

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

December 8, 2003

(Date of Report, date of earliest event reported)

NL INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

New Jersey

1-640

13-5267260

(State or other
jurisdiction of
incorporation)

(Commission
File Number)

(IRS Employer
Identification
No.)

5430 LBJ Freeway, Suite 1700, Dallas, TX

75240-2697

(Address of principal executive offices)

(Zip Code)

(972)233-1700

(Registrant's telephone number, including area code)

Item 2: Acquisition or Disposition of Assets

On December 8, 2003, NL Industries, Inc. ("NL") completed the distribution to its shareholders of one share of common stock of Kronos Worldwide, Inc. ("Kronos"), previously a wholly-owned subsidiary of NL, for every two shares of NL common stock outstanding as of the close of business on November 17, 2003. NL distributed approximately 23.9 million shares of Kronos' common stock, representing approximately 48.8% of the outstanding stock of Kronos. Immediately prior to the distribution of the shares of Kronos common stock, Kronos distributed a \$200 million promissory note payable by Kronos to NL.

Reference is made to the Information Statement filed by Kronos for a discussion of the transactions described above, a copy of which is filed as Exhibit 99.2 to this Form 8-K and is incorporated herein by reference.

At September 30, 2003, Valhi, Inc. ("Valhi") and Tremont LLC ("Tremont"), a wholly-owned subsidiary of Valhi, own an aggregate of approximately 85% of the outstanding shares of common stock of NL. Valhi, Tremont and NL are members of the same consolidated tax group for U.S. federal income tax purposes. NL is a party to a tax sharing agreement with Valhi pursuant to which NL generally computes its provision for income taxes on a separate-company basis, and NL makes payments to or receives payments from Valhi in amounts that it would have paid to or received from the U.S. Internal Revenue Service had NL not been a member of such consolidated tax group. Prior to completion of the distribution by NL to its shareholders of 48.8% of the outstanding shares of common stock of Kronos, Kronos and its qualifying subsidiaries were members of NL's tax group. Following completion of the distribution, Kronos and its qualifying subsidiaries are no longer be members of NL's tax group, but Kronos and its qualifying

subsidiaries will remain members of the same tax group of which Valhi and Tremont are members. The distribution by NL to its shareholders of 48.8% of the outstanding shares of common stock of Kronos is taxable to NL, and NL is required to recognize a taxable gain equal to the difference between the fair market value of the shares of Kronos common stock distributed (\$17.25 per share, equal to the closing market price of Kronos' common stock on December 8, 2003) and NL's adjusted tax basis in such stock at the date of distribution. With respect to the shares of Kronos distributed to Valhi and Tremont (20.2 million shares in the aggregate), effective December 1, 2003, Valhi and NL amended the terms of their tax sharing agreement to not require NL to pay up to Valhi the tax liability generated from the distribution of such Kronos shares to Valhi and Tremont, since the tax on that portion of the gain is deferred at the Valhi level due to Valhi, Tremont and NL being members of the same tax group. Reference is made to the Amended Tax Agreement between Valhi and NL dated as of December 1, 2003, a copy of which is filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

Item 7: Financial Statements, Pro Forma Financial Information and Exhibits

(b) Pro forma financial information

Pro forma condensed consolidated financial statements of the Registrant, which present the pro forma effects of the transactions described in Item 2 above, assuming such transactions had occurred as of the dates set forth in the accompanying notes, are included herein as Exhibit 99.1.

(c) Exhibit

Item No.	Exhibit Index
10.1	Amended Tax Agreement between Valhi, Inc. and NL Industries, Inc. dated as of December 1, 2003.
99.1	Pro forma financial information of the Registrant.
99.2	Information Statement dated November 10, 2003 - incorporated by reference to Exhibit 99.1 to Amendment No. 4 to the General Form for Registration of Securities on Form 10 (File No. 1-31763) filed by Kronos Worldwide, Inc. with the Securities and Exchange Commission on November 14, 2003.

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 hereunto duly authorized.

NL INDUSTRIES, INC.
(Registrant)

By: /s/ Gregory M. Swalwell
Gregory M. Swalwell
Vice President, Finance

Date: December 23, 2003

AMENDED
TAX AGREEMENT
Between
VALHI, INC.
and
NL INDUSTRIES, INC.

