SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 - For the quarter ended SEPTEMBER 30, 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 November 11, 1999: 51,660,539

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1998	September 30, 1999
Current assets:		
Cash and cash equivalents	$ 154,953	$ 156,700
Restricted cash equivalents	8,164	24,787
Accounts and notes receivable	133,769	164,882
Receivable from affiliates	692	1,685
Refundable income taxes	15,919	1,832
Inventories	228,611	175,617
Prepaid expenses	2,724	6,769
Deferred income taxes	1,955	10,588
Total current assets	546,787	542,860
Other assets:		
Marketable securities	17,580	15,310
Investment in TiO2 manufacturing joint venture	171,202	159,152
Prepaid pension cost	23,990	24,461
Other	13,927	5,574
Total other assets	226,699	204,497
Property and equipment:		

Land	19,626	18,277
Buildings	144,228	135,467
Machinery and equipment	586,400	551,447
Mining properties	84,015	77,976
Construction in progress	4,385	18,395
	838,654	801,562
Less accumulated depreciation and depletion	456,495	444,539
Net property and equipment	382,159	357,023
	$1,155,645	$1,104,380

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1998	September 30, 1999
Current liabilities:		
Notes payable	$ 36,391	$ 32,428
Current maturities of long-term debt	64,826	64,576
Accounts payable and accrued liabilities	187,661	194,160
Payable to affiliates	11,317	10,102
Income taxes	9,224	9,924
Deferred income taxes	1,236	1,734
Total current liabilities	310,655	312,924
Noncurrent liabilities:		
Long-term debt	292,803	244,335
Deferred income taxes	196,180	105,565
Accrued pension cost	44,649	39,107
Accrued postretirement benefits cost	41,659	37,588
Other	116,732	91,661
Total noncurrent liabilities	692,023	518,256
Minority interest	633	2,853
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	774,288	774,288
Retained earnings (deficit)	(133,379)	4,088
Accumulated other comprehensive loss	(132,129)	(151,788)
Treasury stock	(364,801)	(364,596)

Total shareholders' equity	152,334	270,347
	$ 1,155,645	$ 1,104,380

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
Revenues and other income:				
Net sales	$ 221,520	$ 242,621	$ 685,794	$ 676,758
Other, net	7,500	3,967	20,769	20,040
	229,020	246,588	706,563	696,798
Costs and expenses:				
Cost of sales	151,782	181,745	476,026	496,564
Selling, general and administrative	32,069	32,119	98,337	97,761
Interest	15,066	9,060	46,917	28,136
	198,917	222,924	621,280	622,461
Income from continuing operations before income taxes and minority interest	30,103	23,664	85,283	74,337
Income tax benefit (expense)	1,273	(6,507)	(14,174)	70,833
Income from continuing operations before minority interest	31,376	17,157	71,109	145,170
Minority interest	17	11	36	2,261
Income from continuing operations	31,359	17,146	71,073	142,909
Discontinued operations	--	--	287,396	--
Extraordinary item - early				

extinguishment of debt, net of tax benefit of $1,293 and $2,568, respectively	(2,400)	--	(4,766)	--
Net income	$ 28,959	$ 17,146	$ 353,703	$ 142,909

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
Basic earnings per share:				
Continuing operations	$ .61	$ .33	$ 1.38	$ 2.76
Discontinued operations	--	--	5.60	--
Extraordinary item	(.05)	--	(.09)	--
Net income	$ .56	$ .33	$ 6.89	$ 2.76
Diluted earnings per share:				
Continuing operations	$ .60	$ .33	$ 1.37	$ 2.75
Discontinued operations	--	--	5.52	--
Extraordinary item	(.05)	--	(.09)	--
Net income	$ .55	$ .33	$ 6.80	$ 2.75
Shares used in the calculation of earnings per share:				
Basic	51,444	51,835	51,356	51,828
Dilutive impact of stock options	750	108	668	68
Diluted	52,194	51,943	52,024	51,896

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
Net income	$28,959	$17,146	$353,703	$142,909
Other comprehensive income (loss), net of tax:				
Marketable securities adjustment	913	(670)	1,812	(1,475)
Currency translation adjustment	4,603	2,198	1,531	(18,184)
Total other comprehensive income (loss)	5,516	1,528	3,343	(19,659)
Comprehensive income	$34,475	$18,674	$357,046	$123,250

