SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 - For the quarter ended March 31, 1998

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, 1998: 51,339,714

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1997	March 31, 1998
Current assets:		
Cash and cash equivalents, including restricted cash of $9,751 and $5,742	$ 106,145	$ 356,780
Accounts and notes receivable	148,676	164,733
Refundable income taxes	1,941	6,370
Inventories	192,780	167,975
Prepaid expenses	3,348	5,076
Deferred income taxes	1,642	1,251
Total current assets	454,532	702,185
Other assets:		
Marketable securities	17,270	18,027
Investment in joint ventures	172,721	171,202
Prepaid pension cost	23,848	24,138
Other	18,592	14,537
Total other assets	232,431	227,904
Property and equipment:		
Land	19,479	18,448
Buildings	150,090	137,495
Machinery and equipment	616,309	553,206
Mining properties	88,617	82,232
Construction in progress	2,577	2,219
	877,072	793,600
Less accumulated depreciation and depletion	465,843	422,613
Net property and equipment	411,229	370,987
	$1,098,192	$1,301,076

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1997	March 31, 1998
Current liabilities:		
Notes payable	$ 13,968	$ 33,233
Current maturities of long-term debt	77,374	22,662
Accounts payable and accrued liabilities	161,730	150,686
Payable to affiliates	11,512	10,439
Income taxes	10,910	88,839
Deferred income taxes	891	599
Total current liabilities	276,385	306,458
Noncurrent liabilities:		
Long-term debt	666,779	519,064
Deferred income taxes	132,797	141,114
Accrued pension cost	44,389	41,697
Accrued postretirement benefits cost	50,951	46,328
Other	148,903	166,291
Total noncurrent liabilities	1,043,819	914,494
Minority interest	257	266
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	759,281
Accumulated other comprehensive loss	(129,513)	(128,621)
Accumulated deficit	(495,421)	(194,406)
Treasury stock	(364,971)	(364,751)
Total shareholders' equity (deficit)	(222,269)	79,858
	$ 1,098,192	$ 1,301,076

Commitments and contingencies (Note 14)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31, 1997 and 1998

(In thousands, except per share data)

	1997	1998
Revenues and other income:		
Net sales	$ 204,389	$ 222,629
Other, net	2,423	5,981
	206,812	228,610
Costs and expenses:		
Cost of sales	167,175	156,915
Selling, general and administrative	64,033	32,639
Interest	16,175	16,399
	247,383	205,953
Income (loss) from continuing operations before income taxes and minority interest	(40,571)	22,657
Income tax expense (benefit)	(404)	6,342
Income (loss) from continuing operations before minority interest	(40,167)	16,315
Minority interest	13	15
Income (loss) from continuing operations	(40,180)	16,300
Discontinued operations	4,459	287,060
Extraordinary item - early extinguishment of debt, net of tax benefit of $1,263	--	(2,345)
Net income (loss)	$ (35,721)	$ 301,015

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

Three months ended March 31, 1997 and 1998

(In thousands, except per share data)

	1997	1998
Basic earnings per common share:		
Continuing operations	$ (.79)	$ .32
Discontinued operations	.09	5.60
Extraordinary item	--	(.05)
Net income (loss)	$ (.70)	$ 5.87
Diluted earnings per share:		
Continuing operations	$ (.79)	$ .31
Discontinued operations	.09	5.54
Extraordinary item	--	(.05)
Net income (loss)	$ (.70)	$ 5.80
Shares used in the calculation of earnings per share:		
Basic	51,140	51,282
Dilutive impact of stock options	--	570
Diluted	51,140	51,852

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31, 1997 and 1998

(In thousands)

	1997	1998
Net income (loss)	$(35,721)	$301,015
Other comprehensive income, net of tax:		
Marketable securities adjustment	1,026	492
Currency translation adjustment	750	400
Total other comprehensive income	1,776	892
Comprehensive income (loss)	$(33,945)	$301,907

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Three months ended March 31, 1998

(In thousands)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)		Accumulated deficit	Treasury stock	Total
			Currency translation	Marketable securities			
Balance at December 31, 1997 ..	$ 8,355	$ 759,281	$(133,810)	$ 4,297	$(495,421)	$(364,971)	$(222,269)
Net income	--	--	--	--	301,015	--	301,015
Other comprehensive income, net	--	--	400	492	--	--	892
Treasury stock reissued	--	--	--	--	--	220	220
Balance at March 31, 1998	$ 8,355	$ 759,281	$(133,410)	$ 4,789	$(194,406)	$(364,751)	$ 79,858

