SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A-1

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required) - For the fiscal year ended December 31, 1995

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
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 423-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock ($.125 par value)	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

As of February 29, 1996, 51,093,118 shares of common stock were outstanding. The aggregate market value of the 14,571,028 shares of voting stock held by nonaffiliates as of such date approximated $202 million.

Documents incorporated by reference:

The information required by Part III is incorporated by reference from the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

The undersigned Registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the year ended December 31, 1995 as set forth below and in the pages attached hereto:

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and schedules listed by the Registrant on the accompanying Index of Financial Statements and

Schedules (see page F-1).

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

The consolidated financial statements and schedules listed by the Registrant on the accompanying Index of Financial Statements and Schedules (see page F-1).

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

NL INDUSTRIES, INC.
(Registrant)

Dated: March 5, 1996

By: /s/ Dennis G. Newkirk
Dennis G. Newkirk
Vice President
and Controller

NL INDUSTRIES, INC.

ANNUAL REPORT ON FORM 10-K

Items 8, 14(a) and 14(d)

Index of Financial Statements and Schedules

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of NL Industries, Inc.:

We have audited the accompanying consolidated balance sheets of NL

Industries, Inc. as of December 31, 1994 and 1995, and the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NL Industries, Inc. as of December 31, 1994 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 19 to the consolidated financial statements, in 1993 the Company changed its method of accounting for certain investments in debt and equity securities in accordance with Statement of Financial Accounting Standards No. 115.

COOPERS & LYBRAND L.L.P.

Houston, Texas
February 8, 1996

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 1994 and 1995

(In thousands, except per share data)

ASSETS	1994	1995
Current assets:		
Cash and cash equivalents	$ 131,124	$ 141,333
Marketable securities	25,165	-
Accounts and notes receivable, less allowance of $3,749 and $4,039	137,753	147,428
Refundable income taxes	1,162	4,941
Inventories	185,173	251,630
Prepaid expenses	3,878	3,217
Deferred income taxes	2,177	2,522
Total current assets	486,432	551,071
Other assets:		
Marketable securities	21,329	20,944
Investment in joint ventures	187,480	185,893
Prepaid pension cost	19,329	22,576
Deferred income taxes	2,746	788
Other	37,267	31,165
Total other assets	268,151	261,366
Property and equipment:		
Land	20,665	22,902
Buildings	147,370	166,349

Machinery and equipment	582,138	648,458
Mining properties	87,035	97,190
Construction in progress	9,579	11,187
	846,787	946,086
Less accumulated depreciation and depletion	438,960	486,870
Net property and equipment	407,827	459,216
	$1,162,410	$1,271,653

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 1994 and 1995

(In thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' DEFICIT	1994	1995
Current liabilities:		
Notes payable	$ -	$ 39,247
Current maturities of long-term debt	42,887	43,369
Accounts payable and accrued liabilities	168,327	165,985
Payable to affiliates	11,348	10,181
Income taxes	20,762	40,088
Deferred income taxes	1,590	3,555
Total current liabilities	244,914	302,425
Noncurrent liabilities:		
Long-term debt	746,762	740,334
Deferred income taxes	178,332	157,192
Accrued pension cost	76,242	69,311
Accrued postretirement benefits cost	65,299	60,235
Other	141,518	148,511
Total noncurrent liabilities	1,208,153	1,175,583
Minority interest	2,425	3,066
Shareholders' deficit:		
Preferred stock - 5,000 shares authorized, no shares issued or outstanding	-	-
Common stock - $.125 par value; 150,000 shares authorized; 66,839 shares issued	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(125,494)	(126,934)
Pension liabilities	(1,635)	(1,908)
Marketable securities	(12)	(525)
Accumulated deficit	(567,041)	(481,432)
Treasury stock, at cost (15,787 and 15,748 shares)	(366,536)	(366,258)
Total shareholders' deficit	(293,082)	(209,421)
	$1,162,410	$1,271,653

Commitments and contingencies (Notes 13 and 18)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 1993, 1994 and 1995

(In thousands, except per share data)