AGREEMENT dated as of December 1, 2003 amends and supercedes the prior agreement dated as of January 1, 2001 by and among Valhi, Inc. ("VHI"), a Delaware corporation having its principal executive offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Contran Corporation ("Contran"), a Delaware corporation having its principal executive offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, TX 75240 and NL Industries, Inc. ("NL"), a New Jersey corporation having its principal executive offices at 16825 Northchase Drive, Suite 1200, Houston, Texas 77060.

WHEREAS, VHI and NL are eligible to file consolidated returns of federal income taxes and, subject to certain jurisdictional limitations, have been subject to combined state and local tax reporting effective January 1, 2001;

WHEREAS, VHI and NL wish to provide for the allocation of liabilities, and procedures to be followed, with respect to federal income taxes of NL and any subsidiaries of NL and with respect to certain combined state and local taxes on the terms of this Agreement.

NOW, THEREFORE, in consideration of the promises and agreements herein contained, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms have the meanings set forth below:

(a) Code: The Internal Revenue Code of 1986, as amended, and with respect to any section thereof any successor provisions under such Code or any successor Code.

(b) Combined Foreign, State and Local Taxes: For a taxable period, the amount of all foreign, state and local taxes, together with all interest and penalties with respect thereto, for which liability is computed (1) on the basis of a combined, unitary or consolidated return (whether at the initiative of the tax authority or of the taxpayer) and (2) by reference to one or more members of the NL Group and one or more members of the VHI Group not included in the NL Group.

(c) Contran Corporation: A Delaware corporation that is the common parent of a group of corporations electing to file a consolidated federal income tax return.

(d) Federal Taxes: All federal income taxes, together with all interest and penalties with respect thereto.

(e) VHI Group: VHI and those of its direct and indirect subsidiaries which join in the filing of a consolidated federal income tax return with its common parent, Contran (the "Contran Tax Group"), as such Group is constituted from time to time. For purposes of this Agreement (to the extent related to Combined Foreign, State and Local Taxes), the term "VHI Group" shall include all direct and indirect subsidiaries of VHI with reference to which Combined Foreign, State and Local Taxes are determined.

(f) NL Group: NL Industries, Inc. and each direct or indirect subsidiary of NL which would be a member of an affiliated group, within the meaning of section 1504(a) of the Code, of which NL was the common parent, as such Group is constituted from time to time. For purposes of this Agreement (to the extent related to Combined Foreign, State and Local Taxes), the term "NL Group" shall include all direct and indirect subsidiaries of NL with reference to which Combined, Foreign, State and Local taxes are determined.

(g) NL Group Tax Liability: Except as provided in subparagraph (h), for a taxable period, the liability for Federal Taxes and Combined Foreign, State and Local taxes, as applicable, that the NL Group would have had if it were not a member of the VHI Group during such taxable period (or during any taxable period prior thereto), and instead filed a separate consolidated return for such taxable period (and during all prior taxable periods beginning after December 31, 2000); provided, however, that for purposes of determining such liability for a taxable period all tax elections shall be consistent with the tax elections made by Contran for such period. In making such tax elections it is understood the Contran Corporation will make those tax elections which are beneficial to the Contran Tax Group on a consolidated basis. Nevertheless, Contran will use

its best efforts in the case of those elections which affect the computation of the NL Group Tax Liability, to make elections in a reasonable manner so as to minimize the NL Group Tax Liability.

(h) NL Group Tax Liability Payment Deferral. For the taxable period ending December 31, 2003, the NL Group shall not be required to make a tax payment to Valhi pursuant to this agreement in regard to the Section 311 (b) Gain (the "Payment Deferral"), as defined in the Code, realized on the December 8, 2003 distribution of shares of Kronos Worldwide Services, Inc. (the "Distribution", as set forth in the NL's Information Statement dated November 10, 2003), but only to the extent such gain is attributable to shares distributed to members of the Contran Tax Group (the "Deferred Intercompany Gain").

(i) Deferred Intercompany Gain Recognition. In the event, NL's Deferred Intercompany Gain is recognized under the Code, the NL Group Tax Liability shall include such gain in the taxable period in which the recognition event occurs for purposes of determining the NL Group Tax Liability.