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31, 1997 and 1998

(In thousands)

	1997	1998
Cash flows from operating activities:		
Net income (loss)	$ (35,721)	$ 301,015
Depreciation, depletion and amortization	8,915	8,463
Noncash interest expense	5,448	5,909
Deferred income taxes	(514)	(789)
Change in accounting for environmental remediation costs	30,000	--
Discontinued operations:		
Net gain from sale of Rheox	--	(285,735)
Income from operations of Rheox	(4,459)	(1,325)
Other, net	(1,663)	(4,518)
	2,006	23,020
Change in assets and liabilities:		
Accounts and notes receivable	(27,429)	(32,685)
Inventories	27,754	3,552
Prepaid expenses	(1,418)	(2,307)
Accounts payable and accrued liabilities	(1,953)	873
Income taxes	5,781	(3,399)
Other, net	(2,382)	24,088
Rheox, net	4,953	(1,193)
Net cash provided by operating activities	7,312	11,949
Cash flows from investing activities:		
Capital expenditures	(8,617)	(2,430)
Investment in joint venture, net	2,379	(371)
Proceeds from sale of Rheox	--	435,080
Rheox, net	(247)	(26)
Other, net	60	11
Net cash provided (used) by investing activities	(6,425)	432,264

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Three months ended March 31, 1997 and 1998

(In thousands)

	1997	1998
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ --	$ 30,491
Principal payments	(157,880)	(98,499)
Deferred financing costs	(2,343)	--
Rheox, net	124,212	(117,500)
Other, net	231	220
Net cash used by financing activities	(35,780)	(185,288)
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	(34,893)	258,925
Currency translation	(1,560)	(660)
Sale of Rheox	--	(7,630)
Balance at beginning of period	114,115	106,145
Balance at end of period	$ 77,662	$ 356,780
Supplemental disclosures - cash paid (received) for:		
Interest, net of amounts capitalized	$ 7,153	$ 4,322
Income taxes, net	(4,385)	8,830

See accompanying notes to consolidated financial statements.

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its titanium dioxide pigments ("TiO_2") operations primarily through its wholly-owned subsidiary, Kronos, Inc. In January 1998 the specialty chemicals business of Rheox, Inc., a wholly-owned subsidiary of NL, was sold. At March 31, 1998 Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 58% and 18%, respectively, of NL's outstanding common stock, and together may be deemed to control NL. At March 31, 1998 Contran and its subsidiaries and other entities related to Harold C. Simmons held approximately 93% of Valhi's and 50% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1997 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at March 31, 1998 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended March 31, 1997 and 1998 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, including reporting the Company's specialty chemicals business as a discontinued operation. 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, 1997 (the "1997 Annual Report").

Note 2 - Earnings per common share:

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

Note 3 - Business segment information:

The Company's continuing operations are conducted by Kronos in one business segment - TiO2.

	Three months ended March 31, 1997	Three months ended March 31, 1998
	(In thousands)	
Operating income - Kronos	$ 8,689	$ 39,399
General corporate income (expense):		
Securities earnings, net	597	3,848
Expenses, net	(33,682)	(4,191)
Interest expense	(16,175)	(16,399)
	$(40,571)	$ 22,657

Corporate expenses, net decreased in the first quarter of 1998 due to the $30 million noncash charge taken in the first quarter of 1997 related to the adoption of a new method of accounting for certain environmental remediation costs.

Note 4 - Inventories:

	December 31, 1997	March 31, 1998
	(In thousands)	
Raw materials	$ 45,844	$ 40,416
Work in process	8,018	7,375
Finished products	107,427	89,727
Supplies	31,491	30,457
	$192,780	$167,975

Note 5 - Marketable securities:

	December 31, 1997	March 31, 1998
	(In thousands)	
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	$ 6,939	$ 7,635
Unrealized losses	(328)	(267)
Cost	10,659	10,659
Aggregate market	$ 17,270	$ 18,027

Note 6 - Investment in joint ventures:

	December 31, 1997	March 31, 1998
	(In thousands)	
TiO2 manufacturing joint venture	$170,830	$171,202
Other	1,891	--
	$172,721	$171,202

Note 7 - Other noncurrent assets:

	December 31, 1997	March 31, 1998
	(In thousands)	
Deferred financing costs, net	$ 9,973	$ 7,614
Intangible assets, net	4,228	3,507
Other	4,391	3,416
	$18,592	$14,537