	1993	1994	1995
Revenues and other income:			
Net sales	$ 805,323	$887,954	$1,023,939
Other, net	22,084	44,828	22,241
	827,407	932,782	1,046,180
Costs and expenses:			
Cost of sales	612,367	649,745	676,184
Selling, general and administrative	185,689	212,516	189,477
Interest	99,119	83,926	81,617
	897,175	946,187	947,278
Income (loss) before income taxes, minority interest, extraordinary item and cumulative effect of change in accounting principle	(69,768)	(13,405)	98,902
Income tax expense	12,713	9,734	12,671
Income (loss) before minority interest, extraordinary item and cumulative effect of change in accounting principle	(82,481)	(23,139)	86,231
Minority interest	730	843	622
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	(83,211)	(23,982)	85,609
Extraordinary item	(27,815)	-	-
Cumulative effect of change in accounting principle	1,217	-	-
Net income (loss)	$(109,809)	$(23,982)	$ 85,609

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

Years ended December 31, 1993, 1994 and 1995

(In thousands, except per share data)

	1993	1994	1995
Income (loss) per share of common stock:			
Before extraordinary item and cumulative effect of change in accounting principle	$(1.63)	$ (.47)	$ 1.66
Extraordinary item	(.55)	-	-
Cumulative effect of change in accounting principle	.02	-	-
Net income (loss)	$(2.16)	$ (.47)	$ 1.66
Weighted average common shares outstanding	50,890	51,022	51,512

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

Years ended December 31, 1993, 1994 and 1995

(In thousands)

Additional Adjustments

	Common stock	paid-in capital	Currency translation	Pension liabilities	Marketable securities
Balance at December 31, 1992	$8,355	$759,281	$(111,820)	$ -	$ (896)
Net loss	-	-	-	-	-
Adjustments	-	-	(3,983)	(3,442)	(51)
Cumulative effect of change in accounting principle	-	-	-	-	(1,217)
Balance at December 31, 1993	8,355	759,281	(115,803)	(3,442)	(2,164)
Net loss	-	-	-	-	-
Treasury stock reissued	-	-	-	-	-
Adjustments	-	-	(9,691)	1,807	2,152
Balance at December 31, 1994	8,355	759,281	(125,494)	(1,635)	(12)
Net income	-	-	-	-	-
Treasury stock reissued	-	-	-	-	-
Adjustments	-	-	(1,440)	(273)	(513)
Balance at December 31, 1995	$8,355	$759,281	$(126,934)	$(1,908)	$ (525)

	Accumulated deficit	Treasury stock	Total
Balance at December 31, 1992	$(433,250)	$(367,963)	$(146,293)
Net loss	(109,809)	-	(109,809)
Adjustments	-	-	(7,476)
Cumulative effect of change in accounting principle	-	-	(1,217)
Balance at December 31, 1993	(543,059)	(367,963)	(264,795)
Net loss	(23,982)	-	(23,982)
Treasury stock reissued	-	1,427	1,427
Adjustments	-	-	(5,732)
Balance at December 31, 1994	(567,041)	(366,536)	(293,082)
Net income	85,609	-	85,609
Treasury stock reissued	-	278	278
Adjustments	-	-	(2,226)
Balance at December 31, 1995	$(481,432)	$(366,258)	$(209,421)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Cash flows from operating activities:			
Net income (loss)	$(109,809)	$(23,982)	$ 85,609
Depreciation, depletion and amortization	46,340	34,592	38,989
Noncash interest expense	8,309	18,071	19,396
Deferred income taxes	(670)	11,907	(29,248)
Cumulative effect of change in accounting principle	(1,217)	-	-
Minority interest	730	843	622
Net (gains) losses from:			
Securities transactions	(4,363)	1,220	(1,175)
Disposition of property and equipment	199	1,981	2,713
Pension cost, net	(2,134)	(2,753)	(7,248)
Other postretirement benefits, net	(2,422)	(3,437)	(4,169)

