter-to-quarter basis or a year-to-year basis will depend on the timing and amount of insurance recoveries. No insurance proceeds have been recognized during the first quarter of 2001 for the business interruption portion of the loss because the amount of such proceeds is presently not determinable. No provision for impairment of the damaged fixed assets has been recognized because the Company believes the insurance proceeds will exceed their carrying value.

Kronos anticipates its TiO_2 sales and production volumes for full-year 2001 will be lower than that of 2000, in part due to the effect of the fire. Kronos expects its full-year 2001 operating income, excluding fire- related insurance recoveries, will be lower than 2000 primarily because of lower sales and production volumes and higher costs, particularly for energy. Although the Company believes its average selling price in billing currencies could continue a downward trend throughout the rest of 2001, it expects its average selling price for full-year 2001 to be only slightly below the full-year average price in 2000.

Kronos' cost of sales as a percentage of net sales decreased in the first quarter of 2001 primarily due to higher average selling prices in billing currencies and higher production volume. Excluding the effects of foreign currency translation, which decreased the Company's expenses in the first quarter of 2001 compared to year-earlier period, the Company's selling, general and administrative expenses, excluding corporate expenses, in the first quarter of 2001 were comparable to the first quarter of 2000.

A significant amount of Kronos' sales and operating costs are denominated in currencies other than the U.S. dollar. Fluctuations in the value of the U.S. dollar relative to other currencies, primarily a stronger U.S. dollar compared to the euro in the first quarter of 2001 versus the year-earlier period, decreased the dollar value of sales in the first quarter of 2001 by a net $11 million compared to the first quarter of 2000. When translated from billing currencies to U.S. dollars using currency exchange rates prevailing during the respective periods, Kronos' first-quarter 2001 average selling price in U.S. dollars was approximately 1% higher than in the first quarter of 2000 and 2% higher than the fourth quarter of 2000. The effect of the stronger U.S. dollar on Kronos' operating costs that are not denominated in U.S. dollars reduced operating costs in the 2001 period compared to the year-earlier period. In addition, sales to export markets are typically denominated in U.S. dollars and a stronger U.S. dollar improves margins on these sales at the Company's non-U.S. subsidiaries. The favorable margin on export sales tends to offset the unfavorable effect of translating local currency profits to U.S. dollars when the dollar is stronger. As a result, the net impact of currency exchange rate fluctuations on operating income in the first quarter of 2001 was not significant when compared to the first quarter of 2000.

General corporate

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

	Three months ended March 31, 2001	Three months ended March 31, 2000	Difference
	(In millions)		
Securities earnings	$ 2.6	$ 1.7	$ .9
Corporate income	11.6	1.1	10.5
Corporate expense	(6.8)	(6.1)	(.7)
Interest expense	(7.0)	(7.9)	.9
	$ .4	$ (11.2)	$ 11.6

Corporate income in the first quarter of 2001 includes $10.6 million of net insurance settlement gains, including a $10.3 million net gain from a settlement with the remaining members of the second of the Company's two principal former insurance carrier groups. See Note 11 to the Consolidated Financial Statements. No further material settlements relating to litigation concerning environmental remediation coverage are expected.

Corporate expense was higher in the first quarter of 2001 primarily due to higher environmental remediation accruals and higher legal fees.

Interest expense in the first quarter of 2001 decreased 11% from the comparable period in 2000 primarily due to lower average interest rates as a result of the December 2000 refinancing of $50 million of the Company's high fixed-rate public debt with lower variable-rate bank debt and lower levels of outstanding debt. The Company expects its full-year 2001 interest expense will be lower than 2000.

Provision for income taxes

The Company reduced its deferred income tax valuation allowance by $.7 million in the first quarter of 2001 and $1.3 million in the first quarter of 2000 primarily as a result of utilization of certain tax attributes for which the benefit had not been previously recognized under the "more-likely-than-not" recognition criteria.

Other

Minority interest primarily relates to the Company's majority-owned environmental management subsidiary, NL Environmental Management Services, Inc. ("EMS").

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the three months ended March 31, 2001 and 2000 are presented below.

