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 June 30, 1997

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 August 1, 1997: 51,146,214

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1996	June 30, 1997
Current assets:		
Cash and cash equivalents, including restricted cash of $10,895 and $9,494	$ 114,115	$ 74,579
Accounts and notes receivable	138,538	167,664
Refundable income taxes	9,267	4,037
Inventories	232,510	188,544
Prepaid expenses	4,219	6,120
Deferred income taxes	1,597	1,358
Total current assets	500,246	442,302
Other assets:		
Marketable securities	23,718	26,745
Investment in joint ventures	181,479	178,245
Prepaid pension cost	24,821	23,301
Deferred income taxes	223	222
Other	24,825	22,458
Total other assets	255,066	250,971
Property and equipment:		
Land	21,963	20,827
Buildings	165,479	155,727
Machinery and equipment	660,333	625,548
Mining properties	95,891	88,662
Construction in progress	13,231	4,101
	956,897	894,865
Less accumulated depreciation and depletion	490,851	466,331
Net property and equipment	466,046	428,534
	$1,221,358	$1,121,807

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND SHAREHOLDERS' DEFICIT	December 31, 1996	June 30, 1997
Current liabilities:		
Notes payable	$ 25,732	$ 23,168
Current maturities of long-term debt	91,946	33,819
Accounts payable and accrued liabilities	153,904	149,586
Payable to affiliates	10,204	10,177
Income taxes	5,664	6,706
Deferred income taxes	2,895	2,582
Total current liabilities	290,345	226,038
Noncurrent liabilities:		
Long-term debt	737,100	738,774
Deferred income taxes	151,221	140,407
Accrued pension cost	57,941	52,714
Accrued postretirement benefits cost	55,935	53,217
Other	132,048	152,651
Total noncurrent liabilities	1,134,245	1,137,763
Minority interest	249	249
Shareholders' deficit:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(118,629)	(126,134)
Pension liabilities	(1,822)	(1,822)
Marketable securities	1,278	3,245
Accumulated deficit	(485,948)	(519,414)
Treasury stock	(365,996)	(365,754)
Total shareholders' deficit	(203,481)	(242,243)
	$1,221,358	$1,121,807

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	1996	1997	1996	1997
Revenues and other income:				
Net sales	$ 263,162	$ 252,794	$ 503,602	$ 492,270
Other, net	10,329	6,416	20,877	8,658
	273,491	259,210	524,479	500,928
Costs and expenses:				
Cost of sales	194,794	191,623	364,610	376,658
Selling, general and administrative	43,148	43,136	86,039	114,282
Interest	18,516	19,419	37,655	38,377
	256,458	254,178	488,304	529,317
Income (loss) before income taxes and minority interest	17,033	5,032	36,175	(28,389)
Income tax expense	5,114	2,757	10,854	5,049
Income (loss) before minority interest	11,919	2,275	25,321	(33,438)
Minority interest	--	20	(42)	28
Net income (loss)	$ 11,919	$ 2,255	$ 25,363	$ (33,466)
Net income (loss) per share of common stock	$ .23	$ .04	$ .49	$ (.65)
Weighted average common and common equivalent shares outstanding	51,493	51,380	51,499	51,142

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT

Six months ended June 30, 1997

(In thousands)

	Common stock	Additional paid-in capital	Adjustments: Currency translation	Adjustments: Pension liabilities	Adjustments: Marketable securities	Accumulated deficit	Treasury stock	Total
Balance at December 31, 1996	$8,355	$759,281	$(118,629)	$(1,822)	$1,278	$(485,948)	$(365,996)	$(203,481)
Net loss	--	--	--	--	--	(33,466)	--	(33,466)
Adjustments	--	--	(7,505)	--	1,967	--	--	(5,538)
Treasury stock reissued	--	--	--	--	--	--	242	242
Balance at June 30, 1997 ...	$8,355	$759,281	$(126,134)	$(1,822)	$3,245	$(519,414)	$(365,754)	$(242,243)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30, 1996 and 1997