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Nine months ended September 30, 1999

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings (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	--	--	142,909	--	--	--	--	142,909
Other comprehensive loss, net	--	--	--	(18,184)	--	(1,475)	--	(19,659)
Dividends	--	--	(5,442)	--	--	--	--	(5,442)
Treasury stock reissued	--	--	--	--	--	--	205	205
Balance at September 30, 1999	$ 8,355	$ 774,288	$ 4,088	$(151,624)	$ (3,187)	$ 3,023	$(364,596)	$ 270,347

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30, 1998 and 1999

(In thousands)

	1998	1999
Cash flows from operating activities:		
Net income	$ 353,703	$ 142,909
Depreciation, depletion and amortization	25,531	25,343
Noncash interest expense	17,291	1,262
Deferred income taxes	1,958	(88,574)
Distribution from TiO2 manufacturing joint venture	--	12,050
Discontinued operations:		
Net gain from sale of Rheox	(286,071)	--
Income from operations of Rheox	(1,325)	--
Other, net	(9,453)	(5,160)
	101,634	87,830
Change in assets and liabilities:		
Accounts and notes receivable	(26,697)	(39,832)
Inventories	(13,670)	40,027
Prepaid expenses	(3,501)	(4,646)
Accounts payable and accrued liabilities	12,994	1,996
Income taxes	(14,572)	13,722
Other, net	11,808	(17,022)
Rheox, net	(25,864)	--
Net cash provided by operating activities	42,132	82,075
Cash flows from investing activities:		
Capital expenditures	(12,731)	(25,818)
Change in restricted cash equivalents, net	(2,909)	(12,398)
Proceeds from disposition of property and equipment	486	2,160
Collection of note receivable	6,875	--
Investment in joint venture	(371)	--
Proceeds from sale of Rheox	435,080	--
Rheox, net	(26)	--
Net cash provided (used) by investing activities	426,404	(36,056)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Nine months ended September 30, 1998 and 1999

(In thousands)

	1998	1999
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 30,491	$ 56,271
Principal payments	(170,853)	(93,278)
Dividends paid	(3,082)	(5,442)
Settlement of shareholder derivative lawsuit, net	11,211	--
Other, net	90	199
Rheox, net	(117,500)	--
Net cash used by financing activities	(249,643)	(42,250)
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	218,893	3,769
Currency translation	506	(2,022)
Sale of Rheox	(7,630)	--
Balance at beginning of period	96,394	154,953
Balance at end of period	$ 308,163	$ 156,700
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	$ 21,972	$ 19,700
Income taxes, net	47,839	3,638

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 September 30, 1999, Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 58% and 20%, respectively, of NL's outstanding common stock. At September 30, 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 55% 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 September 30, 1999 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended September 30, 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, as amended, no later than the first quarter of 2001. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives 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 - TiO_2.

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
	(In thousands)			
Net sales	$ 221,520	$ 242,621	$ 685,794	$ 676,758
Other income, excluding corporate	2,036	1,146	4,719	11,748
	223,556	243,767	690,513	688,506
Cost of sales	151,782	181,745	476,026	496,564
Selling, general and				

administrative, excluding corporate	26,750	27,263	83,339	82,086
Operating income	45,024	34,759	131,148	109,856
General corporate income (expense):				
Securities earnings, net	4,345	1,696	12,747	4,841
Expenses, net	(4,200)	(3,731)	(11,695)	(12,223)
Interest expense	(15,066)	(9,060)	(46,917)	(28,137)
	$ 30,103	$ 23,664	$ 85,283	$ 74,337

Note 4 - Inventories:

	December 31, 1998	September 30, 1999
	(In thousands)	
Raw materials	$ 46,114	$ 40,191
Work in process	11,530	8,073
Finished products	136,225	99,341
Supplies	34,742	28,012
	$228,611	$175,617

Note 5 - Marketable securities:

	December 31, 1998	September 30, 1999
	(In thousands)	
Available-for-sale marketable equity securities:		
Unrealized gains	$ 8,512	$ 7,526
Unrealized losses	(1,591)	(2,875)
Cost	10,659	10,659
Aggregate market	$ 17,580	$ 15,310

Note 6 - Other noncurrent assets:

	December 31, 1998	September 30, 1999
	(In thousands)	
Deferred financing costs, net	$ 4,124	$ 2,705
Restricted cash equivalents	4,225	--
Intangible assets, net	1,985	442
Other	3,593	2,427
	$13,927	$ 5,574

Note 7 - Accounts payable and accrued liabilities:

	December 31, 1998	September 30, 1999
	(In thousands)	
Accounts payable	$ 55,270	$ 44,765
Accrued liabilities:		
Environmental costs	44,122	56,290
Employee benefits	37,399	32,659
Interest	7,346	14,495
Other	43,524	45,951
	132,391	149,395
	$187,661	$194,160

Note 8 - Other noncurrent liabilities:

	December 31, 1998	September 30, 1999
	(In thousands)	
Environmental costs	$ 81,454	$ 60,316
Insurance claims and expenses	10,872	11,574
Deferred income	12,333	9,333
Employee benefits	9,778	8,376
Other	2,295	2,062
	$116,732	$ 91,661

Note 9 - Notes payable and long-term debt:

	December 31, 1998	September 30, 1999
	(In thousands)	
Notes payable - Kronos (DM 60,500)	$ 36,391	$ 32,428
Long-term debt:		
Kronos:		
DM bank credit facility (DM 187,322 and DM 120,072, respectively)	$112,674	$ 64,359
Other	955	552
	113,629	64,911
NL Industries - 11.75% Senior Secured Notes ..	244,000	244,000
	357,629	308,911
Less current maturities	64,826	64,576
	$292,803	$244,335

Note 10 - Income taxes:

The difference between the income tax benefit (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.

	Nine months ended September 30, 1998	Nine months ended September 30, 1999
	(In thousands)	
Expected tax expense	$(29,849)	$(26,018)
Non-U.S. tax rates	(281)	482
German solidarity and trade income taxes	(1,628)	(6,156)
Resolution of German income tax audits	--	36,490
Change in valuation allowance:		
Corporate restructuring in Germany and other	--	77,580
Change in German income tax law	--	(24,070)
Recognition of certain deductible tax attributes which previously did not meet the "more-likely-than-not" recognition criteria	11,426	12,335
Incremental tax on income of companies not included		

in NL's consolidated U.S. federal income tax return ...	(2,142)	(2,049)
Refund of prior-year dividend withholding tax	8,219	--
U.S. state income taxes	(200)	759
Other, net	281	1,480
Income tax benefit (expense)	$(14,174)	$ 70,833

The Company recognized a $90 million noncash income tax benefit in the second quarter of 1999 related to (i) a favorable resolution of the Company's previously reported tax contingency in Germany ($36 million) and (ii) a net reduction in the Company's deferred income tax valuation allowance due to a change in estimate of the Company's ability to utilize certain income tax attributes under the "more-likely-than-not" recognition criteria ($54 million).

With respect to the German tax contingency, the German government has conceded substantially all of its income tax claims against the Company and has released a DM 94 million ($50 million) lien on the Company's Nordenham, Germany TiO_2 plant that secured the government's claim.

The $54 million net decrease in the Company's deferred income tax valuation allowance is comprised of (i) a $78 million decrease in the valuation allowance to recognize the benefit of certain deductible income tax attributes which the Company now believes meets the recognition criteria as a result of, among other things, a corporate restructuring of the Company's German subsidiaries offset by (ii) a $24 million increase in the valuation allowance to reduce the previously recognized benefit of certain other deductible income tax attributes which the Company now believes do not meet the recognition criteria due to a change in German tax law. The German tax law change, enacted on April 1, 1999, was effective retroactive to January 1, 1999 and resulted in an additional $6 million of current tax expense during the first nine months of 1999.

During the first nine months of 1999, the Company also reduced its deferred income tax valuation allowance by $12 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.

Note 11 - Other income, net:

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
	(In thousands)			
Corporate interest and dividend income	$4,345	$1,696	$12,747	$ 4,841
Currency transaction gains, net	986	894	2,703	8,735
Noncompete agreement income	1,000	1,000	2,667	3,000
Trade interest income	525	360	1,562	1,665
Gain (loss) from disposition of property and equipment	172	(242)	(130)	705
Other, net	472	259	1,220	1,094
	$7,500	$3,967	$20,769	$20,040

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.

