

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 - For the quarter ended March 31, 1999

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 12, 1999: 51,826,139

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements.	
Consolidated Balance Sheets - December 31, 1998 and March 31, 1999	3-4
Consolidated Statements of Income - Three months ended March 31, 1998 and 1999	5-6
Consolidated Statements of Comprehensive Income - Three months ended March 31, 1998 and 1999	7
Consolidated Statement of Shareholders' Equity - Three months ended March 31, 1999	8
Consolidated Statements of Cash Flows - Three months ended March 31, 1998 and 1999	9-10
Notes to Consolidated Financial Statements	11-16
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17-24
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	24

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1998	March 31, 1999
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 154,953	\$ 135,265
Restricted cash equivalents	8,164	17,211
Accounts and notes receivable	133,769	147,973
Refundable income taxes	15,919	13,896
Inventories	228,611	209,251
Prepaid expenses	2,724	4,274
Deferred income taxes	1,955	2,274
	-----	-----
Total current assets	546,095	530,144
	-----	-----
Other assets:		
Marketable securities	17,580	16,133
Investment in TiO2 manufacturing joint venture	171,202	164,702
Prepaid pension cost	23,990	24,096
Other	13,927	12,070
	-----	-----
Total other assets	226,699	217,001
	-----	-----
Property and equipment:		
Land	19,626	18,301
Buildings	144,228	135,795
Machinery and equipment	586,400	554,211
Mining properties	84,015	82,866
Construction in progress	4,385	7,112
	-----	-----
	838,654	798,285
Less accumulated depreciation and depletion	456,495	438,484
	-----	-----
Net property and equipment	382,159	359,801
	-----	-----
	\$1,154,953	\$1,106,946
	=====	=====

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1998 -----	March 31, 1999 -----
Current liabilities:		
Notes payable	\$ 36,391	\$ 33,293
Current maturities of long-term debt	64,826	41,573
Accounts payable and accrued liabilities	187,661	185,628
Payable to affiliates	10,625	9,013
Income taxes	9,224	5,817
Deferred income taxes	1,236	1,906
	-----	-----
Total current liabilities	309,963	277,230
	-----	-----
Noncurrent liabilities:		
Long-term debt	292,803	302,211
Deferred income taxes	196,180	189,183
Accrued pension cost	44,649	41,043
Accrued postretirement benefits cost	41,659	40,754
Other	116,732	104,523
	-----	-----
Total noncurrent liabilities	692,023	677,714
	-----	-----
Minority interest	633	616
	-----	-----
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	774,288	774,288
Accumulated deficit	(133,379)	(121,253)
Accumulated other comprehensive loss	(132,129)	(145,320)
Treasury stock	(364,801)	(364,684)
	-----	-----
Total shareholders' equity	152,334	151,386
	-----	-----
	\$ 1,154,953	\$ 1,106,946
	=====	=====

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Three months ended March 31, 1998 and 1999
(In thousands, except per share data)

	1998	1999
	-----	-----
Revenues and other income:		
Net sales	\$ 222,629	\$ 201,569
Other, net	5,981	6,413
	-----	-----
	228,610	207,982
	-----	-----
Costs and expenses:		
Cost of sales	156,915	147,040
Selling, general and administrative	32,639	32,562
Interest	16,399	9,779
	-----	-----
	205,953	189,381
	-----	-----
Income from continuing operations before income taxes and minority interest	22,657	18,601
Income tax expense	6,342	4,650
	-----	-----
Income from continuing operations before minority interest	16,315	13,951
Minority interest	15	11
	-----	-----
Income from continuing operations	16,300	13,940
Discontinued operations	287,060	--
Extraordinary item - early extinguishment of debt, net of tax benefit of \$1,263	(2,345)	--
	-----	-----
Net income	\$ 301,015	\$ 13,940
	=====	=====

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

Three months ended March 31, 1998 and 1999

(In thousands, except per share data)

	1998	1999
	-----	-----
Basic earnings per share:		
Continuing operations	\$.32	\$.27
Discontinued operations	5.60	--
Extraordinary item	(.05)	--
	-----	-----
Net income	\$ 5.87	\$.27
	=====	=====
Diluted earnings per share:		
Continuing operations	\$.31	\$.27
Discontinued operations	5.54	--
Extraordinary item	(.05)	--
	-----	-----
Net income	\$ 5.80	\$.27
	=====	=====
Shares used in the calculation of earnings per share:		
Basic	51,282	51,819
Dilutive impact of stock options	570	51
	-----	-----
Diluted	51,852	51,870
	=====	=====

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31, 1998 and 1999

(In thousands)

	1998	1999
	-----	-----
Net income	\$301,015	\$ 13,940
	-----	-----
Other comprehensive income (loss), net of tax:		
Marketable securities adjustment	492	(940)
Currency translation adjustment	400	(12,251)
	-----	-----
Total other comprehensive income (loss)	892	(13,191)
	-----	-----
Comprehensive income	\$301,907	\$ 749
	=====	=====