	Three months ended March 31, 2001	Three months ended March 31, 2000
	(In millions)	
Net cash provided (used) by:		
Operating activities:		
Before changes in assets and liabilities	$ 39.2	$ 37.0
Changes in assets and liabilities	(29.9)	(3.2)
	9.3	33.8
Investing activities	(18.4)	(15.3)
Financing activities	(9.6)	(17.7)
Net cash provided (used) by operating, investing, and financing activies	$ (18.7)	$ .8

Operating activities

The TiO2 industry is cyclical and changes in economic conditions within the industry significantly affect the earnings and operating cash flows of the Company. Cash flow from operations, before changes in assets and liabilities, in the 2001 period increased slightly from the comparable period in 2000 primarily due to higher operating income, partially offset by lower cash distributions from the Company's TiO2 manufacturing joint venture. The net cash used to fund changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) in the first quarter of 2001 was significantly higher than the first quarter of 2000 due to higher accounts receivable balances and decreases in accounts payable and accrued liabilities in the first quarter of 2001.

Investing activities

In February 2001, EMS loaned $13.4 million to Tremont under a reducing revolving loan agreement. See Note 1 to the Consolidated Financial Statements. The loan was approved by special committees of the Company's and EMS's Board of Directors. The maximum amount available under the agreement is $13.4 million, which will decrease by $250,000 each quarter beginning June 30, 2001. The loan bears interest at prime plus 2% (10.5% at March 31, 2001), is due March 31, 2003 and is collateralized by 10.2 million shares of NL common stock owned by Tremont.

In May 2001, a wholly owned subsidiary of EMS loaned $20 million to the Harold C. Simmons Family Trust #2 (the "Trust"), one of the trusts described in Note 1 to the Consolidated Financial Statements, under a new $25 million revolving credit agreement. The Trust owns 16,855 shares, or approximately 43%, of Contran's outstanding Class A voting common stock. The loan was approved by special committees of the Company's and EMS's Board of Directors. The loan bears interest at prime (7.5% at the time of the loan), is due on demand with 60 days notice and is collateralized by 15,768 shares of the Contran Class A common stock held by the Trust.

Financing activities

In the first quarter of 2001, the Company paid a regular quarterly dividend to shareholders of $.20 per share, aggregating $10 million. On May 9, 2001, the Company's Board of Directors declared a regular quarterly dividend of $.20 per share to shareholders of record as of June 13, 2001 to be paid on June 27, 2001.

Cash, cash equivalents, restricted cash equivalents and borrowing availability

At March 31, 2001, the Company had cash and cash equivalents aggregating $100 million ($39 million held by non-U.S. subsidiaries) and an additional $86 million of restricted cash equivalents held by U.S. subsidiaries, of which $11 million was classified as a noncurrent asset. The Company's subsidiaries had $15 million available for borrowing at March 31, 2001 under existing non-U.S. credit facilities.

Income tax contingencies

Certain of the Company's tax returns in various U.S. and non-U.S. jurisdictions are being examined and tax authorities have proposed or may propose tax deficiencies, including interest.

The Company has received tax assessments from the Norwegian tax authorities proposing tax deficiencies, including related interest, of approximately NOK 40 million ($4.3 million at March 31, 2001) pertaining to 1994 and 1996. The Company is currently litigating the primary issue related to the 1994 assessment, and in February 2001 the Norwegian Appeals Court ruled in favor of the Norwegian tax authorities.

The Company has appealed the case to the Norwegian Supreme Court and believes that the outcome of the 1996 case is dependent on the eventual outcome of the 1994 case. The Company has granted a lien on its Fredrikstad, Norway TiO_2 plant in favor of the Norwegian tax authorities.

The Company has received preliminary tax assessments for the years 1991 to 1997 from the Belgian tax authorities proposing tax deficiencies, including related interest, of approximately euro 12.9 million ($11.4 million at March 31, 2001). The Company has filed protests to the assessments for the years 1991 to 1996 and expects to file a protest for 1997. The Company is in discussions with the Belgian tax authorities and believes that a significant portion of the assessments are without merit.