2. Contran as Agent. Contran shall be the sole agent for the NL Group in all matters relating to the NL Group Tax Liability. The NL Group shall not (a) terminate such agency or (b) without the consent of Contran, participate, or attempt to participate, in any matters related to the NL Group Tax Liability, including, but not limited to, preparation or filing of, or resolution of disputes, protests or audits with the Internal Revenue Service, state or local taxing authorities concerning, the Contran Group's consolidated returns of Federal Taxes, returns of Combined Foreign, State and Local Taxes or the NL Group Tax Liability with respect thereto for any taxable period beginning after December 31, 2000. The NL Group shall cooperate fully in providing Contran with all information and documents necessary or desirable to enable Contran to perform its obligations under this Section, including completion of Internal Revenue Service and state or local tax audits in connection with such NL Group Tax Liability and determination of the proper liability for such NL Group Tax Liability.

3. Liability for Taxes; Refunds.

(a) VHI, as the common parent of the NL Group, shall be responsible for, and shall pay to Contran or a taxing authority, as applicable, the consolidated tax liability for the VHI Group and has the sole right to any refunds received from Contran or a taxing authority, as applicable, subject to the provisions of Sections 5 and 6 of this Agreement.

(b) Notwithstanding any other provision of this Agreement, NL and each subsidiary of NL which is a member of the NL Group shall be severally liable to VHI for the NL Group Tax Liability.

(c) NL shall indemnify VHI and hold it and the VHI Group other than the NL Group, harmless from and against any deficiency in the NL Group Tax Liability that may be due to VHI.

(d) VHI shall indemnify NL and hold it and the NL Group harmless from and against any Federal Taxes and Combined Foreign, State and Local Taxes attributable to the VHI Group or any other member of the Contran Tax Group, other than the NL Group, as such taxes are determined under this and other tax sharing agreements.

4. Tax Returns. VHI shall file on behalf of the NL Group any and all federal, foreign, state and local tax returns that are required as they pertain to the NL Group Tax Liability. The NL Group, at VHI's request, shall join in any applicable consolidated returns of Federal Taxes and any returns of Combined Foreign, State and Local Taxes (for which returns have not been theretofore filed) and execute its consent to each such filing on any form as may be prescribed for such consent if such consent is required. The decision of VHI's Senior Vice President (or any other officer so designated by VHI) with responsibility for tax matters shall, subject to the provisions of this Agreement, be binding in any dispute between VHI and the NL Group as to what tax position should be taken with respect to any item or transaction of the NL Group. The preceding sentence is limited to the tax positions that affect the NL Group Tax Liability and the combined VHI Group and Contran Tax Group. In addition, VHI and members of the VHI Group, including NL and members of the NL Group, shall provide each other with such cooperation, assistance and information as each of them may request of the other with respect to the filing of any tax return, amended return, claim for refund or other document with any taxing authority. NL shall be solely responsible for all taxes due for the NL Group with respect to tax returns filed by NL or a member of the NL Group that are required to be filed on a separate company basis, independent of VHI.

5. Payment of NL Group Tax Liability for Federal Taxes. On or before each

date, as determined under section 6655 of the Code, for payment of an installment of estimated Federal Taxes, NL shall pay to VHI an amount equal to the installment which the NL Group would have been required to pay as an estimated payment of Federal Taxes to the Internal Revenue Service if it were filing a separate consolidated return in respect of the NL Group Tax Liability (as determined under paragraphs 1(g), 1(h), or 1(i)). Any balance owed with respect to the NL Group Tax Liability for such taxable period shall be paid to VHI on or before the 15th day of the third month after the close of such taxable period. If it is not possible to determine the amount of such balance on or before such day, (a) a reasonable estimate thereof shall be paid on or before such day, (b) the amount of such balance shall be finally determined on or before the earlier of; (i) the 15th day of the ninth month after the close of such taxable period and (ii) the date on which the consolidated tax return containing the NL Group for such period is filed with the Internal Revenue Service, and (c) any difference between the amount so determined and the estimated amount paid shall; (i) in the case of an underpayment, be promptly paid to VHI and (ii) in the case of an overpayment, be promptly refunded or applied against the estimated NL Group Tax Liability for the immediately following tax period, at the option of VHI. If the overpayment is not applied to the immediately following tax period, such overpayment shall be promptly refunded to the NL Group. As between the parties to this Agreement, the NL Group shall be solely responsible for the NL Group Tax Liability and shall have no responsibility for Federal Taxes of the VHI Group or the Contran Group other than payment of the NL Group Tax Liability in accordance with the terms of this Agreement.