Other, net	(1,349)	68	(477)
	(66,386)	38,510	105,012
Change in assets and liabilities:			
Accounts and notes receivable	(1,291)	(13,152)	(1,483)
Inventories	12,166	17,778	(57,378)
Prepaid expenses	(472)	3,221	1,148
Accounts payable and accrued liabilities	(4,132)	(17,343)	(17,700)
Income taxes	1,507	109,243	14,861
Accounts with affiliates	5,426	(2,024)	(4,059)
Other noncurrent assets	8,844	2,219	1,587
Other noncurrent liabilities	37,069	28,706	3,233
Marketable trading securities:			
Purchases	-	(870)	(762)
Dispositions	-	15,530	27,102
Net cash provided (used) by operating activities	(7,269)	181,818	71,561

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Cash flows from investing activities:			
Capital expenditures	$ (47,986)	$ (36,931)	$(64,196)
Marketable securities:			
Purchases	(11,053)	-	-
Dispositions	79,398	-	-
Proceeds from disposition of property and equipment	175,537	598	182
Investment in joint ventures, net	(14,405)	3,133	1,793
Loans to affiliates	(210)	-	-
Other, net	670	362	-
Net cash provided (used) by investing activities	181,951	(32,838)	(62,221)
Cash flows from financing activities:			
Indebtedness:			
Borrowings	452,694	44,490	57,556
Principal payments	(607,417)	(175,886)	(61,128)
Other, net	(613)	(742)	264
Net cash used by financing activities	(155,336)	(132,138)	(3,308)
Net change during the year from operating, investing and financing activities	$ 19,346	$ 16,842	$ 6,032

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Cash and cash equivalents:			
Net change during the year from:			
Operating, investing and financing activities	$ 19,346	$ 16,842	$ 6,032
Currency translation	(86)	7,689	4,177
	19,260	24,531	10,209
Balance at beginning of year	87,333	106,593	131,124
Balance at end of year	$106,593	$ 131,124	$141,333
Supplemental disclosures - cash paid (received) for:			
Interest, net of amounts capitalized	$ 91,576	$ 66,801	$ 62,078
Income taxes, net	11,897	(111,418)	27,965

NL INDUSTRIES, INC. AND SUBSIDIARIES

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 54% and 18%, respectively, of NL's outstanding common stock. Contran holds, directly or through subsidiaries, approximately 91% of Valhi's and 44% of Tremont's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of the children and grandchildren of Harold C. Simmons, of which Mr. Simmons is the sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board, President, and Chief Executive Officer of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation and management's estimates

The accompanying consolidated financial statements include the accounts of NL and its majority-owned subsidiaries (collectively, the "Company"). All material intercompany accounts and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Ultimate actual results may in some instances differ from previously estimated amounts.

Translation of foreign currencies

Assets and liabilities of subsidiaries whose functional currency is deemed to be other than the U.S. dollar are translated at year-end rates of exchange and revenues and expenses are translated at weighted average exchange rates prevailing during the year. Resulting translation adjustments and the related income tax effects are accumulated in the currency translation adjustment component of shareholders' deficit. Currency transaction gains and losses are recognized in income currently.

Cash and cash equivalents

Cash equivalents include U.S. Treasury securities purchased under short-term agreements to resell, bank deposits, and government and commercial notes and bills with original maturities of three months or less. Cash and cash equivalents includes $16 million and $10 million at December 31, 1994 and 1995, respectively, which are restricted for letters of credit and certain indebtedness agreements.

Marketable securities and securities transactions

Marketable securities are classified as either "available-for-sale" or "trading" and are carried at market based on quoted market prices. Unrealized gains and losses on trading securities are recognized in income currently. Unrealized gains and losses on available-for-sale securities, and the related deferred income tax effects, are accumulated in the marketable securities adjustment component of shareholders' deficit. See Note 4. Realized gains or losses are computed based on specific identification of the securities sold.

Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" as of December 31, 1993, marketable securities were generally carried at the lower of aggregate market or amortized cost and unrealized net gains were not recognized.

Inventories

Inventories are stated at the lower of cost (principally average cost) or market. Amounts are removed from inventories at average cost.

Investment in joint ventures

Investments in 20% to 50%-owned entities are accounted for by the equity method.

Intangible assets

Intangible assets, included in other noncurrent assets, are amortized by the straight-line method over the periods expected to be benefitted, not exceeding ten years.