No assurance can be given that the Company's tax matters will be favorably resolved due to the inherent uncertainties involved in court and tax proceedings. The Company believes that it has provided adequate accruals for additional 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.

Environmental matters and litigation

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, mining locations and facilities currently or previously owned, operated or used by the Company, certain of which 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, including sites for which EMS has contractually assumed the Company's obligation. The Company believes it has adequate accruals ($111 million at March 31, 2001) for reasonably estimable costs of such matters, but the Company's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs and the allocations of such costs among PRPs. It is not possible to estimate the range of costs for certain sites. 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 $170 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 either 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. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes with respect to site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites, could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. Furthermore, there can be no assurance that additional environmental matters will not arise in the future.

Lead pigment litigation

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints. There is no assurance that the Company will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, 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 reasonably be estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to (a) 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 (b) effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage, and bills which would revive actions barred by the statute of limitations. 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. See Item 1 - "Legal Proceedings."

Other

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 in the past has sought, and in the future may seek, to reduce, refinance, repurchase or restructure indebtedness; raise additional capital; issue additional securities; repurchase shares of its common stock; 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 review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals or other industries, as well as the acquisition of interests in, and loans to, related companies. In the event of any acquisition or joint venture transaction, 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.

Special note regarding forward-looking statements

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 represent management's beliefs and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "will," "should," "anticipates," "expects," or comparable terminology or by discussions of strategy or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve risks and uncertainties, including, but not limited to, the cyclicality of the titanium dioxide industry, global economic and political conditions, global productive capacity, customer inventory levels, changes in product pricing, changes in product costing, changes in foreign currency exchange rates, competitive technology positions, operating interruptions (including, but not limited to, labor disputes, leaks, fires, explosions, unscheduled downtime and transportation interruptions), recoveries from insurance claims and the timing thereof, the ultimate resolution of pending or possible future lead pigment litigation and legislative developments related to the lead paint litigation, the outcome of other litigation, and other risks and uncertainties included in this Quarterly Report and in the 2000 Annual Report, and the uncertainties set forth from time to time in the Company's other public reports and filings. 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. The Company disclaims any intention or obligation to update publicly or revise such statements whether as a result of new information, future events or otherwise.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 2000 Annual Report for descriptions of certain previously reported legal proceedings.

Jackson, et al. v. The Glidden Co., et al. (No. 236835). In March 2001 the trial court denied plaintiffs' motion for class certification.

State of Rhode Island v. Lead Industries Association, et al. (No. 99-5226). In April 2001 the trial court dismissed all claims for special education costs; granted defendants' motions to dismiss the equitable-relief-to-children claim, the Unfair Trade Practices Act claim except insofar as it seeks to recover damages for post-1970 conduct, and the strict liability, negligence and misrepresentation claims except insofar as they relate to state-owned buildings; and denied defendants' motions to dismiss the public nuisance, civil conspiracy, unjust enrichment, and indemnity claims.

City of St. Louis v. Lead Industries Association, et al. (No. 002-245). In March 2001 the federal court remanded the case to state court.

County of Santa Clara v. Atlantic Richfield Company, et al. (No. CV788657). In March 2001 defendants renewed their demurrers and motions to strike all claims. The court has not ruled.

Lewis, et al. v. Lead Industries Association, et al. (No. CH09800). In March 2001 defendants moved to dismiss all claims. The court has not ruled.

Borden, et al. v. The Sherwin Williams Company, et al. (No. 2000-587). In March 2001 defendants removed to Federal court and moved to dismiss the fraudulent concealment and misrepresentation and negligence claims. In April 2001 plaintiffs moved to remand to State court.

In April 2001 a complaint was filed in City of Milwaukee v. NL Industries, Inc. and Mautz Paint (Circuit Court, Civil Division, Milwaukee County, Wisconsin, Case No. 01CV003066). Plaintiff seeks compensatory and equitable relief for lead hazards in Milwaukee homes, restitution for amounts it has spent to abate lead, and punitive damages. The complaint asserts public nuisance, restitution, and conspiracy claims against the Company. The Company has not been served. The Company intends to deny all allegations of wrongdoing and liability and to defend itself vigorously.