Note 8 - Accounts payable and accrued liabilities:

	December 31, 1997	March 31, 1998
	(In thousands)	
Accounts payable	$ 64,698	$ 47,475
Accrued liabilities:		
Employee benefits	40,110	34,469
Environmental costs	9,000	9,000
Interest	6,966	13,822
Other	40,956	45,920
	97,032	103,211
	$161,730	$150,686

Note 9 - Other noncurrent liabilities:

	December 31, 1997	March 31, 1998
	(In thousands)	
Environmental costs	$125,502	$124,773
Insurance claims and expenses	11,436	11,376
Employee benefits	10,835	10,512
Deferred income	--	15,333
Other	1,130	4,297
	$148,903	$166,291

Note 10 - Notes payable and long-term debt:

	December 31, 1997	March 31, 1998
	(In thousands)	
Notes payable - Kronos (DM 25,000 and DM 60,500, respectively)	$ 13,968	$ 33,233
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	169,857	164,229
	419,857	414,229
Kronos:		
DM bank credit facility (DM 288,322 and DM 227,322, respectively)	161,085	124,868
Joint venture term loan	42,429	--
Other	3,282	2,629
	206,796	127,497
Rheox - bank term loan	117,500	--
	744,153	541,726
Less current maturities	77,374	22,662
	$666,779	$519,064

Note 11 - 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, 1997	Three months ended March 31, 1998
	(In thousands)	
Expected tax expense (benefit)	$(14,200)	$ 7,930
Non-U.S. tax rates	(207)	(52)
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return	500	1,230
Change in valuation allowance	12,942	(2,848)
U.S. state income taxes	171	100
Other, net	390	(18)
Income tax expense (benefit)	$ (404)	$ 6,342

Note 12 - Other income, net:

	Three months ended March 31, 1997	1998
	(In thousands)	
Interest and dividends	$ 597	$3,848
Noncompete agreement income	--	667
Currency transaction gains, net	763	583
Other, net	1,063	883
	$2,423	$5,981

Note 13 - Discontinued operations:

The Company sold the net assets of its Rheox specialty chemicals business for $465 million cash (before fees and expenses) in the first quarter of 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 $285 million on the sale of this business segment. A portion of the after-tax proceeds of about $384 million have been used to reduce outstanding indebtedness by approximately $171 million.

Condensed income statement data related to discontinued operations for the interim periods ended March 31, 1997 and 1998 are as follows. 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, 1997	1998
	(In thousands)	
Operations:		
Net sales	$ 35,087	$ 12,630
Operating income	10,013	2,900
Interest and other expenses	2,863	797
Income before income taxes and minority interest	7,150	2,103
Income tax expense	2,696	778
Minority interest	(5)	--
	4,459	1,325
Gain from sale of Rheox, net of tax expense of $86,222	--	285,735
Net income	$ 4,459	$287,060

Condensed cash flow data for Rheox (excluding dividends paid to, contributions received from and intercompany loans with NL) is presented below:

	Three months ended March 31, (In thousands) 1997	1998
Cash flows from operating activities	$ 4,953	$ (1,193)
Cash flows from investing activities - capital expenditures and other	(247)	(26)
Cash flows from financing activities - indebtedness, net	124,212	(117,500)
	$ 128,918	$(118,719)

Note 14 - Commitments and contingencies:

For descriptions of certain legal proceedings, income tax and other commitments and contingencies related to the Company, reference is made to (i) Management's Discussion and Analysis of Financial Condition and Results of Operations, (ii) Part II, Item 1 -"Legal Proceedings" and (iii) the 1997 Annual Report.

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

RESULTS OF OPERATIONS

	Three months ended March 31, 1997	1998	% Change
	(In millions)		
Net sales - Kronos	$ 204.4	$ 222.6	+9%
Operating income - Kronos	$ 8.7	$ 39.4	+353%
Percent changes in TiO2:			
Sales volume			+2%
Average selling prices (in billing currencies)............			+17%

The Company's TiO2 operations are conducted by Kronos. Kronos' operating income in the first quarter of 1998 increased from the first quarter of 1997 on higher average selling prices and improved production and sales volumes. Kronos expects its full-year 1998 operating income will exceed that of 1997, primarily because of higher average TiO2 selling prices for 1998 compared to 1997.