(In thousands)

	1996	1997
Cash flows from operating activities:		
Net income (loss)	$ 25,363	$(33,466)
Depreciation, depletion and amortization	20,076	19,291
Noncash interest expense	10,250	11,338
Deferred income taxes	(3,496)	(539)
Change in accounting for environmental remediation liabilities	--	30,000
Other, net	(8,746)	(7,702)
	43,447	18,922
Change in assets and liabilities:		
Accounts and notes receivable	(37,852)	(38,112)
Inventories	10,168	29,706
Prepaid expenses	(3,390)	(1,952)
Accounts payable and accrued liabilities	(13,554)	1,694
Income taxes	3,620	8,447
Other, net	(8,033)	(4,385)
Net cash provided (used) by operating activities	(5,594)	14,320
Cash flows from investing activities:		
Capital expenditures	(31,358)	(16,326)
Purchase of minority interest	(5,168)	--
Investment in joint ventures, net	1,632	3,507
Proceeds from disposition of property and equipment	110	2,910
Net cash used by investing activities	(34,784)	(9,909)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Six months ended June 30, 1996 and 1997

(In thousands)

	1996	1997
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 64,712	$ 140,000
Principal payments	(33,112)	(178,333)
Deferred financing costs	--	(3,931)
Dividends	(10,221)	--
Other, net	(202)	240
Net cash provided (used) by financing activities	21,177	(42,024)
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	(19,201)	(37,613)
Currency translation	(2,038)	(1,923)
Balance at beginning of period	141,333	114,115
Balance at end of period	$ 120,094	$ 74,579
Supplemental disclosures - cash paid (received) for:		
Interest, net of amounts capitalized	$ 27,591	$ 27,049
Income taxes, net	10,702	(2,739)

See accompanying notes to consolidated financial statements.

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its operations primarily through its wholly-owned subsidiaries, Kronos, Inc. (titanium dioxide pigments, or "TiO2") and Rheox, Inc. (specialty chemicals). Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold approximately 56% and 18%, respectively, of NL's outstanding common stock, and together may be deemed to control NL. Contran and its subsidiaries and other entities related to Harold C. Simmons hold approximately 92% of Valhi's and 46% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1996 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1997 and the consolidated statements of operations, shareholders' deficit and cash flows for the interim periods ended June 30, 1996 and 1997, have been prepared by the Company, without audit. In the opinion of management, all 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. 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, 1996 (the "1996 Annual Report").

The Company adopted a new method of accounting as required by the AICPA's Statement of Position ("SOP") No. 96-1, "Environmental Remediation Liabilities," in the first quarter of 1997. The SOP, among other things, expands the types of costs which must be considered in determining environmental remediation accruals. As a result of adopting the SOP, the Company recognized a noncash cumulative charge of $30 million in the first quarter of 1997. The charge is not expected to materially impact the Company's 1997 income tax expense because the Company believes the resulting deferred income tax asset does not currently satisfy the more-likely-than-not realization criteria and, accordingly, the Company has established an offsetting valuation allowance. Such charge is comprised primarily of estimated future undiscounted expenditures associated with managing and monitoring existing environmental remediation sites. The expenditures consist principally of legal and professional fees, but do not include litigation defense costs with respect to situations in which the Company asserts that no liability exists. Previously, such expenditures were expensed as incurred.

Note 2 - Net income (loss) per share of common stock:

Net income (loss) per share of common stock is based on the weighted average number of common shares and equivalents outstanding. Common stock equivalents, consisting of nonqualified stock options, are excluded from the computation when their effect is antidilutive. The Company will retroactively adopt Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," effective December 31, 1997. Basic earnings per share pursuant to SFAS No. 128 will not be materially different from earnings per share presented herein and diluted earnings per share pursuant to SFAS No. 128 is not expected to be materially different from basic earnings per share.