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Three months ended March 31, 1999

(In thousands)

	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)			Treasury stock	Total
				Currency translation	Pension liabilities	Marketable securities		
Balance at December 31, 1998	\$ 8,355	\$ 774,288	\$ (133,379)	\$ (133,440)	\$ (3,187)	\$ 4,498	\$ (364,801)	\$ 152,334
Net income	--	--	13,940	--	--	--	--	13,940
Other comprehensive loss, net	--	--	--	(12,251)	--	(940)	--	(13,191)
Dividends	--	--	(1,814)	--	--	--	--	(1,814)
Treasury stock reissued	--	--	--	--	--	--	117	117
Balance at March 31, 1999 ...	\$ 8,355	\$ 774,288	\$ (121,253)	\$ (145,691)	\$ (3,187)	\$ 3,558	\$ (364,684)	\$ 151,386

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three months ended March 31, 1998 and 1999
(In thousands)

	1998	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 301,015	\$ 13,940
Depreciation, depletion and amortization	8,463	8,662
Noncash interest expense	5,909	512
Deferred income taxes	(789)	1,518
Distribution from TiO2 manufacturing joint venture	--	6,500
Discontinued operations:		
Net gain from sale of Rheox	(285,735)	--
Income from operations of Rheox	(1,325)	--
Other, net	(4,518)	(2,901)
	-----	-----
	23,020	28,231
Change in assets and liabilities:		
Accounts and notes receivable	(32,685)	(21,213)
Inventories	3,552	8,570
Prepaid expenses	(2,307)	(2,018)
Accounts payable and accrued liabilities	873	(6,459)
Income taxes	(3,399)	(1,937)
Other, net	24,088	(2,374)
Rheox, net	(1,193)	--
	-----	-----
Net cash provided by operating activities	11,949	2,800
	-----	-----
Cash flows from investing activities:		
Change in restricted cash equivalents, net	4,009	(9,047)
Capital expenditures	(2,430)	(7,846)
Investment in joint venture	(371)	--
Proceeds from disposition of property and equipment	11	2,114
Proceeds from sale of Rheox	435,080	--
Rheox, net	(26)	--
	-----	-----
Net cash provided (used) by investing activities	436,273	(14,779)
	-----	-----

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Three months ended March 31, 1998 and 1999

(In thousands)

	1998	1999
	-----	-----
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 30,491	\$ 56,271
Principal payments	(98,499)	(60,599)
Dividends paid	--	(1,814)
Other, net	220	117
Rheox, net	(117,500)	--
	-----	-----
Net cash used by financing activities	(185,288)	(6,025)
	-----	-----
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	262,934	(18,004)
Currency translation	(660)	(1,684)
Sale of Rheox	(7,630)	--
Balance at beginning of period	96,394	154,953
	-----	-----
Balance at end of period	\$ 351,038	\$ 135,265
	=====	=====
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	\$ 4,322	\$ 1,990
Income taxes, net	8,830	5,064

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
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, 1999, Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 58% and 20%, respectively, of NL's outstanding common stock, and together they may be deemed to control NL. At March 31, 1999, Contran and its subsidiaries held approximately 92% of Valhi's outstanding common stock, and Valhi and other entities related to Harold C. Simmons held approximately 53% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1998 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at March 31, 1999 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended March 31, 1998 and 1999 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, 1998 (the "1998 Annual Report").

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, no later than the first quarter of 2000. 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 will be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative. The impact of adopting SFAS No. 133, if any, has not been determined but will be dependent upon the extent to which the Company is then a party to derivative contracts or engaged in hedging activities.

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 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 - TiO2.

	Three months ended March 31,	
	----- 1998 -----	----- 1999 -----
	(In thousands)	
Net sales	\$ 222,629	\$ 201,569
Other income, excluding corporate	1,348	3,693
	-----	-----
	223,977	205,262
Cost of sales	156,915	147,040
Selling, general and administrative, excluding corporate	27,663	27,261
	-----	-----
Operating income	39,399	30,961
General corporate income (expense):		
Securities earnings, net	3,848	1,600
Expenses, net	(4,191)	(4,181)
Interest expense	(16,399)	(9,779)
	-----	-----
	\$ 22,657	\$ 18,601
	=====	=====

NOTE 4 - INVENTORIES:

	December 31, 1998 -----	March 31, 1999 -----
	(In thousands)	
Raw materials	\$ 46,114	\$ 37,084
Work in process	11,530	8,547
Finished products	136,225	130,937
Supplies	34,742	32,683
	-----	-----
	\$228,611	\$209,251
	=====	=====

NOTE 5 - NONCURRENT MARKETABLE SECURITIES:

	December 31, 1998	March 31, 1999
	-----	-----
	(In thousands)	
Available-for-sale - marketable equity securities:		
Unrealized gains	\$ 8,512	\$ 7,921
Unrealized losses	(1,591)	(2,447)
Cost	10,659	10,659
	-----	-----
Aggregate market	\$ 17,580	\$ 16,133
	=====	=====

NOTE 6 - OTHER NONCURRENT ASSETS:

	December 31, 1998	March 31, 1999
	-----	-----
	(In thousands)	
Deferred financing costs, net	\$ 4,124	\$ 3,470
Restricted cash equivalents	4,225	4,225
Intangible assets, net	1,985	1,362
Other	3,593	3,013
	-----	-----
	\$13,927	\$12,070
	=====	=====

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	December 31, 1998	March 31, 1999
	-----	-----
	(In thousands)	
Accounts payable	\$ 55,270	\$ 44,731
	-----	-----
Accrued liabilities:		
Environmental costs	44,122	53,910
Employee benefits	37,399	32,873
Interest	7,346	14,619
Other	43,524	39,495
	-----	-----
	132,391	140,897
	-----	-----
	\$187,661	\$185,628
	=====	=====

NOTE 8 - OTHER NONCURRENT LIABILITIES:

	December 31, 1998	March 31, 1999
	-----	-----
	(In thousands)	
Environmental costs	\$ 81,454	\$ 69,453
Insurance claims and expenses	10,872	10,846
Deferred income	12,333	11,333
Employee benefits	9,778	9,822
Other	2,295	3,069
	-----	-----
	\$116,732	\$104,523
	=====	=====

NOTE 9 - NOTES PAYABLE AND LONG-TERM DEBT:

	December 31, 1998	March 31, 1999
	-----	-----
	(In thousands)	
Notes payable - Kronos (DM 60,500)	\$ 36,391	\$ 33,293
	=====	=====
Long-term debt:		
NL Industries - 11.75% Senior Secured Notes	\$244,000	\$244,000
	-----	-----
Kronos:		
DM bank credit facility (DM 187,322 and DM 180,072, respectively)	112,674	99,094
Other	955	690
	-----	-----
	113,629	99,784
	-----	-----
	357,629	343,784
Less current maturities	64,826	41,573
	-----	-----
	\$292,803	\$302,211
	=====	=====

NOTE 10 - INCOME TAXES:

The difference between the provision for income tax expense attributable to income from continuing operations 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,	
	1998	1999
	(In thousands)	
Expected tax expense	\$ 7,930	\$ 6,510
Non-U.S. tax rates	(52)	(304)
German solidarity income taxes	558	223
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return ...	926	458
Valuation allowance	(3,406)	(1,942)
U.S. state income taxes	100	90
Other, net	286	(385)
	-----	-----
Income tax expense	\$ 6,342	\$ 4,650
	=====	=====

NOTE 11 - OTHER INCOME, NET:

	Three months ended March 31,	
	1998	1999
	(In thousands)	
Corporate interest and dividend income	\$ 3,848	\$ 1,600
Currency transaction gains, net	583	1,569
Noncompete agreement income	667	1,000
Disposition of property and equipment	(24)	979
Trade interest income	581	948
Other, net	326	317
	-----	-----
	\$ 5,981	\$ 6,413
	=====	=====

NOTE 12 - DISCONTINUED OPERATIONS:

The Company sold the net assets of its Rheox specialty chemicals business for \$465 million cash (before fees and expenses) in January 1998, including \$20 million attributable to a five-year agreement by the Company not to compete in the rheological products business. The Company recognized an after-tax gain of approximately \$286 million on the sale of this business segment.

Condensed income statement and cash flow data for Rheox (excluding dividends paid to, contributions received from and intercompany loans with NL) is presented below. Interest expense has been allocated to discontinued operations based on the amount of debt specifically attributed to Rheox's operations.

	Three months ended March 31, 1998 ----- (In thousands)
Operations:	
Net sales	\$ 12,630 =====
Operating income	\$ 2,900
Interest and other expenses	797 -----
Income before income taxes	2,103
Income tax expense	778 -----
	1,325
Gain from sale of Rheox, net of tax expense of \$86,222	285,735 -----
	\$ 287,060 =====
Cash flows from:	
Operating activities	\$ (1,193)
Investing activities - capital expenditures	(26)
Financing activities - indebtedness, net	(117,500) -----
	\$ (118,719) =====

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

For descriptions of certain legal proceedings, income tax and other commitments and contingencies related to the Company, reference is made to (i) Management's Discussion and Analysis of Financial Condition and Results of Operations, (ii) Part II, Item 1 - "Legal Proceedings" and (iii) the 1998 Annual Report.