In April 2001 a complaint was filed in Harris County, Texas v. Lead Industries Association, et al. (No. 2001-21413). The complaint seeks actual and punitive damages and asserts the Company, six other former manufacturers of lead pigment and a trade association are jointly and severally liable for past and future damages due to the presence of lead paint in County-owned buildings. The Complaint asserts claims for strict liability, negligence, fraudulent misrepresentation, negligent misrepresentation, concert of action, public nuisance, restitution, and conspiracy. The Company has not been served. The Company intends to deny all allegations of wrongdoing and liability and to defend itself vigorously.

It is possible that other governmental entities or other plaintiffs may file claims related to lead pigment and paint similar to those described above and in the 2000 Annual Report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on May 9, 2001. All the nominees for director were elected with the voting results for each as follows:

Director	Shares For	Shares Withheld
Mr. J. Landis Martin	48,783,251	406,332
Mr. Kenneth R. Peak	48,891,042	298,541
Mr. Glenn R. Simmons	48,777,982	411,601
Mr. Harold C. Simmons	48,813,024	376,559
General Thomas P. Stafford	48,855,904	333,679
Mr. Steven L. Watson	48,795,275	394,308
Dr. Lawrence A. Wigdor	48,828,367	361,216

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 - Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 2001.

10.2 - Intercorporate Services Agreement by and between Tremont Corporation and the Registrant effective as of January 1, 2001.

(b) Reports on Form 8-K

There were no Reports on Form 8-K filed during the quarter ended March 31, 2001 and through the date of this report:

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 10, 2001 By /s/ Susan E. Alderton

Susan E. Alderton
Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 2001 By /s/ Robert D. Hardy

Robert D. Hardy
Vice President and Controller
(Principal Accounting Officer)

Exhibit 10.1

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 2001, amends and supersedes (i) that certain Intercorporate Services Agreement effective as of January 1, 2000 between CONTRAN CORPORATION, a Delaware corporation ("Contran"), and NL INDUSTRIES, INC., a New Jersey corporation ("NL") and (ii) that certain Intercorporate Services Agreement effective as of January 1, 2000 between VALHI, INC., a Delaware corporation, and NL.

Recitals

A. NL desires to have the services of certain Contran personnel and Contran is willing to provide such services under the terms of this Agreement.

B. Contran desires to have the services of certain NL personnel and NL is willing to provide such services under the terms of this Agreement.

C. The costs of maintaining the additional personnel necessary to perform the functions provided for by this Agreement would exceed the amount charged to such party that is contained in the net fee set forth in Section 4 of this Agreement and that the terms of this Agreement are no less favorable to each party than could otherwise be obtained from a third party for comparable services.

D. Each party desires to continue receiving the services presently provided by the other party and its affiliates and each party is willing to continue to provide such services under the terms of this Agreement.

Agreement

For and in consideration of the mutual premises, representations and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

Section 1. Contran Services to be Provided. Contran agrees to make available to NL, upon request, the following services (the "Contran Services") to be rendered by the internal staff of Contran and affiliates of Contran:

(a) Consultation and assistance in the development and implementation of NL's corporate business strategies, plans and objectives;

(b) Consultation and assistance in management and conduct of corporate affairs and corporate governance consistent with the charter and bylaws of NL;

(c) Consultation and assistance in maintenance of financial records and controls, including preparation and review of periodic financial statements and reports to be filed with public and regulatory entities and those required to be prepared for financial institutions or pursuant to indentures and credit agreements;

(d) Consultation and assistance in cash management and in arranging financing necessary to implement the business plans of NL;

(e) Consultation and assistance in tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning; and

(f) Such other services as may be requested by NL from time to time.

Section 2. NL Services to be Provided. NL agrees to make available to Contran, upon request, the following services (the "NL Services," and collectively with the Contran Services, the "Services") to be rendered by the internal staff of NL:

(a) certain administration and management services with respect to Contran's insurance and risk management needs, including, without limitations, administration of Contran's:

(i) property and casualty insurance program,

(ii) claims management program,

(iii) property loss control program, and

(b) Such other services as may be requested by Contran from time to time.