Average TiO2 selling prices for the first quarter of 1998 were 17% higher than the first quarter of 1997 and 5% higher than the fourth quarter of 1997. The Company expects TiO2 prices will increase during the remainder of 1998.

Kronos' first quarter sales volume was 2% higher than the first quarter of 1997 as increased sales volume in Europe more than offset lower sales volume in other regions. Kronos anticipates its TiO2 sales volume for full-year 1998 will approximate volumes for calendar year 1997.

Kronos' cost of sales as a percentage of net sales decreased in the first quarter of 1998 primarily due to higher average selling prices. Kronos' selling, general and administrative expenses decreased in the first quarter of 1998 due to favorable effects of foreign currency translation, partially offset by higher distribution expenses associated with higher first-quarter 1998 sales volume.

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 decreased the dollar value of sales for the first quarter of 1998 by $15 million compared to the first quarter of 1997.

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

	Three months ended March 31, 1997	1998	Difference
	(In millions)		
Securities earnings	$ .6	$ 3.8	$ 3.2
Corporate expenses, net	(33.7)	(4.2)	29.5
Interest expense	(16.2)	(16.4)	(.2)
	$ (49.3)	$ (16.8)	$ 32.5

Securities earnings increased due to higher average balances available for investment. Corporate expenses, net in the first quarter of 1998 was lower than the comparable period in 1997 due to the $30 million noncash charge taken in the first quarter of 1997 related to the Company's adoption of SOP No. 96-1, "Environmental Remediation Liabilities." This charge is included in selling, general and administrative expense in the Company's consolidated statements of income.

The Company sold the net assets of its Rheox specialty chemicals business in the first quarter of 1998 to Elementis plc for $465 million cash (before fees and expenses), 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 on disposal, included in discontinued operations, of $285 million on the sale, and will recognize the income associated with the $20 million noncompete agreement proceeds as a component of general corporate income ratably over the five-year term of the agreement. In addition to the gain, discontinued operations include the after-tax income of the operations of the Company's specialty chemical business through the date of the sale. The effective income tax rate related to the gain on disposal is lower than the U.S. federal statutory income tax rate of 35% principally due to the utilization of certain tax attributes for which the benefit had not been previously recognized.

As discussed below in "Liquidity and Capital Resources," the Company prepaid certain of its indebtedness with a portion of the proceeds of the sale of its specialty chemicals business. The Company recognized a $2.3 million after-tax extraordinary loss associated with the prepayment of such indebtedness, due to the write-off of deferred financing costs of $1.6 million (net of tax benefit of $.9 million) related to the prepaid indebtedness and the payment of market premiums on $11 million accreted value of the Company's 13% Senior Secured Discount Notes purchased in open market transactions.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the three months ended March 31, 1997 and 1998 are presented below.

	Three months ended March 31, 1997	Three months ended March 31, 1998
	(In millions)	
Net cash provided (used) by:		
Operating activities	$ 7.3	$ 11.9
Investing activities	(6.4)	432.3
Financing activities	(35.8)	(185.3)
Net cash provided (used) by operating, investing and financing activities	$ (34.9)	$ 258.9

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 1998 period improved from the comparable period in 1997 due to higher 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 1997 and 1998; however, the cash used in the first quarter of 1997 was significantly less than the first quarter of 1998 due to cash provided from reductions in inventory levels in the 1997 period.

A portion of the $465 million proceeds from the sale of the Company's specialty chemicals business (net proceeds of $380 million after current income taxes and other expenses) was used to prepay $171 million of outstanding indebtedness, as described below. The Company plans to use the balance of the net proceeds to invest in additional TiO2 capacity or further reduce outstanding indebtedness. The Company currently expects to pay income taxes related to the gain from the sale of Rheox during the remainder of 1998.

With a portion of the net proceeds, the Company prepaid the remaining $118 million of the Rheox credit facility and the remaining $42 million of Kronos' share of the LPC joint venture term loan in the first quarter of 1998. In addition, the Company made $11 million of open-market purchases of the Company's 13% Senior Secured Discount Notes at prices ranging from $101.25 to $102.27 of their principal amounts in the first quarter of 1998.

In accordance with the provisions of the DM credit agreement and as a result of higher than expected operating income in 1997 for Kronos International, Inc., the Company prepaid DM 81 million ($44 million when paid) of the term loan in March 1998, of which DM 49 million ($27 million when paid) fully satisfied the September 1998 scheduled term loan payment and the remaining DM 32 million ($17 million when paid) reduced the March 1999 scheduled term loan payment. A portion of the funds for such prepayment of the DM term loan was provided by a DM 35 million ($19 million when borrowed) increase in outstanding borrowings under the Company's short-term non-U.S. credit facilities.