6. Refunds for NL Group Losses and Credits for Federal Taxes

(a) General Provision. If the calculation with respect to the NL Group Tax Liability for Federal Taxes results in a net operating loss ("NOL") for the current tax period that, in the absence of a Code Section 172(b)(3) election made by Contran, is carried back under Code Sections 172 and 1502 to a prior taxable period or periods of the NL Group with respect to which the NL Group previously made payments to VHI, then, in that event, VHI shall pay (or credit) NL an amount equal to the tax refund to which the NL Group would have been entitled had the NL Group filed a separate consolidated federal income tax return for such year (but not in excess of the net aggregate amount of the NL Group Tax Liability paid to VHI with respect to the preceding two taxable periods). If the calculation with respect to the NL Group Tax Liability results in an NOL for the current tax period, that subject to the Code Section 172(b)(3) election made by Contran, is not carried back under Code Sections 172 and 1502 to a prior taxable period or periods of the NL Group with respect to which NL made payments to VHI or is not carried back because the Contran Tax Group does not have a consolidated net operating loss for the current tax period, then, in that event such NOL shall be an NOL carryover to be used in computing the NL Group Tax Liability for future taxable periods, under the law applicable to NOL carryovers in general, as such law applies to the relevant taxable period. Furthermore, if the NL Group would have been entitled to a refund of Federal Taxes for any year had the NL Group filed a separate consolidated federal income tax return for the loss year and the carryback year, VHI shall pay to NL the amount which NL would have received as a refund from the Internal Revenue Service. Payments made pursuant to this Section 6 shall be made on the date that Contran (or any successor common parent of a tax group to which the VHI Group is a member) files its consolidated federal income tax return for the taxable period involved. Principles similar to those discussed in this Section 6 shall apply in the case of the utilization of all NL Group loss and credit carrybacks and carryovers.

(b) Limitation on NL Group Losses. Notwithstanding the provisions set forth in paragraph 6(a) and in exchange for the Payment Deferral, NL Group Losses generated in the taxable periods ending after December 31, 2003 may not be carried back to the taxable period ending December 31, 2003. NL will not be entitled to any refund for the taxable period ending December 31, 2003, if such refund is attributable to NL Group Losses generated in a succeeding taxable period regardless of whether such losses are carried back first to a taxable period ending before January 1, 2003.

7. Payment of NL Group Tax Liability for Foreign, State and Local Taxes. The foregoing principles contained in Sections 5 and 6 shall apply in similar fashion to any consolidated or combined foreign, state or other local income tax returns, containing any member of the VHI Group and any member of the NL Group that is not also a member of the VHI Group, which may be filed.

8. Subsequent Adjustments. If any settlement with the Internal Revenue Service, foreign, state or local tax authority or court decision which has become final results in any adjustment to any item of income, deduction, loss or credit to the VHI Group in respect of any taxable period subject to this Agreement, which, in any such case, affects or relates to any member of the NL Group as constituted during such taxable period, the NL Tax Group Liability

shall be redetermined to give effect to such adjustment as if it had been made as part of or reflected in the original computation of the NL Tax Group Liability and proper adjustment of amounts paid or owing hereunder in respect of such liability and allocation shall be promptly made in light thereof.

9. Amendments. This Agreement may be amended, modified, superseded or cancelled, and any of the terms, covenants, or conditions hereof may be waived, only by a written instrument specifically referring to this Agreement and executed by both parties (or, in the case of a waiver, by or on behalf of the party waiving compliance). The failure of either party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same. No waiver by either party of any condition, or of any breach of any term or covenant, contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any breach of any other term or covenant.

10. Retention of Records. VHI shall retain all tax returns, tax reports, related workpapers and all schedules (along with all documents that pertain to any such tax returns, reports or workpapers) that relate to a taxable period in which the NL Group is included in a consolidated or combined tax return with VHI. VHI shall make such documents available to NL at NL's request. VHI shall not dispose of such documents without the permission of NL.

11. Headings. The headings of this Agreement are for convenience of reference only, and shall not in any way affect the meaning or interpretation of this Agreement.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware without regard to conflicts of laws provisions.

13. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute but one agreement.