Note 3 - Business segment information:

The Company's operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended June 30,		Six months ended June 30,	
	1996	1997	1996	1997
	(In thousands)			
Net sales:				
Kronos	$ 228,229	$ 214,354	$ 434,597	$ 418,743
Rheox	34,933	38,440	69,005	73,527
	$ 263,162	$ 252,794	$ 503,602	$ 492,270
Operating income:				
Kronos	$ 25,443	$ 16,815	$ 54,915	$ 25,504
Rheox	10,655	12,207	23,121	22,343
	36,098	29,022	78,036	47,847
General corporate income (expense):				
Securities earnings, net	1,134	528	2,441	1,227
Expenses, net	(1,683)	(5,099)	(6,647)	(39,086)
Interest expense	(18,516)	(19,419)	(37,655)	(38,377)
	$ 17,033	$ 5,032	$ 36,175	$ (28,389)

Note 4 - Inventories:

	December 31, 1996	June 30, 1997
	(In thousands)	
Raw materials	$ 43,284	$ 36,514
Work in process	10,356	11,456
Finished products	142,091	107,585
Supplies	36,779	32,989
	$232,510	$188,544

Note 5 - Marketable securities:

	December 31, 1996	June 30, 1997
	(In thousands)	
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	$ 3,516	$ 5,688
Unrealized losses	(1,550)	(695)
Cost	21,752	21,752
Aggregate market	$ 23,718	$ 26,745

Note 6 - Investment in joint ventures:

	December 31, 1996	June 30, 1997
	(In thousands)	
TiO2 manufacturing joint venture	$179,195	$175,688
Other	2,284	2,557
	$181,479	$178,245

Note 7 - Other noncurrent assets:

	December 31, 1996	June 30, 1997
	(In thousands)	
Intangible assets, net	$ 7,939	$ 5,831
Deferred financing costs, net	9,791	11,721
Other	7,095	4,906
	$24,825	$22,458

Note 8 - Accounts payable and accrued liabilities:

	December 31, 1996	June 30, 1997
	(In thousands)	
Accounts payable	$ 60,648	$ 48,729
Accrued liabilities:		
Employee benefits	34,618	33,926
Environmental costs	6,000	9,000
Interest	9,429	9,379
Miscellaneous taxes	4,073	5,300
Other	39,136	43,252
	93,256	100,857
	$153,904	$149,586

Note 9 - Other noncurrent liabilities:

	December 31, 1996	June 30, 1997
	(In thousands)	
Environmental costs	$106,849	$128,972
Insurance claims and expenses	11,673	11,469
Employee benefits	11,960	10,864
Other	1,566	1,346
	$132,048	$152,651

Note 10 - Notes payable and long-term debt:

	December 31, 1996	June 30, 1997
	(In thousands)	
Notes payable - Kronos (DM 40,000)	$ 25,732	$ 23,168
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	149,756	159,490
	399,756	409,490
Kronos:		
DM bank credit facility (DM 539,971 and DM 288,322, respectively)	347,362	166,996
Joint venture term loan	57,858	50,143
Other	9,125	5,753
	414,345	222,892
Rheox:		
Bank credit facility	14,659	140,000
Other	286	211
	14,945	140,211
	829,046	772,593
Less current maturities	91,946	33,819
	$737,100	$738,774

Rheox has entered into interest rate collar agreements which effectively set minimum and maximum U.S. LIBOR interest rates of 5.25% and 8%, respectively, on $50 million principal amount of its variable-rate bank term loan through May 2001. The margin on such borrowings ranges from .75% to 1.75%, depending upon the level of a certain Rheox financial ratio. Rheox is exposed to interest rate risk in the event of nonperformance by the other parties to the agreements, although Rheox does not anticipate nonperformance by such parties. At June 30, 1997, the estimated fair value of such agreements was estimated to be a $.1 million receivable. Such fair value represents the amount Rheox would receive if it terminated the collar agreements at that date, and is based upon quotes obtained from the counter party financial institutions.

Note 11 - Income taxes:

The difference between the provision for income tax expense attributable to income before income taxes and minority interest and the amount that would be expected using the U.S. federal statutory income tax rate of 35% is presented below.