This Agreement does not apply to, and the Services provided for herein do not include, any services that Harold C. Simmons, Glenn R. Simmons or Steven L. Watson may provide to Recipient in their roles members of Recipient's board of directors or any other activity related to such board of directors.

Section 3. Miscellaneous Services. It is the intent of the parties hereto that each party to this Agreement provide (a "Providing Party") only such

Services as are requested by the other party (a "Receiving Party") in connection with routine management, financial and administrative functions related to the ongoing operations of the Receiving Party and not with respect to special projects, including corporate investments, acquisitions and divestitures. The parties hereto contemplate that the Services rendered by a Providing Party in connection with the conduct of each Receiving Party's business will be on a scale compared to that existing on the effective date of this Agreement, adjusted for internal corporate growth or contraction, but not for major corporate acquisitions or divestitures, and that adjustments may be required to the terms of this Agreement in the event of such major corporate acquisitions, divestitures or special projects. Each Receiving Party will continue to bear all other costs required for outside services including, but not limited to, the outside services of attorneys, auditors, trustees, consultants, transfer agents and registrars, and it is expressly understood that each Providing Party assumes no liability for any expenses or services other than those stated in this Agreement to be provided by such party.

In addition to the amounts charged to a Receiving Party for Services provided pursuant to this Agreement, such Receiving Party will pay the Providing Party the amount of out-of-pocket costs incurred by the Providing Party in rendering such Services.

Section 4. Net Fee for Services. NL agrees to pay to Contran a net annual fee of $1,195,000 payable in quarterly installments of $298,750 each, commencing as of January 1, 2001, pursuant to this Agreement. In addition to the net annual fee:

(a) Contran shall credit or pay to NL additional amounts plus all related out-of-pocket costs, all as agreed to by the parties, for all NL Services provided under Subsection 2(b); and

(b) NL shall credit or pay to Contran additional amounts plus all related out-of-pocket costs, all as agreed to by the parties, for all Contran Services provided under Subsection 1(f).

Section 5. Original Term. Subject to the provisions of Section 6 hereof, the original term of this Agreement shall be from January 1, 2001 to December 31, 2001.

Section 6. Extensions. This Agreement shall be extended on a quarter-to-quarter basis after the expiration of its original term unless written notification is given by Contran or NL thirty (30) days in advance of the first day of each successive quarter or unless it is superseded by a subsequent written agreement of the parties hereto.

Section 7. Limitation of Liability. In providing Services hereunder, each Providing Party shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but no Providing Party nor any officer, director, employee or agent of such party nor or its affiliates shall be liable to a Receiving Party for any error of judgment or mistake of law or for any loss incurred by the Receiving Party in connection with the matter to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Providing Party.

Section 8. Indemnification. Each Receiving Party shall indemnify and hold harmless the Providing Party, its affiliates and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including attorneys' fees and other expenses of litigation) to which such Providing Party or person may become subject arising out of the Services provided by such Providing Party to the Receiving Party hereunder, provided that such indemnity shall not protect any person against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on the part of such person.

Section 9. Further Assurances. Each of the parties will make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as the other party may reasonably request and as may reasonably be required in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

Section 10. Notices. All communications hereunder shall be in writing and shall be addressed, if intended for Contran, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to NL in writing, and if intended for NL, to Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, Attention: President, or such other address as it shall have furnished to Contran in writing.

Section 11. Amendment and Modification. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

Section 12. Successor and Assigns. This Agreement shall be binding upon and inure to the benefit of Contran and NL and their respective successors and assigns, except that neither party may assign its rights under this Agreement without the prior written consent of the other party.

Section 13. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the state of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

CONTRAN CORPORATION

By: /s/Steven L. Watson

Steven L. Watson
President

NL INDUSTRIES, INC.

By: /s/Robert D. Hardy

Robert D. Hardy
Vice President

Exhibit 10.2

INTERCORPORATE SERVICES AGREEMENT

INTERCORPORATE SERVICES AGREEMENT effective as of January 1, 2001 by and between Tremont Corporation ("Tremont"), a Delaware corporation, and NL Industries, Inc. ("NL"), a New Jersey corporation.