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

RESULTS OF OPERATIONS

	Three months ended March 31,		% Change
	1998	1999	
	-----		-----
	(In millions)		
Net sales - Kronos	\$ 222.6	\$ 201.6	-9%
Operating income - Kronos	\$ 39.4	\$ 31.0	-21%
Percent changes in TiO2:			
Sales volume			-16%
Average selling prices (in billing currencies)			+5%

Kronos' operating income in the first quarter of 1999 decreased from the first quarter of 1998 due to lower production and sales volumes, partially offset by higher average selling prices. Kronos' first quarter sales volume was 16% lower than the record sales volume in the first quarter of 1998 as worldwide demand weakened, particularly in Europe. In response to this lower demand, the Company reduced its production rates to more closely match its sales volumes. Average TiO2 selling prices for the first quarter of 1999 were 5% higher than the first quarter of 1998 and were even with the third and fourth quarters of 1998. Kronos expects its full-year 1999 operating income will be below that of 1998 primarily because of lower production volumes. Kronos anticipates its TiO2 sales volume for full-year 1999 will approximate that of 1998. Kronos' outlook for TiO2 prices during the remainder of 1999 is uncertain.

Kronos' cost of sales as a percentage of net sales increased in the first quarter of 1999 primarily due to lower production volume, partially offset by higher average selling prices. Kronos' selling, general and administrative expenses decreased in the first quarter of 1999 due to lower distribution expenses associated with lower first-quarter 1999 sales volume, partially offset by unfavorable effects of foreign currency translation.

A significant amount of sales are denominated in currencies other than the U.S. dollar, and fluctuations in the value of the U.S. dollar relative to other currencies increased the dollar value of sales for the first quarter of 1999 by \$4 million compared to the first quarter of 1998. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted the Company's operating expenses and the net impact of currency exchange rate fluctuations on the operating income comparison was not significant in the first quarter of 1999.

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

	Three months ended March 31,		Difference
	1998	1999	
	----- (In millions) -----		
Securities earnings	\$ 3.8	\$ 1.6	\$ (2.2)
Corporate expenses, net	(4.2)	(4.2)	--
Interest expense	(16.4)	(9.8)	6.6
	-----	-----	-----
	\$ (16.8)	\$ (12.4)	\$ 4.4
	=====	=====	=====

Securities earnings decreased due to lower average balances available for investment. Interest expense decreased \$6.6 million due to lower levels of outstanding debt. The Company expects its full-year 1999 securities earnings and interest expense will be lower than 1998, primarily due to lower average balances available for investment and lower levels of outstanding debt, respectively.

In the first quarter of 1999, the Company reduced its deferred income tax valuation allowance by \$1.9 million 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.

Discontinued operations in 1998 represent the Company's former specialty chemicals operations which were sold in January 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the three months ended March 31, 1998 and 1999 are presented below.

	Three months ended March 31,	
	1998	1999
	----- (In millions) -----	
Net cash provided (used) by:		
Operating activities:		
Before changes in assets and liabilities	\$ 23.0	\$ 28.2
Changes in assets and liabilities	(11.1)	(25.4)
	-----	-----
	11.9	2.8
Investing activities	436.3	(14.8)
Financing activities	(185.3)	(6.0)
	-----	-----
Net cash provided (used) by operating, investing, and financing activities	\$262.9	\$ (18.0)
	=====	=====

The TiO2 industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. Cash flow from operations, before changes in assets and liabilities, in the 1999 period increased from the comparable period in 1998 primarily due to

a \$6.5 million cash distribution from the Company's TiO2 manufacturing joint venture, partially offset by lower operating income. Changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) used cash in both the first quarter of 1998 and 1999 primarily due to increases in receivables in each respective period. Cash provided by operations in 1998 also includes \$20 million related to an agreement not to compete in the rheological products business.

In accordance with the provisions of the DM credit agreement and as a result of the level of operating income in 1998 for Kronos International, Inc., the Company prepaid its DM 107 million (\$60 million when paid) term loan in full in March 1999, principally by drawing DM 100 million (\$56 million when drawn) on its DM revolving credit facility. The revolver's balance of DM 180 million (\$99 million at March 31, 1999) is scheduled to be reduced to DM 105 million in March 2000, with the remaining balance to be repaid in September 2000.

At March 31, 1999, the Company had cash and cash equivalents aggregating \$135 million (\$33 million held by non-U.S. subsidiaries) and an additional \$21 million of restricted cash equivalents. The Company's subsidiaries had \$41 million available for borrowing at March 31, 1999 under existing non-U.S. credit facilities.

In the first quarter of 1999, the Company paid a regular quarterly dividend of \$.035 per share to shareholders aggregating \$1.8 million. In May 1999 the Company's Board of Directors declared a regular quarterly dividend of \$.035 per share to shareholders of record as of June 1, 1999 to be paid on June 16, 1999.

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 non-income tax related items and interest. In the third quarter of 1998, the Company received a DM 14 million (\$8.2 million when received) refund of 1990 German dividend withholding taxes. The German tax authorities were required to refund such amounts based on a 1998 German Supreme Court decision in favor of another taxpayer. No further withholding tax refunds are expected.