Property, equipment, depreciation and depletion

Property and equipment are stated at cost. Interest costs related to major, long-term capital projects are capitalized as a component of construction costs. Maintenance, repairs and minor renewals are expensed; major improvements are capitalized.

Depreciation is computed principally by the straight-line method over the estimated useful lives of ten to forty years for buildings and three to twenty years for machinery and equipment. Depletion of mining properties is computed by the unit-of-production and straight-line methods.

Long-term debt

Long-term debt is stated net of unamortized original issue discount ("OID"). OID is amortized over the period during which interest is not paid and deferred financing costs are amortized over the life of the applicable issue, both by the interest method.

Employee benefit plans

Accounting and funding policies for retirement plans and postretirement benefits other than pensions ("OPEB") are described in Note 11.

Net sales

Sales are recognized as products are shipped.

Income taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities, including investments in subsidiaries and unconsolidated affiliates not included in the Company's U.S. tax group (the "NL Tax Group").

Income (loss) per share of common stock

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.

NOTE 3 - BUSINESS AND GEOGRAPHIC SEGMENTS:

The Company's operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox. Titanium dioxide pigments are used to impart whiteness, brightness and opacity to a wide variety of products, including paints, plastics, paper, fibers and ceramics. Specialty chemicals include rheological additives which control the flow and leveling characteristics of a variety of products, including paints, inks, lubricants, sealants, adhesives and cosmetics. General corporate assets consist principally of cash, cash equivalents and marketable securities. At December 31, 1994 and 1995, the net assets of non-U.S. subsidiaries included in consolidated net assets approximated $72 million and $121 million, respectively.

	Years ended December 31, 1993	1994	1995
		(In thousands)	
Business segments			
Net sales:			
Kronos	$ 697,048	$ 770,077	$ 894,149
Rheox	108,275	117,877	129,790
	$ 805,323	$ 887,954	$1,023,939
Operating income:			
Kronos	$ 36,146	$ 80,515	$ 161,175
Rheox	26,254	30,837	38,544
	62,400	111,352	199,719
General corporate income (expense):			
Securities earnings	8,467	3,855	7,419
Expenses, net	(41,516)	(44,686)	(26,619)
Interest expense	(99,119)	(83,926)	(81,617)
	$ (69,768)	$ (13,405)	$ 98,902
Capital expenditures:			
Kronos	$ 46,913	$ 34,522	$ 60,699
Rheox	1,069	2,283	3,464
General corporate	4	126	33
	$ 47,986	$ 36,931	$ 64,196
Depreciation, depletion and amortization:			
Kronos	$ 42,877	$ 31,156	$ 35,706
Rheox	3,176	3,153	3,089
General corporate	287	283	194
	$ 46,340	$ 34,592	$ 38,989
Geographic areas			
Net sales - point of origin:			
United States	$ 270,288	$ 303,475	$ 339,568
Europe	519,064	587,291	703,206
Canada	132,930	122,957	139,341
Eliminations	(116,959)	(125,769)	(158,176)
	$ 805,323	$ 887,954	$1,023,939
Net sales - point of destination:			
United States	$ 217,892	$ 238,568	$ 258,850
Europe	418,072	468,915	580,794
Canada	76,078	64,374	60,472
Other	93,281	116,097	123,823
	$ 805,323	$ 887,954	$1,023,939
Operating income:			

United States	$ 20,981	$ 49,358	$ 75,650
Europe	19,658	50,273	103,096
Canada	21,761	11,721	20,973
	$ 62,400	$ 111,352	$ 199,719

	December 31,		
	1993	1994	1995
	(In thousands)		
Identifiable assets			
Business segments:			
Kronos	$1,008,453	$ 950,200	$1,063,369
Rheox	75,362	83,176	83,620
General corporate	122,734	129,034	124,664
	$1,206,549	$1,162,410	$1,271,653
Geographic segments:			
United States	$ 326,831	$ 308,017	$ 311,374
Europe	622,826	594,921	690,353
Canada	134,158	130,438	145,262
General corporate	122,734	129,034	124,664
	$1,206,549	$1,162,410	$1,271,653