WHEREAS, Tremont desires that NL provide certain tax services and use of NL's corporate aircraft to Tremont, and NL is willing to provide such services to Tremont pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and promises set forth herein, the parties to this Agreement agree as follows:

1. Services Provided. NL will make available to Tremont the following services (the "Services"):

(a) consultation and assistance in tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning; and

(b) use of corporate aircraft.

2. Fees for Services and Reimbursement of Expenses. During the Term (as defined below) of this Agreement, Tremont shall pay to NL an annual fee of $79,725 (the "Annual Fee") for the Services described in paragraph 1(a) above payable in quarterly installments of $19,931 plus all out-of-pocket expenses incurred in connection with the performance of such Services. Regarding Services described in Paragraph 1(b), Tremont will pay to NL within thirty (30) days after receipt of an invoice an amount equal to Tremont's share of NL's corporate aircraft expenses which includes Tremont's share of the monthly management fee (computed on a per hour basis) and actual flight hour costs at a rate of $1,875 per hour (subject to annual escalation) plus fuel variable charges, segment fees and excise taxes. Notwithstanding the foregoing, in the event that Tremont determines, in its sole discretion, that it no longer desires certain of the Services or NL determines, in its sole discretion, that it no longer desires to provide certain of the Services, then Tremont or NL, as appropriate, shall provide the other party with a thirty (30) day prior written notice of cancellation describing the Services to be terminated or discontinued and Tremont and NL during such ninety-day period shall agree to a pro-rata reduction of the fees due hereunder for such terminated or discontinued Services.

3. Limitation of Liability. In providing Services hereunder, NL shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner,

but neither NL nor any officer, director, employee or agent of NL shall be liable to Tremont or its subsidiaries for any error of judgment or mistake of law or for any loss incurred by Tremont or its subsidiaries in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of NL or from NL's reckless disregard of obligations and duties under this Agreement.

4. Indemnification of NL by Tremont. Tremont shall indemnify and hold harmless NL, its subsidiaries and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) to which such party may become subject arising out of the provision by NL to Tremont and its subsidiaries of any of the Services, provided that such indemnity shall not protect any such party against any liability to which such person would otherwise by subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations and duties hereunder.

5. Further Assurance. Each of the parties will make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as the other party may reasonably request and as may reasonably be required in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

6. Notices. All communications hereunder shall be in writing and shall be addressed to:

If to NL:	NL Industries, Inc. 16825 Northchase Drive, Suite 1200 Houston, Texas 77060 Attention: General Counsel
If to Tremont:	Tremont Corporation 1999 Broadway, Suite 4300 Denver, Colorado 80202 Attention: General Counsel

or such other address as the parties shall have specified in writing.

7. Amendment and Modification. Neither this Agreement nor any item hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

8. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, provided that this Agreement may not be assigned by either of the parties hereto without the prior written consent of the other party.

9. Miscellaneous. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement shall be governed in all respects, including validity, interpretation and affect, by the laws of the State of Texas.

10. Term of Agreement. This Agreement shall be effective as of January 1, 2001, and shall remain in effect for a term of one year until December 31, 2001 (the "Term"); provided, however, the Agreement shall be extended on a quarter-to-quarter basis after the expiration of the Term unless written notification is given by either party thirty (30) days in advance of the first day of each successive quarter or unless it is terminated or superseded by a subsequent written agreement of the parties hereto. Upon such termination or upon the expiration of this Agreement, the parties' rights and obligations hereunder shall cease and terminate except with respect to rights and obligations arising on or prior to the date of expiration or termination and the rights and obligations arising under paragraph 4 above.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the 9th day of May, 2001, which Agreement will be deemed to be effective as of January 1, 2001.

NL INDUSTRIES, INC.

By: /s/Robert D. Hardy

Robert D. Hardy
Vice President

TREMONT CORPORATION

By: /s/Mark A. Wallace

Mark A. Wallace
Vice President