Certain other significant German tax contingencies aggregating an estimated DM 188 million (\$103 million at March 31, 1999) through 1998 remain outstanding and are in litigation. One primary issue relates to disputed amounts aggregating DM 181 million (\$100 million at March 31, 1999) for years through 1998. The Company has received tax assessments for a substantial portion of these amounts. No payments of tax or interest deficiencies related to these assessments are expected until the litigation is resolved. During 1997 a German tax court proceeding involving a tax issue substantially the same as the Company's primary dispute was decided in favor of the taxpayer. The German tax authorities appealed that decision to the German Supreme Court, which in February 1999 rendered its judgment in favor of the taxpayer. The Company believes that the German Supreme Court's judgment should determine the outcome of the Company's primary dispute with the German tax authorities. Based on this recent favorable judgment, the Company has requested that the tax assessments related to this issue be withdrawn and expects a decision from the German authorities regarding

this request during 1999. The Company has granted a DM 94 million (\$52 million at March 31, 1999) lien on its Nordenham, Germany TiO2 plant in favor of the City of Leverkusen related to this tax contingency, and a DM 5 million (\$3 million at March 31, 1999) lien in favor of the German federal tax authorities for other tax contingencies. If the German tax authorities withdraw their assessments based on the German Supreme Court's decision, the Company expects to request the release of the DM 94 million lien in favor of the City of Leverkusen.

On April 1, 1999, the German government enacted certain income tax law changes that were retroactively effective as of January 1, 1999. Based on these changes, the Company expects its effective cash income tax rate in Germany will increase beginning in the second quarter of 1999. Through the use of ongoing tax planning strategies, the Company does not expect the income tax law changes to materially affect its deferred tax liabilities.

During 1997 the Company received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million (\$7 million at March 31, 1999) relating to 1994. The Company has appealed this assessment and has begun litigation proceedings. During 1998 the Company was informed by the Norwegian tax authorities that additional tax deficiencies of NOK 39 million (\$5 million at March 31, 1999) will likely be proposed for the year 1996. The Company intends to vigorously contest this issue and litigate, if necessary. Although the Company believes that it will ultimately prevail, the Company has granted a lien for the 1994 tax assessment on its Fredrikstad, Norway TiO2 plant in favor of the Norwegian tax authorities and will be required to grant security on the 1996 assessment when received.

No assurance can be given that these tax matters will be resolved in the Company's favor in view of the inherent uncertainties involved in court 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.

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. The Company believes it has adequate accruals (\$123 million at March 31, 1999) 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 \$160 million. The Company's estimates of such liabilities have not been discounted to present value, and the Company has not recognized any potential insurance

recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. 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 be reasonably estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. 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. The Company currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future.

The Company is in the process of evaluating and upgrading its computer systems (both information technology ("IT") systems and non-IT systems involving embedded chip technology) and software applications (collectively referred to as "systems") to ensure that the systems function properly beginning January 1, 2000. To achieve its year 2000 compliance plan, the Company is utilizing internal and external resources to identify, correct or reprogram, and test its systems.

The Company has conducted an inventory of its IT systems worldwide and is currently testing the systems and applications that have been corrected or reprogrammed for year 2000 compliance. The Company has completed an inventory of its non-IT systems and is in the process of correcting or replacing date-deficient systems. The remediation effort is well under way on all critical IT and non-IT systems, and the Company anticipates that remediation of such critical systems will be substantially complete by June 1999, and that remediation and testing of all remaining systems will be complete by September 1999. Once systems undergo remediation, they are tested for year 2000 compliance. For critical systems, the testing process usually involves subjecting the remediated system to a simulated change of date from the year 1999 to the year 2000 using, in many cases, computer resources. The Company uses a number of packaged software products that have been upgraded to a year 2000 compliant version in the normal course of business. Excluding the cost of these software upgrades, the

Company's cost of becoming year 2000 compliant is expected to be approximately \$2 million, of which about one-half has been spent through March 31, 1999.

The Company has identified approximately 30 major computer systems and assessed them for year 2000 compliance. At March 31, 1999, the Company believes approximately 80% of such systems are year 2000 compliant. Each operating unit has responsibility for its own conversion, in line with overall guidance and oversight provided by a corporate-level coordinator, and the status of each of the remaining systems will be specifically tracked and monitored.

As part of its year 2000 compliance plan, the Company has requested confirmations from its major domestic and foreign software vendors, hardware vendors, primary suppliers and major customers, that they are developing and implementing plans to become, or are, year 2000 compliant. Confirmations received to date from the Company's software vendors, hardware vendors, primary suppliers and major customers, indicate that generally they are in the process of implementing remediation plans to ensure that their systems are compliant by December 31, 1999. The major software vendors used by the Company have already delivered year 2000 compliant software. Notwithstanding these efforts, the ability of the Company to affect the year 2000 preparedness of such vendors, suppliers and customers is limited.