NOTE 4 - MARKETABLE SECURITIES AND SECURITIES TRANSACTIONS:

	December 31,	
	1994	1995
	(In thousands)	
Trading securities - current U.S. Treasury securities:		
Unrealized losses	$(1,124)	$ -
Cost	26,289	-
Aggregate market	$25,165	$ -
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	$ 3,357	$ 1,962
Unrealized losses	(3,374)	(2,770)
Cost	21,346	21,752
Aggregate market	$21,329	$20,944

Net gains and losses from trading securities are composed of:

	Years ended December 31,		
	1993	1994	1995
	(In thousands)		
Unrealized gains (losses)	$3,520	$(1,177)	$1,125
Realized gains (losses)	843	(43)	50
	$4,363	$(1,220)	$1,175

NOTE 5 - INVENTORIES:

December 31,	
1994	1995
(In thousands)	

Raw materials	$ 30,118	$ 35,075
Work in process	7,655	9,132
Finished products	112,410	172,330
Supplies	34,990	35,093
	$185,173	$251,630

NOTE 6 - INVESTMENT IN JOINT VENTURES:

	December 31, 1994	1995
	(In thousands)	
TiO2 manufacturing joint venture	$185,122	$183,129
Other	2,358	2,764
	$187,480	$185,893

In October 1993, Kronos Louisiana, Inc. ("KLA"), a wholly-owned subsidiary of Kronos, formed a manufacturing joint venture, Louisiana Pigment Company, L.P. ("LPC"), with Tioxide Group, Ltd., a wholly-owned subsidiary of Imperial Chemicals Industries PLC ("Tioxide"). LPC, which is equally owned by KLA and a subsidiary of Tioxide, owns and operates the Louisiana chloride process TiO2 plant formerly owned by KLA. LPC has long-term debt that is collateralized by the partnership interests of the partners and substantially all of the assets of LPC. The long-term debt consists of two tranches, one attributable to each partner, and each tranche is serviced through (i) the purchase of the plant's TiO2 output in equal quantities by the partners and (ii) cash capital contributions. KLA is required to purchase one-half of the TiO2 produced by LPC. KLA's tranche of LPC's debt is reflected as outstanding indebtedness of the Company because Kronos has guaranteed the purchase obligation relative to the debt service of its tranche. See Note 10.

LPC is intended to be operated on a break-even basis and, accordingly, Kronos' transfer price for its share of the TiO2 produced is equal to its share of LPC's production costs and interest expense. Kronos' share of the production costs are reported as cost of sales as the related TiO2 acquired from LPC is sold, and its share of the interest expense is reported as a component of interest expense.

Summary balance sheets of LPC are shown below.

	December 31, 1994	1995
ASSETS	(In thousands)	
Current assets	$ 38,027	$ 49,398
Other assets	1,969	1,553
Property and equipment, net	344,806	335,254
	$384,802	$386,205
LIABILITIES AND PARTNERS' EQUITY		
Long-term debt, including current portion:		
Kronos tranche	$ 88,715	$ 73,286
Tioxide tranche	81,000	59,400
Other liabilities, primarily current	12,330	17,719
	182,045	150,405
Partners' equity	202,757	235,800
	$384,802	$386,205

Summary income statements of LPC are shown below.

Period from
October 18, 1993

	to December 31, 1993	Years ended December 31, 1994	1995
		(In thousands)	
Revenues and other income:			
Kronos	$12,713	$ 70,492	$ 76,365
Tioxide	12,617	67,218	75,241
Interest income	72	462	653
	25,402	138,172	152,259
Cost and expenses:			
Cost of sales	22,803	126,972	140,103
General and administrative	443	572	385
Interest	2,156	10,628	11,771
	25,402	138,172	152,259
Net income	$ -	$ -	$ -

NOTE 7 - OTHER NONCURRENT ASSETS:

	December 31, 1994	1995
	(In thousands)	
Intangible assets, net of accumulated amortization of $16,149 and $20,562	$13,957	$11,803
Deferred financing costs, net	16,079	13,199
Other	7,231	6,163
	$37,267	$31,165