14. Successors. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective subsidiaries, and their respective successors and assigns.

15. Effective Date. This Agreement shall be effective as of December 1, 2003.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

VALHI, INC.

By: /s/ William J. Lindquist

William J. Lindquist
Senior Vice President

CONTRAN CORPORATION

By: /s/ William J. Lindquist

William J. Lindquist
Senior Vice President

NL INDUSTRIES, INC.

By: /s/ Kelly D. Luttmer

Kelly D. Luttmer

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Pro Forma Condensed Consolidated Balance Sheet of NL Industries, Inc. ("NL") as of September 30, 2003 gives effect to (i) the distribution of a \$200 million promissory note payable by Kronos Worldwide, Inc. ("Kronos") to NL and (ii) the distribution by NL to its shareholders of 48.8% of the outstanding shares of common stock of Kronos, as if they had occurred on such date. The Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended December 31, 2002 and the nine months ended September 30, 2003 give effect to such transactions as if they had occurred on January 1, 2002. You should read this information in conjunction with the following:

- o the accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements;
- o the audited consolidated financial statements of NL included in its Annual Report on Form 10-K for the year ended December 31, 2002, as amended, and the unaudited consolidated financial statements of NL included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2003; and
- o the audited consolidated financial statements of Kronos included in the Information Statement filed as Exhibit No. 99.1 to Kronos' Registration Statement on Form 10, and the unaudited consolidated financial statements of Kronos included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

The unaudited pro forma condensed consolidated financial statements presented below are for informational purposes only and to aid you in your analysis of the financial aspects of the transactions described above. The pro forma condensed consolidated financial statements are not necessarily indicative of what NL's financial position or results of operations actually would have been had the transactions described above been completed at the dates indicated. In addition, the unaudited pro forma condensed consolidated financial statements do not purport to project the future financial position or operating results of NL following completion of the transactions described above.

NL INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2003
(In millions)

	NL historical	Pro forma adjustments	NL pro forma
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 59.7	\$ --	\$ 59.7
Restricted cash equivalents	22.1	--	22.1
Restricted marketable debt securities	8.2	--	8.2
Receivables	177.6	--	177.6
Inventories	203.3	--	203.3
Prepaid expense	7.9	--	7.9
Deferred income taxes	10.5	--	10.5
	-----	-----	-----
Total current assets	489.3	--	489.3
	-----	-----	-----
Other assets:			
Investment in joint venture	127.8	--	127.8
Marketable equity securities	53.1	--	53.1
Receivable from affiliate	16.0	--	16.0
Other assets	47.6	--	47.6
	-----	-----	-----
Total other assets	244.5	--	244.5

	-----	-----	-----
Property and equipment, net	405.1	--	405.1
	-----	-----	-----
	\$ 1,138.9	\$ --	\$ 1,138.9
	=====	=====	=====

NL INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
 September 30, 2003
 (In millions)

	NL historical	Pro forma adjustments	NL pro forma
	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current long-term debt	\$.5	\$ --	\$.5
Payable to affiliates	8.6	24.3	32.9
Other payables and accruals	170.4	--	170.4
Income taxes	8.5	--	8.5
Deferred income taxes	1.7	--	1.7
	-----	-----	-----
Total current liabilities	189.7	24.3	214.0
	-----	-----	-----
Noncurrent liabilities:			
Long-term debt	327.3	--	327.3
Accrued environmental costs	65.0	--	65.0
Accrued pension costs	43.2	--	43.2
Accrued OPEB costs	23.9	--	23.9
Deferred income taxes	152.1	--	152.1
Other	14.2	--	14.2
	-----	-----	-----
Total noncurrent liabilities	625.7	--	625.7
	-----	-----	-----
Minority interest	8.7	83.4	92.1
	-----	-----	-----
Stockholders' equity:			
Common stock	8.4	--	8.4
Additional paid-in capital	777.8	--	777.8
Retained earnings	127.8	(107.7)	20.1
Accumulated other comprehensive income ...	(163.7)	--	(163.7)
Treasury stock	(435.5)	--	(435.5)
	-----	-----	-----
Total stockholders' equity	314.8	(107.7)	207.1
	-----	-----	-----
	\$ 1,138.9	\$ --	\$ 1,138.9
	=====	=====	=====