The Company is developing a contingency plan to address potential year 2000 related business interruptions that may occur on January 1, 2000, or thereafter. This plan is expected to be completed in the second quarter of 1999.

Although the Company expects its systems to be year 2000 compliant before December 31, 1999, it cannot predict the outcome or success of the year 2000 compliance programs of its vendors, suppliers, and customers. The Company also cannot predict whether its major software vendors, who continue to test for year 2000 compliance, will find additional problems that would result in unplanned upgrades of their applications after December 31, 1999. As a result of these uncertainties, the Company cannot predict the impact on its financial condition or results of operations from noncompliant year 2000 systems that the Company directly or indirectly relies upon. Should the Company's year 2000 compliance plan not be successful or be delayed beyond January 2000, or should one or more vendors, suppliers or customers fail to adequately address their year 2000 issues, the consequences to the Company could be far-reaching and material, including an inability to produce TiO2 at its manufacturing facilities, which could lead to an indeterminate amount of lost revenue. Other potential negative consequences could include plant malfunction, impeded communications or power supplies, or slower transaction processing and financial reporting. Although not anticipated, the most reasonably likely worst-case scenario of failure by the Company or its key suppliers or customers to become year 2000 compliant would be a short-term slowdown or cessation of manufacturing operations at one or more of the Company's facilities and a short-term inability on the part of the Company to process orders and billings in a timely manner, and to deliver products to customers.

Beginning January 1, 1999, eleven of the fifteen members of the European Union ("EU"), including Germany, Belgium, the Netherlands and France, adopted a

new European currency unit (the "euro") as their common legal currency. Following the introduction of the euro, the participating countries' national currencies remain legal tender as denominations of the euro from January 1, 1999 through January 1, 2002, and the exchange rates between the euro and such national currency units are fixed.

The Company conducts substantial operations in Europe, including a significant amount of outstanding DM-denominated indebtedness. The functional currency of the Company's German, Belgian, Dutch and French operations will convert to the euro from their respective national currencies over a two-year period beginning in 1999. The Company has assessed and evaluated the impact of the euro conversion on its business and made the necessary system conversions. The euro conversion may impact the Company's operations including, among other things, changes in product pricing decisions necessitated by cross-border price transparencies. Such changes in product pricing decisions could impact both selling prices and purchasing costs and, consequently, favorably or unfavorably impact results of operations, financial condition or liquidity.

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, 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. 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.

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. 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 involve risks and uncertainties, including, but not limited to, the cyclical nature of the titanium dioxide industry, global economic conditions, global productive capacity, changes in product pricing, "Year 2000" issues, and other risks and uncertainties included in this Quarterly Report and in the 1998 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 assumes no duty to update any forward-looking statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1998 Annual Report for descriptions of certain previously-reported legal proceedings.

PEDRICKTOWN SITE. In March 1999 the Company executed the previously reported agreement in principle with certain PRPs with respect to the Company's liability at the site, settling the matter within previously accrued amounts.

BATAVIA, NEW YORK SITE. In April 1999 the Company received a revised estimate by the U.S. EPA estimating the cost to remediate operable unit one at \$15.1 million and received a revised claim by the U.S. EPA seeking past costs of \$4.6 million, including interest.

BRENNER, ET AL. V. AMERICAN CYANAMID, ET AL., (NO. 12596-93). In May 1999 defendants appealed the previously reported denial of their motion to dismiss the market share liability claim.

In April 1999 the Company was served with an amended complaint in **SWEET, ET AL. V. SHEAHAN, ET AL., (U.S. DISTRICT COURT, NORTHERN DISTRICT OF NEW YORK, CIVIL ACTION NO. 97-CV-1666/LEK-DNH)**, adding the Company and other defendants to a suit originally filed against plaintiffs' landlord. Plaintiffs, a parent and child, allege injuries purportedly caused by lead pigment, and seek recovery of actual and punitive damages from their landlord, alleged former manufacturers of lead pigment, and the Lead Industries Association, and purport to allege causes of action against the former pigment manufacturers based on negligence, strict products liability, fraud and misrepresentation, concert of action, civil conspiracy, and market share liability. The time for the Company to answer or otherwise plead with respect to the complaint has not yet occurred. The Company intends to deny all allegations of wrongdoing and liability and to defend the case vigorously.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.1 - Intercorporate Services Agreement by and between Valhi, Inc. and the Registrant effective as of January 1, 1999.

10.2 - Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 1999.

10.3 - Intercorporate Services Agreement by and between Titanium Metals Corporation and the Registrant effective as of January 1, 1999.

10.4 - Intercorporate Services Agreement by and between Tremont Corporation and the Registrant effective as of January 1, 1999.

27.1 - Financial Data Schedule for the three-month period ended March 31, 1999.