	Six months ended June 30,	
	1996	1997
	(In thousands)	
Expected tax expense (benefit)	$ 12,661	$ (9,936)
Non-U.S. tax rates	(1,954)	(440)
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return	2,808	1,440
Valuation allowance	(1,098)	12,775
U.S. state income taxes	1,138	1,050
Other, net	(2,701)	160
Income tax expense	$ 10,854	$ 5,049

Note 12 - Other income, net:

	Three months ended June 30,		Six months ended June 30,	
	1996	1997	1996	1997
	(In thousands)			
Interest and dividends	$ 1,134	$ 528	$ 2,441	$ 1,227
Currency transaction gains, net	2,821	2,210	3,867	2,727
Disposition of property and	2,784	2,756		
equipment	(405)	(919)		
Pension curtailment gain	--	--	4,791	--
Technology fee income	2,593	--	5,674	--
Litigation settlement gain	2,756	--	2,756	--
Other, net	1,430	894	2,267	1,948
	$ 10,329	$ 6,416	$ 20,877	$ 8,658

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 quarter ended March 31, 1997, and (iv) the 1996 Annual Report.

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

RESULTS OF OPERATIONS

The Company's chemical operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended June 30, 1996	Three months ended June 30, 1997	% Change	Six months ended June 30, 1996	Six months ended June 30, 1997	% Change
	(In millions)			(In millions)		
Net sales:						
Kronos	$ 228.3	$ 214.4	-6%	$ 434.6	$ 418.8	-4%
Rheox	34.9	38.4	+10%	69.0	73.5	+7%
	$ 263.2	$ 252.8	-4%	$ 503.6	$ 492.3	-2%
Operating income:						
Kronos	$ 25.4	$ 16.8	-34%	$ 54.9	$ 25.5	-54%
Rheox	10.7	12.2	+14%	23.1	22.3	-3%
	$ 36.1	$ 29.0	-20%	$ 78.0	$ 47.8	-39%
Percent changes in TiO2:						
Sales volume			+9%			+14%
Average selling prices (in billing currencies)			-8%			-12%

Kronos' TiO2 operating income in the second quarter and first half of 1997 decreased from the comparable periods in 1996 due to lower average TiO2 selling prices, partially offset by higher production and sales volumes. Kronos' average TiO2 selling prices for the second quarter of 1997 were 3% higher than the first quarter of 1997 and 8% lower than the second quarter of 1996. Selling prices at the end of the second quarter of 1997 were 1% higher than the average for the quarter. Kronos achieved record second quarter sales volumes, reflecting continued strong TiO2 demand. Kronos' second quarter and six months sales volumes increased 9% and 14%, respectively, from the year-earlier periods with higher sales volumes worldwide. While Kronos currently expects its full-year 1997 TiO2 sales volumes will be higher than the full-year 1996 volumes, TiO2 sales volumes in the last half of 1997 are expected to be lower than the first half of 1997. Kronos' operating income in the second quarter of 1997 includes a $2.7 million gain related to the sale of surplus assets.

Although Kronos expects further increases in its TiO2 selling prices during the second half of 1997, Kronos expects its full-year 1997 operating income will be below that of 1996, due to lower anticipated average TiO2 prices for full-year 1997 compared to 1996. Kronos' cost of sales as a percentage of net sales increased in the second quarter and first half of 1997 due to lower average prices in both periods of 1997 compared to 1996. Kronos' selling, general and administrative expenses decreased in the second quarter and first half of 1997 due to favorable effects of foreign currency translation, partially offset by higher distribution expenses associated with higher 1997 sales volumes.

Rheox's operating income for the second quarter of 1997 increased 14% compared to the second quarter of 1996 on higher sales volumes and slightly higher selling prices. As a result, Rheox's operating income in the first half of 1997 was $1.9 million higher than the 1996 period, excluding a first-quarter 1996 $2.7 million gain related to the curtailment of certain U.S. employee pension benefits. Rheox's cost of sales as a percentage of net sales in the second quarter and first half of 1997 were comparable to the respective 1996 periods. Selling, general and administrative expenses increased in the second quarter and first half of 1997 compared to the 1996 periods primarily due to higher selling and distribution expenses associated with higher 1997 sales volumes and higher variable compensation expense.