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

NL INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
 Year ended December 31, 2002
 (In millions, except per share data)

	NL historical	Pro forma adjustments	NL pro forma
	-----	-----	-----
Net sales	\$ 875.2	\$ --	\$ 875.2
Cost of sales	671.8	--	671.8
	-----	-----	-----
Gross margin	203.4		203.4
Selling general and administrative expenses	107.7	--	107.7
Other operating expenses, net	29.5	--	29.5
	-----	-----	-----
Income from operations	66.2	--	66.2
Other expenses, net	16.1	--	16.1
	-----	-----	-----
Income before income taxes	50.1	--	50.1
Provision for income taxes	12.0	2.0	14.0
Minority interest	1.3	26.9	28.2
	-----	-----	-----
Net income	\$ 36.8	\$ (28.9)	\$ 7.9
	=====	=====	=====
Basic and diluted net income per share	\$.76		\$.16
	=====		=====
Shares used in the calculation of per share amounts:			
Basic earnings per share	48.5		48.5
Dilutive impact of stock options1		.1
	-----		-----
Diluted earnings per share	48.6		48.6
	=====		=====

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

NL INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
 Nine months ended September 30, 2003
 (In millions, except per share data)

	NL historical	Pro forma adjustments	NL pro forma
	-----	-----	-----
Net sales	\$ 762.5	\$ --	\$ 762.5
Cost of sales	563.5	--	563.5
	-----	-----	-----
Gross margin	199.0	--	199.0
Selling, general and administrative expenses	90.1	--	90.1
Other operating expenses, net	42.9	--	42.9
	-----	-----	-----
Income from operations	66.0	--	66.0
Other expenses, net	19.1	--	19.1
	-----	-----	-----
Income before income taxes	46.9	--	46.9
Provision for income taxes (benefit)	(8.2)	2.4	(5.8)
Minority interest2	32.2	32.4
	-----	-----	-----
Net income	\$ 54.9	\$ (34.6)	\$ 20.3
	=====	=====	=====
Basic and diluted net income per share	\$ 1.15		\$.42
	=====		=====
Shares used in the calculation of per share amounts:			
Basic earnings per share	47.7		47.7
Dilutive impact of stock options1		.1
	-----		-----
Diluted earnings per share	47.8		47.8
	=====		=====

See accompanying notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- Basis of presentation:

The unaudited pro forma condensed consolidated balance sheet reflects adjustments necessary to reflect (i) the distribution of a \$200 million 9% promissory note payable by Kronos to NL and (ii) the distribution by NL to its shareholders of 23.9 million shares (48.8%) of the outstanding shares of common stock of Kronos, as if they had occurred on September 30, 2003. The unaudited pro forma condensed consolidated statements of operations reflect adjustments necessary to reflect such transactions as if they had occurred on January 1, 2002.

At September 30, 2003, Valhi, Inc. and Tremont LLC, a wholly-owned subsidiary of Valhi, own an aggregate of approximately 85% of the outstanding shares of common stock of NL. Valhi, Tremont and NL are members of the same consolidated tax group for U.S. federal income tax purposes. NL is a party to a tax sharing agreement with Valhi pursuant to which NL generally computes its provision for income taxes on a separate-company basis, and NL makes payments to or receives payments from Valhi in amounts that it would have paid to or received from the U.S. Internal Revenue Service had NL not been a member of such consolidated tax group.

Prior to completion of the distribution by NL to its shareholders of 48.8% of the outstanding shares of common stock of Kronos, Kronos and its qualifying subsidiaries were members of NL's tax group. Following completion of the distribution, Kronos and its qualifying subsidiaries will no longer be members of NL's tax group, but Kronos and its qualifying subsidiaries will remain members of the same tax group of which Valhi and Tremont are members.

The distribution by NL to its shareholders of 48.8% of the outstanding shares of common stock of Kronos will be accounted for as a spin-off recorded at book value, net of tax. Such distribution is taxable to NL, and NL is required to recognize a taxable gain equal to the difference between the fair market value of the shares of Kronos common stock distributed (\$17.25 per share, equal to the closing market price of Kronos' common stock on December 8, 2003, the date the distribution was actually completed) and NL's adjusted tax basis in such stock at the date of distribution. With respect to the shares of Kronos distributed to Valhi and Tremont (20.2 million shares in the aggregate), effective December 1, 2003, Valhi and NL have amended the terms of their tax sharing agreement to not require NL to pay up to Valhi the tax liability generated from the distribution of such Kronos shares to Valhi and Tremont, since the tax on that portion of the gain is deferred at the Valhi level due to Valhi, Tremont and NL being members of the same tax group. Therefore, NL will be required to recognize a tax on the distribution only with respect to the shares of Kronos distributed to NL shareholders other than Valhi and Tremont (3.7 million shares in the aggregate).