(b) REPORTS ON FORM 8-K

Reports on Form 8-K for the quarter ended March 31, 1999 and through the date of this report:

January 4, 1999 - reported Items 5 and 7.
January 22, 1999 - reported Items 5 and 7.
February 12, 1999 - reported Items 5 and 7.
March 18, 1999 - reported Items 5 and 7.
April 26, 1999 - reported Items 5 and 7.
May 4, 1999 - reported Items 5 and 7.

SIGNATURES

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

NL INDUSTRIES, INC.

(Registrant)

Date: May 12, 1999

By /s/ Susan E. Alderton

Susan E. Alderton
Vice President and
Chief Financial Officer

Date: May 12, 1999

By /s/ Robert D. Hardy

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

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "AGREEMENT"), effective as of January 1, 1999, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1998 between VALHI, INC., a Delaware corporation ("VALHI"), and NL INDUSTRIES, INC., a New Jersey corporation ("NL").

RECITALS

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

B. Valhi 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. VALHI SERVICES TO BE PROVIDED. Valhi agrees to make available to NL, upon request, the following services (the "VALHI SERVICES") to be rendered by the internal staff of Valhi and affiliates of Valhi:

(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 Valhi, upon request, the following services (the "NL SERVICES," and collectively with the Valhi Services, the "SERVICES") to be rendered by the internal staff of NL:

(a) certain administration and management services with respect to Valhi's insurance and risk management needs, including, without limitations, administration of Valhi'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 Valhi from time to time.

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 Valhi a net annual fee of \$114,000 payable in quarterly installments of \$28,500 each, commencing as of January 1, 1999, pursuant to this Agreement. In addition to the net annual fee:

(a) Valhi 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 Valhi additional amounts plus all related out-of-pocket costs, all as agreed to by the parties, for all Valhi 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, 1999 to December 31, 1999.

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 Valhi 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 Valhi, 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 Valhi 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 Valhi 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.

VALHI, INC.

By: _____
STEVEN L. WATSON
PRESIDENT

NL INDUSTRIES, INC.

By: _____
J. LANDIS MARTIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "AGREEMENT"), effective as of January 1, 1999, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1998 by and between CONTRAN CORPORATION, a Delaware corporation ("CONTRAN"), and NL INDUSTRIES, INC., a New Jersey corporation. ("RECIPIENT").

RECITALS

A. Harold C. Simmons, an employee of Contran and a director and the chairman of the board of Recipient, performs certain advisory functions for Recipient, which functions are unrelated to his function as a director and the chairman of the board of Recipient, without direct compensation from Recipient.

B. Recipient does not separately maintain the full internal capability to perform all necessary advisory functions that Recipient requires.

C. The cost of engaging the advisory services of someone possessing Mr. Simmons' expertise and the cost of maintaining the personnel necessary to perform the functions provided for by this Agreement would exceed the fee set forth in SECTION 3 of this Agreement, and the terms of this Agreement are no less favorable to Recipient than could otherwise be obtained from a third party for comparable services.

D. Recipient desires to continue receiving the advisory services of Harold C. Simmons and Contran 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 herein contained, the parties hereto mutually agree as follows:

SECTION 1. SERVICES TO BE PROVIDED. Contran agrees to make available to Recipient, upon request, the following services (the "SERVICES") to be rendered by Harold C. Simmons:

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

(b) Such other services as may be requested by Recipient 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 may provide to Recipient in his role as a director on Recipient's board of directors, as chairman of such board of directors or any other activity related to such board of directors.

SECTION 2. MISCELLANEOUS SERVICES. It is the intent of the parties hereto that Contran provide only the Services requested by Recipient in connection with routine functions related to the ongoing operations of Recipient and not with respect to special projects, including corporate investments, acquisitions and divestitures. The parties hereto contemplate that the Services rendered in connection with the conduct of Recipient'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. Recipient 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 Contran assumes no liability for any expenses or services other than those stated in SECTION 1. In addition to the fee paid to Contran by Recipient for the Services provided pursuant to this Agreement, Recipient will pay to Contran the amount of out-of-pocket costs incurred by Contran in rendering such Services.

SECTION 3. FEE FOR SERVICES. Recipient agrees to pay to Contran \$237,500 quarterly, commencing as of January 1, 1999, pursuant to this Agreement.

SECTION 4. ORIGINAL TERM. Subject to the provisions of SECTION 5 hereof, the original term of this Agreement shall be from January 1, 1999 to December 31, 1999.

SECTION 5. 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 Recipient 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 6. LIMITATION OF LIABILITY. In providing its Services hereunder, Contran shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither Contran nor any officer, director, employee or agent of Contran or its affiliates shall be liable to Recipient for any error of judgment or mistake of law or for any loss incurred by Recipient 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 Contran.