	Nine months ended September 30, 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	286,071
	$ 287,396
Cash flows from:	
Operating activities	$ (25,864)
Investing activities - capital expenditures	(26)
Financing activities - indebtedness, net	(117,500)
	$(143,390)

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", (iii) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999, and (iv) the 1998 Annual Report.

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

RESULTS OF OPERATIONS

Net sales and operating income

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	1998	1999		1998	1999	
	(In millions)			(In millions)		
Net sales	$ 221.5	$ 242.6	+10%	$ 685.8	$ 676.8	-1%
Operating income	$ 45.0	$ 34.8	-23%	$ 131.1	$ 109.9	-16%
Percent changes in TiO2:						
Sales volume			+18%			N/C
Average selling prices (in billing currencies)			-4%			N/C

Kronos' operating income in the third quarter of 1999 decreased from the comparable period in 1998 primarily due to lower average selling prices and lower production volume, partially offset by higher sales volume. Kronos' operating income in the first nine months of 1999 decreased from the comparable period in 1998 primarily due to lower production volume, partially offset by a second-quarter 1999 $5.3 million currency exchange transaction gain related to certain of the Company's short-term intercompany cross-border financings. These intercompany financings were settled in July 1999.

Worldwide demand for TiO2 was strong in the second and third quarters of 1999 and Kronos expects the strong demand will continue in the fourth quarter of 1999. Kronos believes the increased demand is primarily a result of strong worldwide economic conditions, although Kronos believes a portion of this increased demand is related to customers building their inventory levels. Customers' decisions to increase inventory levels may be influenced by (i) announced price increases, as discussed in more detail below, and (ii) general concerns regarding the year 2000. Kronos believes that demand in the first half of 2000 could be lower than the last half of 1999 should customers build significant inventories prior to year-end 1999.

Average TiO2 selling prices for the third quarter of 1999 were 4% lower than the third quarter of 1998 and were 2% lower than the second quarter of 1999. Selling prices at the end of the third quarter approximated the average for the quarter. Kronos and certain of its competitors have announced worldwide price increases, and Kronos expects that its average selling prices should increase beginning in late 1999 or early 2000. Average selling prices in the first nine months of 1999 were comparable to the 1998 period, with slightly higher North American prices offset by lower prices in export markets and slightly lower prices in Europe.

Kronos' production volume in the third quarter of 1999 decreased 10% from the comparable 1998 period and decreased 8% from the second quarter of 1999 primarily as a result of scheduled downtime in the third quarter of 1999 for maintenance at the Company's chloride facilities. Production volume in the first

nine months of 1999 decreased 8% from the comparable 1998 period primarily due to this maintenance downtime and the Company's decision to manage inventory levels by curtailing production volume in the first quarter of 1999. Kronos' average production capacity utilization rate was 90% in the third quarter of

1999 and 91% for the first nine months of 1999. Kronos produced at full capacity in 1998. Due to strong worldwide demand and Kronos' inventory levels, Kronos intends to increase production volume in the fourth quarter, but production volume will be below sales volume for the full year.

Kronos' record sales volume in the third quarter of 1999 increased 18% over the third quarter of 1998 and increased 6% over the second quarter of 1999 with strong demand in all major regions. Sales volume in the first nine months of 1999 approximated the first nine months of 1998.

Kronos expects its full-year 1999 operating income will be below that of 1998 primarily because of lower production volume and slightly lower average selling prices, partially offset by higher sales volume.

Kronos' cost of sales as a percentage of net sales in the third quarter and first nine months of 1999 increased from the comparable periods in 1998 primarily due to lower production volume. Kronos' selling, general and administrative expenses increased $.5 million in the third quarter of 1999 compared to the third quarter of 1998 due to higher distribution expenses associated with higher third-quarter 1999 sales volume, partially offset by the favorable effects of foreign currency translation. Kronos' selling, general and administrative expenses decreased $1.3 million in the first nine months of 1999 due to lower employee benefit expenses and a second-quarter 1999 German non-income tax refund.

A significant amount of sales are denominated in currencies other than the U.S. dollar. Fluctuations in the value of the U.S. dollar relative to other currencies decreased the dollar value of sales for the third quarter and first nine months of 1999 by $5 million and $4 million, respectively, when compared to the year-earlier periods. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted the Company's operating expenses. The net impact of currency exchange rate fluctuations on the operating income comparisons to 1998, excluding the $5.3 million gain described above, were not significant in the third quarter and first nine months of 1999.