Note 2 -- Unaudited pro forma condensed consolidated balance sheet - pro forma adjustments:

The adjustment to minority interest as of September 30, 2003, represents recognition of the 48.8% of Kronos' pro forma net assets at such date which are attributable to Kronos shareholders other than NL. Such amount is calculated as follows:

	Amount (In millions)
Kronos' historical net assets at September 30, 2003	\$ 371.0
Less Kronos' promissory note payable to NL	200.0

Kronos' pro forma net assets at September 30, 2003	\$ 171.0
	=====
48.8% of Kronos' pro forma net assets	\$ 83.4
	=====

The adjustment to payable to affiliates as of September 30, 2003 represents recognition of the income tax liability generated from the distribution of shares of Kronos common stock, as discussed above, and is calculated in the table below. Such tax liability has been calculated based on the actual closing market price for Kronos' common stock on December 8, 2003 (since there was no quoted market price for Kronos' common stock on September 30, 2003), and an estimate of the tax basis of the shares of Kronos common stock distributed as of September 30, 2003. NL's actual tax liability generated from the distribution will be based upon the tax basis of the shares of Kronos common stock as of the date of distribution (December 8, 2003).

	Amount (In millions, except per share amounts)
Shares of Kronos common stock distributed to NL shareholders other than Valhi and Tremont	3.7
Multiplied by fair market value of the shares distributed at the time of the distribution	\$17.25 -----
Aggregated market value	63.9
Less aggregate tax basis in the shares distributed to NL shareholders other than Valhi and Tremont	.4 -----
Taxable gain	\$ 63.5 =====
Tax on taxable gain at estimated combined U.S. federal and state effective tax rate of 38.3%	\$ 24.3 =====

The adjustment to retained earnings represents the book value, net of tax, of the shares of Kronos common stock distributed.

There is no recognition in NL's unaudited condensed consolidated balance sheet of Kronos' \$200 million promissory note payable to NL as such note payable is eliminated in NL's consolidated financial statements.

Note 3 -- Unaudited pro forma condensed consolidated statements of income - pro forma adjustments:

The adjustment to minority interest for the year ended December 31, 2002 and the nine months ended September 30, 2003 represents recognition of the 48.8% of Kronos' pro forma net income for such periods which are attributable to Kronos shareholders other than NL. Such amounts are calculated as follows:

	Year ended December 31, 2002	Nine months ended September 30, 2003 (In millions)
Kronos' historical net income	\$ 66.3 -----	\$ 74.4 -----
Less net-of-tax interest expense on Kronos' \$200 million 9% promissory note payable to NL:		
Interest expense at 9%	18.0	13.5
Tax benefit at estimated combined U.S. federal and state effective tax rate of 38.3%	6.9 -----	5.2 -----
	11.1 -----	8.3 -----
Kronos' pro forma net income	\$ 55.2 =====	\$ 66.1 =====
48.8% of Kronos' pro forma net income	\$ 26.9 =====	\$ 32.2 =====

NL provides incremental income taxes on its equity in the net income of domestic subsidiaries and affiliates that are not members of NL's tax group. The adjustment to the provision for income taxes (benefit) for the year ended December 31, 2002 and the nine months ended September 30, 2003 represents recognition of such incremental income taxes on the 51.2% of Kronos' pro forma net income which are attributable to NL, using the 7% dividends received deduction effective income tax rate.

There is no recognition in NL's unaudited pro forma condensed consolidated statements of income for interest expense associated with Kronos' \$200 million promissory note payable to NL as such interest expense is eliminated in NL's consolidated financial statements.

Note 4 -- Pro forma per share amounts:

The pro forma basic and diluted earnings per share amounts are based upon NL's historical basic and diluted weighted average shares outstanding for the year ended December 31, 2002 and the nine months ended September 30, 2003.