SECTION 7. INDEMNIFICATION OF CONTRAN BY RECIPIENT. Recipient shall indemnify and hold harmless Contran, 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 Contran or any such person may become subject arising out of the Services provided by Contran to the Recipient 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 8. 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 9. 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 Recipient in writing, and if intended for Recipient, 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 10. 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 11. SUCCESSOR AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Contran and Recipient 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 12. 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: _____
STEVEN L. WATSON
PRESIDENT

NL INDUSTRIES, INC.

By: _____
J. LANDIS MARTIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement") is made effective as of January 1, 1999, by and between Titanium Metals Corporation ("TIMET"), a Delaware corporation, and NL Industries, Inc. ("NL"), a New Jersey corporation.

WHEREAS, TIMET desires that NL provide certain insurance, risk management, loss control, internal audit, and tax services to TIMET, as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and promises set forth herein and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement agree as follows:

1. SERVICES PROVIDED. NL will make available to TIMET and its subsidiaries the following services (the "Services"):

- (a) certain administration and management services with respect to TIMET's insurance and risk management needs, including:
 - (i) management of claims (including insured and self-insured workers compensation and liability claims);
 - (ii) budgeting and related activities;
 - (iii) coordination of property loss control program; and
 - (iv) administration of TIMET's insurance program, excluding all employee benefit and welfare related programs.
- (b) consultation and assistance in performing internal audit projects, as requested.
- (c) 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.

2. FEES FOR SERVICES AND REIMBURSEMENT OF EXPENSES. During the Term (as defined below) of the Agreement, TIMET shall pay to NL an annual fee of \$312,000 for the Services described in paragraphs 1(a), 1(c), and 1(d) above payable in quarterly installments of \$78,000 plus all out-of-pocket expenses incurred in connection with the performance of such Services. In addition, TIMET will pay to NL within thirty (30) days after receipt of an invoice (such invoices to occur no more frequently than once per month) an amount equal to the product of \$600 multiplied by the number of days devoted by NL's internal auditors to providing

Services described in paragraph 1(b) above times the number of internal auditors providing such Services plus all out-of-pocket expenses incurred in the performance of such Services. Notwithstanding the foregoing, in the event that TIMET 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 TIMET or NL, as appropriate, shall provide the other party with a ninety (90) day prior written notice of cancellation describing the Services to be terminated or discontinued and TIMET 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 TIMET or its subsidiaries for any error of judgment or mistake of law or for any loss incurred by TIMET 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 TIMET. TIMET 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 TIMET 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 be 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 TIMET: Titanium Metals 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, 1999, and shall remain in effect for a term of one year until December 31, 1999 (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 effective as of the 12th day of May, 1999, which Agreement will be deemed to be effective as of January 1, 1999.

NL INDUSTRIES, INC.

By: _____
Robert D. Hardy
Vice President

TITANIUM METALS CORPORATION

By: _____
J. Thomas Montgomery
Vice President

INTERCORPORATE SERVICES AGREEMENT

INTERCORPORATE SERVICES AGREEMENT effective as of January 1, 1999 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 services 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) certain administration and management services with respect to Tremont's insurance and risk management needs, including:
 - (i) management of claims (including insured and self-insured workers compensation and liability claims);
 - (ii) budgeting and related activities;
 - (iii) administration of Tremont's captive insurance company;
 - (iv) coordination of property loss control program; and
 - (v) administration of Tremont's insurance program, excluding all employee benefit and welfare related programs.
 - (b) certain administration and management services with respect to Tremont's real properties and interests.
 - (c) consultation and assistance in performing internal audit projects, as requested.
 - (d) 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.

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 \$85,000 (the "Annual Fee") for the Services described in paragraphs 1(a), 1(b), and 1(d) above payable in quarterly installments of \$21,250, plus all out-of-pocket expenses incurred in connection with the performance of such Services. In addition, Tremont will, within thirty (30) days after receipt of an invoice (such invoices to occur no more frequently than once per month) pay to NL an amount equal to the product of \$600 multiplied by the number of days devoted by NL's internal auditors to providing Services described in paragraph 1(c) above times the number of internal auditors providing such Services plus all out-of-pocket expenses incurred in the performance of such Services. 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 ninety (90) 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 be 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, 1999, and shall remain in effect for a term of one year until December 31, 1999 (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 12th day of May, 1999, which Agreement will be deemed to be effective as of January 1, 1999.

NL INDUSTRIES, INC.

By: _____
Robert D. Hardy
Vice President

TREMONT CORPORATION

By: _____
J. Thomas Montgomery
Vice President

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

1,000

3-MOS		
	DEC-31-1999	
	JAN-01-1999	
	MAR-31-1999	
		135,265
		0
		137,818
		2,281
		209,251
	530,144	798,285
		438,484
	1,106,946	
	277,230	302,211
	0	0
		8,355
		143,031
1,106,946		201,569
	207,982	147,040
		147,040
		0
		63
	9,779	
	18,601	
		4,650
13,940		0
		0
		0
		13,940
		0.27
		0.27