General corporate

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

	Three months ended September 30,		Difference	Nine months ended September 30,		Difference
	1998	1999		1998	1999	
			(In millions)			
Securities earnings ...	$ 4.3	$ 1.7	$ (2.6)	$ 12.7	$ 4.8	$ (7.9)
Corporate expenses, net	(4.1)	(3.7)	.4	(11.6)	(12.3)	(.7)
Interest expense	(15.1)	(9.1)	6.0	(46.9)	(28.1)	18.8
	$ (14.9)	$ (11.1)	$ 3.8	$ (45.8)	$ (35.6)	$ 10.2

Securities earnings decreased due to lower average cash and cash equivalent balances available for investment. Interest expense in the third quarter and first nine months of 1999 each decreased 40% from the comparable periods in 1998 primarily due to lower levels of outstanding debt. The Company expects its full-year 1999 securities earnings and interest expense will both be lower than 1998, primarily due to lower average cash and cash equivalent balances available for investment and lower levels of outstanding debt, respectively.

Provision for income taxes

Although the Company's overall current (cash) income tax rate is expected to continue to be lower than statutory rates, beginning in 2000 the Company expects its overall income tax rate (current and deferred income tax expense) to approximate statutory tax rates. See Note 10 to the Consolidated Financial Statements for a description of the Company's $90 million noncash income tax benefit recognized in the second quarter of 1999.

Other

Minority interest primarily relates to the Company's majority-owned environmental management subsidiary, NL Environmental Management Services, Inc. ("EMS"). Discontinued operations in 1998 represent the Company's former specialty chemicals operations which were sold in January 1998. The extraordinary item in 1998 resulted from early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the nine months ended September 30, 1998 and 1999 are summarized below.

	Nine months ended September 30, 1998	Nine months ended September 30, 1999
	(In millions)	
Net cash provided (used) by:		
Operating activities:		
Before changes in assets and liabilities	$101.6	$ 87.8
Changes in assets and liabilities	(59.5)	(5.7)
	42.1	82.1
Investing activities	426.4	(36.1)
Financing activities	(249.6)	(42.2)
Net cash provided by operating, investing, and financing activities	$218.9	$ 3.8

Operating cash flows

The TiO2 industry is cyclical and changes in economic conditions 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 decreased from the comparable period in 1998 primarily due to lower operating income, partially offset by $12.1 million of cash distributions from the Company's TiO2 manufacturing joint venture.

The net change in the Company's inventories, receivables and payables (excluding the effect of currency translation) provided cash in the first nine months of 1999 and used cash in the first nine months of 1998. Increases in accounts receivable balances used cash in both 1998 and 1999 due to high accounts receivable levels at the end of both September 30, 1998 and 1999 compared to each respective beginning of year amounts as a result of seasonally low sales volumes in December 1997 and 1998. Changes in inventory levels provided cash in the 1999 period and used cash in the 1998 period primarily due to lower production volume in the first nine months of 1999. Cash provided by operations in 1998 also includes $20 million related to an agreement not to compete in the rheological products business offset by $25 million of income tax payments related to the gain on sale of Rheox.

Financing cash flows

The Company prepaid its DM 107 million ($60 million when paid) term loan in full in the first quarter of 1999, principally by drawing DM 100 million ($56 million when drawn) on its DM revolving credit facility. In the second and third quarters of 1999, the Company repaid DM 20 million ($11 million when paid) and DM 40 million ($22 million when paid), respectively, of the DM revolving credit facility with cash provided from operations. The revolver's outstanding balance

of DM 120 million ($64 million at September 30, 1999) was further reduced in October 1999 by DM 20 million ($11 million when paid). The remaining balance of DM 100 million will be repaid or refinanced on or before its scheduled maturity date in September 2000.

In the third quarter of 1999, the Company paid a regular quarterly dividend of $.035 per share to shareholders aggregating $1.8 million. Dividends paid during the first nine months of 1999 totaled $5.4 million. In October 1999 the Company's Board of Directors declared a regular quarterly dividend of $.035 per share to shareholders of record as of December 16, 1999 to be paid on December 30, 1999. In October and through November 11, 1999, the Company purchased approximately 174,600 shares of its common stock for $1.9 million.