A significant amount of the Company's sales generated from its non-U.S. operations 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 second quarter and first half of 1997 by $13 million and $22 million, respectively, compared to the comparable 1996 periods. In addition, a portion of the net sales generated from the Company's non-U.S. operations are billed in U.S. dollars, and exchange rate fluctuations do not impact such net sales. Operating margins on such net sales improved compared to 1996 as operating costs are lower in U.S. dollar terms due to exchange rate fluctuations. Consequently, fluctuations in the value of the U.S. dollar relative to other currencies increased operating income in the second quarter and first half of 1997 compared with the same periods in 1996.

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

	Three months ended June 30,		Difference	Six months ended June 30,		Difference
	1996	1997		1996	1997	
Securities earnings ...	$ 1.1	$ .5	$ (.6)	$ 2.4	$ 1.2	$ (1.2)
Corporate expenses, net	(1.7)	(5.1)	(3.4)	(6.6)	(39.1)	(32.5)
Interest expense	(18.5)	(19.4)	(.9)	(37.7)	(38.4)	(.7)
	$ (19.1)	$ (24.0)	$ (4.9)	$ (41.9)	$ (76.3)	$ (34.4)

Securities earnings declined due to lower average balances available for investment. Corporate expenses, net was higher in the second quarter of 1997 compared to the same period in 1996 primarily due to a $2.8 million gain recognized in the second quarter of 1996 related to the settlement of certain litigation in which the Company was a plaintiff. Corporate expenses, net in the first half of 1997 was higher than the comparable period in 1996 due to the $30 million noncash charge related to the Company's adoption of SOP No. 96-1, "Environmental Remediation Liabilities." See Note 1 to the Consolidated Financial Statements. This charge is included in selling, general and administrative expense in the Company's Consolidated Statements of Operations. Interest expense was higher in the second quarter and first half of 1997 primarily due to higher variable interest rates and higher average principal balances.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the six months ended June 30, 1996 and 1997 are presented below.

	Six months ended June 30, 1996	Six months ended June 30, 1997
	(In millions)	
Net cash provided (used) by:		
Operating activities	$(5.6)	$14.3
Investing activities	(34.8)	(9.9)
Financing activities	21.2	(42.0)
Net cash used by operating, investing and financing activities	$(19.2)	$(37.6)

The TiO_2 industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. Cash flows from operations before change in assets and liabilities in the first six months of 1997 declined from the comparable period in 1996 primarily due to lower operating income. In the aggregate, changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) used cash in both the first half of 1996 and 1997; however, the cash used in the first half of 1997 was significantly less than the first half of 1996 due to cash provided from reductions in inventory levels in the 1997 period.

Certain of the Company's income 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 has 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. Certain other significant German tax contingencies remain outstanding and will continue to be litigated. The Company has received certain tax assessments aggregating DM 130 million ($75 million), including interest, for years through 1996 and expects to receive tax assessments for an additional DM 20 million ($12 million) related to these remaining tax contingencies. No payments of tax or interest deficiencies related to these assessments will be required until the litigation is resolved, which the Company anticipates may take approximately two to five years. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million ($58 million at June 30, 1997) lien on its Nordenham, Germany TiO_2 plant in favor of the German tax authorities. No assurance can be given that this litigation 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 income 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.