At March 31, 1998 the Company had cash and cash equivalents aggregating $357 million (10% held by non-U.S. subsidiaries), including restricted cash and cash equivalents of $6 million. The Company's subsidiaries had $74 million available for borrowing at March 31, 1998 under existing non-U.S. credit facilities. On May 6, 1998 the Company announced the resumption of a regular quarterly dividend by declaring a $.03 per share cash dividend to be paid to shareholders of record on June 1, 1998.

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. The Company previously reached an agreement with the German tax authorities and paid certain tax deficiencies of approximately DM 44 million ($28 million when paid), including interest, which resolved significant tax contingencies for years through 1990. During 1997 the Company reached a tentative agreement with the German tax authorities regarding the years 1991 through 1994, and expects to pay DM 9 million ($5 million at March 31, 1998) during the second half of 1998 in settlement of certain tax issues. Certain other significant German tax contingencies remain outstanding for the years 1990 through 1996 and will continue to be litigated. With respect to these contingencies, the Company has received certain revised tax assessments aggregating DM 119 million ($65 million at March 31, 1998), including non-income tax related items and interest, for years through 1996. The Company expects to receive tax assessments for an additional DM 20 million ($11 million at March 31, 1998), including non-income tax related items and interest, for the years 1991 through 1994. 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 that involved in the Company's primary remaining tax contingency was decided in favor of the taxpayer. The German tax authorities have appealed that decision to the German Supreme Court; the Company believes that the decision by the German Supreme Court will be rendered within two years and will become a legal precedent which will likely determine the outcome of the Company's primary dispute with the German tax authorities, which assessments, including non-income tax related items and interest, aggregate DM 121 million. Although the Company believes that it will ultimately prevail, the Company has granted a DM 94 million ($52 million at March 31, 1998) lien on its Nordenham, Germany TiO_2 plant in favor of the City of Leverkusen, and a DM 5 million ($3 million at March 31, 1998) lien in favor of the German federal tax authorities.

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, 1998) relating to 1994. The Company has appealed this assessment and expects to litigate this issue.

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 adequately provided 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 ($134 million at March 31, 1998) 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 $175 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 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 industry. 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 involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this Quarterly Report could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report and in the 1997 Annual Report, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's other public reports and filings and public statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1997 Annual Report for descriptions of certain previously-reported legal proceedings.

Adams v. NL Industries, Inc., et al. (No. A9701785). In March 1998 the plaintiffs dismissed this case without prejudice.

Batavia, New York Superfund Site. In April 1998 the U.S. EPA indicated that its claim for past costs from the PRPs was approximately $2.4 million.

De Leon vs. Exide Corp. and NL Industries, Inc. (No. DV98-02669-B). In April 1998 the Company was served with a complaint on behalf of 47 homeowners and their spouses seeking damages for alleged loss of property value, repair costs, mental anguish, environmental monitoring, punitive damages and injunctive relief in connection with property allegedly contaminated by a secondary lead smelter formerly owned by the Company. The time for defendants to file their answer or other response to the complaint has not yet expired. The Company intends to defend the action vigorously.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 - Financial Data Schedule for the three-month period ended March 31, 1998.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended March 31, 1998 and through the date of this report:

January 23, 1998 - reported Items 5 and 7.
January 30, 1998 - reported Items 5 and 7.
January 30, 1998 - reported Items 2 and 7.
February 17, 1998 - reported Item 5.
February 26, 1998 - reported Items 5 and 7.
February 26, 1998 - reported Item 5.
April 17, 1998 - reported Items 5 and 7.
May 6, 1998 - 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, 1998 By /s/ Susan E. Alderton
- -------------------- ---------------------------------
Susan E. Alderton
Vice President and
Chief Financial Officer

Date: May 12, 1998 By /s/ Dennis G. Newkirk
- -------------------- ---------------------------------
Dennis G. Newkirk
Vice President and Controller
(Principal Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
356,780
0
147,842
2,602
167,975
702,185
793,600
422,613
1,301,076
306,458
519,064
0
0
8,355
71,503
1,301,076
222,629
228,610
156,915
156,915
0
48
16,399
22,657
6,342
16,300
287,060
(2,345)
0
301,015
5.87
5.80