Cash, cash equivalents and borrowing availability

At September 30, 1999, the Company had cash and cash equivalents aggregating $157 million ($42 million held by non-U.S. subsidiaries) and an additional $25 million of restricted cash equivalents held by U.S. subsidiaries. The Company's subsidiaries had $78 million available for borrowing at September 30, 1999 under existing non-U.S. credit facilities, of which $59 million relates to the Company's DM revolving credit facility.

Income tax contingencies

Certain of the Company's tax returns in various U.S. and non-U.S. jurisdictions are being examined and tax authorities have proposed or may propose tax deficiencies, including non-income tax related items and interest. In the second quarter of 1999, certain significant German tax contingencies aggregating an estimated DM 188 million ($100 million when resolved) through 1998 were resolved in the Company's favor. See Note 10 to the Consolidated Financial Statements.

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's ongoing current (cash) income tax rate in Germany increased beginning in the second quarter of 1999.

During 1997 the Company received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million ($7 million at September 30, 1999) relating to 1994. The Company has appealed this assessment and the Fredrikstad City Court is scheduled to hear the case in January 2000. During 1998 the Company was informed by the Norwegian tax authorities that additional tax deficiencies of NOK 39 million ($5 million at September 30, 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 TiO_2 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.

Environmental matters and litigation

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites, mining locations and facilities currently or previously owned, operated or used by the Company, certain of which are on the U.S. Environmental Protection Agency's (the "U.S. EPA") Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant, including sites for which EMS has contractually assumed the Company's obligation. The Company believes it has adequate accruals ($117 million at September 30, 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.

Lead pigment litigation

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.

Year 2000 readiness

Computer programs which were written using two digits (rather than four) to define the applicable year may recognize a date using "00" as the year 1900 rather than the year 2000. This is generally referred to as the "year 2000 issue," which may affect the performance of computer programs, hardware, software and other products with embedded computer technology that is date sensitive. Unless corrective action is taken to ensure that such items are "year 2000 compliant," which means that they will be able to process dates and times in such a manner that their technical and functional requirements will continue to be met without interruption for the year 2000, they may generate erroneous data or cause systems, equipment or other products to fail.

The Company has evaluated and substantially upgraded 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, where practical, 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 complete on all critical IT and non-IT systems. 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, substantially all of which has been spent through September 30, 1999.

The Company has approximately 30 major computer systems which have been assessed for year 2000 compliance. At September 30, 1999, the Company believes all of such systems are year 2000 compliant. Each operating unit has responsibility for its own conversion of other nonmajor systems, in line with overall guidance and oversight provided by a corporate-level coordinator, and the status of each of the remaining nonmajor 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 in the process of developing a contingency plan to address potential year 2000 related business interruptions that may occur on January 1, 2000, or thereafter. The contingency plan is expected to be completed in the fourth quarter of 1999. As part of the contingency plan, the Company presently intends to idle its manufacturing facilities shortly before the turn of the millennium as an additional safeguard against the unexpected loss of utility services and resume production shortly after midnight year-end 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 TiO_2 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.

Euro currency

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, and has 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.

Other

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

Special note regarding forward-looking statements

The statements contained in this Report on Form 10-Q ("Quarterly Report") which are not historical facts, including, but not limited to, statements found under the captions "Results of Operations" and "Liquidity and Capital Resources" above, are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "will," "should," "anticipates," "expects," or comparable terminology or by discussions of strategy. 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 cyclicality 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 and the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999 for descriptions of certain previously-reported legal proceedings.

In October 1999 the Company was served with a complaint in State of Rhode Island v. Lead Industries Association, et al. (Superior Court of Rhode Island, No. 99-5226). Rhode Island, by and through its Attorney General, seeks compensatory and punitive damages for medical, school, and public and private building abatement expenses that the State alleges were caused by lead paint, and for funding of a public education campaign and screening programs. Plaintiff seeks judgments of joint and several liability against the Company, seven other companies alleged to have manufactured lead products in paint, and the Lead Industries Association. Plaintiffs allege public nuisance, violation of the Rhode Island Unfair Trade Practices and Consumer Protection Act, strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, civil conspiracy, unjust enrichment, indemnity, and equitable relief to protect children. The Company intends to deny all allegations of wrongdoing or liability and to defend the case vigorously.