In order to improve its near-term liquidity, the Company refinanced its Rheox subsidiary during January 1997, obtaining a net $125 million of new long-term financing. The net proceeds, along with other available funds, were used to prepay DM 207 million ($127 million when paid) of the Company's DM term loan and to repay DM 43 million ($26 million when paid) of the Company's DM revolving credit facility. As a result of the refinancing and prepayment, the Company's aggregate scheduled debt payments for 1997 and 1998 decreased by $103 million ($64 million in 1997 and $39 million in 1998). Additionally, total debt was reduced by $28 million as part of its refinancing. In connection with the prepayment, the Company and its lenders modified certain financial covenants of the DM credit agreement and NL guaranteed the facility. At June 30, 1997, the Company was in compliance with all financial covenants governing its debt agreements.

In addition to the above refinancing and prepayment, the Company repaid $7.8 million of the joint venture term loan in the first six months of 1997.

At June 30, 1997, the Company had cash and cash equivalents aggregating $75 million (36% held by non-U.S. subsidiaries) including restricted cash and cash equivalents of $9 million. The Company's subsidiaries had $9 million and $92 million available for borrowing at June 30, 1997 under existing U.S. and non-U.S. credit facilities, respectively.

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 ($138 million at June 30, 1997) 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 $185 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. 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 such transactions, the Company may consider using available cash, issuing equity securities or refinancing 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 1996 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 1996 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 for descriptions of certain previously-reported legal proceedings.

Gould Inc. v. NL Industries, Inc. ("Gould Superfund Site"), (No. 91-1091). In May 1997 the U.S. EPA issued an Amended Record of Decision

("ARD") for the Gould Superfund Site soils operable unit. The ARD requires construction of an onsite containment facility estimated to cost between $10.5 million and $12 million, including capital costs and operating and maintenance costs.

German, et al. v. Federal Home Mortgage Loan Corp., et al. (No. 93 Civ. 6941). In May 1997 plaintiffs moved for class certification and defendants moved for summary judgment. In June 1997 the Court stayed all further activity in the case pending reconsideration of its 1995 decision permitting filing of the complaint against the manufacturer defendants and joinder of the new complaint with the pre-existing complaint against New York City and other landlords.

NL Industries, Inc. v. Commercial Union, et al. (No. 90-2124). In June 1997 the Company reached a settlement in principle with its insurers regarding allocation of defense costs in the lead pigment cases in which reimbursement of defense costs had been sought.

Parker v. NL Industries, et al. (No. 97085060 CC915). In June 1997 plaintiffs moved to remand to state court and the Company answered the complaint denying liability. Trial is scheduled to begin in July 1998.

Ritchie v. NL Industries, et al. (No. 5:96-CV-166). In July 1997 defendants filed a second notice of removal to federal court.

The City of New York, et al. v. Lead Industries Association, Inc., et al. (No. 89-4617). In July 1997 the trial court's denials of defendants' two summary judgment motions on the fraud claim were affirmed by the Appellate Division.

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

The Company held its Annual Meeting of Shareholders on May 7, 1997. All the nominees for director were elected with the voting results for each as follows:

Director	Shares For	Shares Withheld
Joseph S. Compofelice	48,823,898	445,657
J. Landis Martin	48,814,783	454,772
Kenneth R. Peak	48,823,484	446,071
Glenn R. Simmons	48,814,210	455,345
Harold C. Simmons	48,812,068	457,487
Lawrence A. Wigdor	48,822,997	446,558
Admiral Elmo R. Zumwalt, Jr	48,821,656	447,899

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 - Financial Data Schedule for the six-month period ended June 30, 1997.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 1997 and through the date of this report:

April 22, 1997 - reported Items 5 and 7.
July 22, 1997 - 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: August 1, 1997 By /s/ Joseph S. Compofelice

Joseph S. Compofelice
Vice President and
Chief Financial Officer

Date: August 1, 1997 By /s/ Dennis G. Newkirk

Dennis G. Newkirk
Vice President and Controller
(Principal Accounting Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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6-MOS
DEC-31-1997
JAN-01-1997
JUN-30-1997
74,579
0
157,691
2,711
188,544
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738,774
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0
8,355
(250,598)
1,121,807
492,270
500,928
376,658
376,658
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0
38,377
(28,389)
5,049
(33,466)
0
0
0
(33,466)
(0.65)
(0.65)