In October 1999 the Company was served with a complaint in Cofield, et al. v. Lead Industries Association, et al. (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004491). Plaintiffs, six homeowners, seek to represent a class of all owners of nonrental residential properties in Maryland. Plaintiffs seek compensatory and punitive damages for the existence of lead-based paint in their homes, including funds for monitoring, detecting and abating lead-based paint in those residences. Plaintiffs allege that the Company; fourteen other companies alleged to have manufactured lead pigment, paint and/or gasoline additives; the Lead Industries Association; and the National Paint and Coatings Association are jointly and severally liable for alleged negligent product design, negligent failure to warn, supplier negligence, strict liability/defective design, strict liability/failure to warn, nuisance, indemnification, fraud and deceit, conspiracy, concert of action, aiding and abetting, and enterprise liability. Plaintiffs seek damages in excess of $20,000 per household. In October 1999 defendants removed the case to Maryland federal court. The Company intends to deny all allegations of wrongdoing or liability and to defend the case vigorously.

In October 1999 the Company was served with a complaint in Smith, et al. v. Lead Industries Association, et al. (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004490). Plaintiffs, six minors, each seek

compensatory damages of $5 million and punitive damages of $10 million. Plaintiffs allege that the Company; fourteen other companies alleged to have manufactured lead pigment, paint and/or gasoline additives; the Lead Industries Association; and the National Paint and Coatings Association are jointly and severally liable for alleged negligent product design, negligent failure to warn, supplier negligence, fraud and deceit, conspiracy, concert of action, aiding and abetting, strict liability/ failure to warn, and strict liability/defective design. In October 1999 defendants removed the case to Maryland federal court and in November 1999 the case was remanded to state court. The Company intends to deny all allegations of wrongdoing or liability and to defend the case vigorously.

In September 1999 an amended complaint was filed in Thomas v. Lead Industries Association, et al. (Circuit Court, Milwaukee, Wisconsin, Case No. 99-CV-6411) adding as defendants the Company and seven other companies alleged to have manufactured lead products in paint to a suit originally filed against plaintiff's landlords. Plaintiff, a minor, alleges injuries purportedly caused by lead on the surfaces of premises in homes in which he resided. Plaintiff seeks compensatory and punitive damages. Plaintiff alleges strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, and enterprise liability causes of action against the Company, six other former manufacturers of lead products contained in paint, and the Lead Industries Association. The Company intends to deny all allegations of wrongdoing or liability and to defend the case vigorously.

City of New York, et al. v. Lead Industries Association, et al (No. 89-4617). In September 1999 the trial court denied the previously reported plaintiffs' motions for summary judgment on market share and conspiracy issues and denied defendants' April 1999 motion for summary judgment on statute of limitations grounds. Plaintiffs have appealed the denial of their motions.

Parker v. NL Industries, et al. (No. 97085060 CC 915). In September 1999 the Special Court of Appeals reversed the previously reported grant of summary judgment to defendants. Defendants have requested review from the Court of Appeals.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 - Financial Data Schedule for the nine-month period ended September 30, 1999.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended September 30, 1999 and through the date of this report:

July 20, 1999 - reported Items 5 and 7.
July 26, 1999 - reported Items 5 and 7.
October 20, 1999 - reported Items 5 and 7.
October 28, 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: November 11, 1999

By /s/ Susan E. Alderton

Susan E. Alderton
Vice President and
Chief Financial Officer

DATE: November 11, 1999 By /s/ Robert D. Hardy

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

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	SEP-30-1999
<CASH>	156,700
<SECURITIES>	0
<RECEIVABLES>	154,694
<ALLOWANCES>	2,298
<INVENTORY>	175,617
<CURRENT-ASSETS>	542,860
<PP&E>	801,562
<DEPRECIATION>	444,539
<TOTAL-ASSETS>	1,104,380
<CURRENT-LIABILITIES>	312,924
<BONDS>	244,335
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	8,355
<OTHER-SE>	261,992
<TOTAL-LIABILITY-AND-EQUITY>	1,104,380
<SALES>	676,758
<TOTAL-REVENUES>	696,798
<CGS>	496,564
<TOTAL-COSTS>	496,564
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	184
<INTEREST-EXPENSE>	28,136
<INCOME-PRETAX>	74,337
<INCOME-TAX>	(70,833)
<INCOME-CONTINUING>	142,909
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	142,909
<EPS-BASIC>	2.76
<EPS-DILUTED>	2.75