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	December 31, 1994	1995
	(In thousands)	
Accounts payable	$ 74,903	$ 68,734
Accrued liabilities:		
Employee benefits	34,209	49,884
Environmental costs	10,433	6,000
Interest	6,485	6,633
Miscellaneous taxes	7,336	2,557
Other	34,961	32,177
	93,424	97,521
	$168,327	$165,985

NOTE 9 - OTHER NONCURRENT LIABILITIES:

	December 31, 1994	1995
	(In thousands)	
Environmental costs	$ 93,655	$112,827
Insurance claims expenses	14,716	12,088
Deferred technology fee income	18,305	8,456
Employee benefits	12,322	13,148
Other	2,520	1,992
	$141,518	$148,511

NOTE 10 - NOTES PAYABLE AND LONG-TERM DEBT:

December 31,

	1994	1995
	(In thousands)	
Notes payable (DM 56,000)	$ -	$ 39,247
NL Industries:		
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	116,409	132,034
	366,409	382,034
Kronos:		
DM bank credit facility (DM 397,610)	255,703	276,895
LPC term loan	88,715	73,286
Other	10,507	13,672
	354,925	363,853
Rheox:		
Bank term loan	67,500	37,263
Other	815	553
	68,315	37,816
	789,649	783,703
Less current maturities	42,887	43,369
	$746,762	$740,334

The Company's $250 million principal amount of 11.75% Senior Secured Notes due 2003 and $188 million principal amount at maturity ($100 million proceeds at issuance) of 13% Senior Secured Discount Notes due 2005 (collectively, the "Notes") are collateralized by a series of intercompany notes from Kronos International, Inc. ("KII"), a wholly-owned subsidiary of Kronos, to NL, the terms of which mirror those of the respective Notes (the "Mirror Notes"). The Senior Secured Notes are also collateralized by a first priority lien on the stock of Kronos and a second priority lien on the stock of Rheox. The Senior Secured Notes and the Senior Secured Discount Notes are redeemable, at the Company's option, after October 2000 and October 1998, respectively, except that up to one-third of the aggregate principal amount of the Senior Secured Discount Notes are redeemable (at 113% of the accreted value) upon any Common Stock Offering, as defined, prior to October 1996. For redemptions, other than redemptions pursuant to any Common Stock Offering, the redemption prices range from 101.5% (starting October 2000) declining to 100% (after October 2001) of the principal amount for the Senior Secured Notes and range from 106% (starting October 1998) declining to 100% (after October 2001) of the accreted value of the Senior Secured Discount Notes. In the event of a Change of Control, as defined, the Company would be required to make an offer to purchase the Notes at 101% of the principal amount of the Senior Secured Notes and 101% of the accreted value of the Senior Secured Discount Notes. The Notes are issued pursuant to indentures which contain a number of covenants and restrictions which, among other things, restrict the ability of the Company and its subsidiaries to incur debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of its assets to, another entity. At December 31, 1995, there was $6 million available for payment for dividends pursuant to the terms of the indentures. The Senior Secured Discount Notes do not require cash interest payments for the first five years. The net carrying value of the Senior Secured Discount Notes per $100 principal amount at maturity was $62.08 and $70.42 at December 31, 1994 and 1995, respectively. At December 31, 1995, the quoted market price of the Senior Secured Notes was $107.06 per $100 principal amount and the quoted market price of the Senior Secured Discount Notes was $80.95 per $100 principal amount (1994 - $98.80 and $61.30, respectively).

The DM credit facility, as amended, consists of a DM 398 million term loan due from March 1997 to September 1999 and a DM 250 million revolving credit facility due no later than September 2000. At December 31, 1995, all of the revolving credit facility was available for future borrowings by KII; however, DM 125 million is available only for (i) permanently reducing the DM term loan or (ii) paying future German tax assessments. In January 1996, the Company borrowed DM 30 million under the revolving credit facility. Borrowings bear interest at DM LIBOR plus 1.625% (6.938% and 5.5% at December 31, 1994 and 1995, respectively). NL and Kronos have agreed, under certain circumstances, to provide KII with up to DM 125 million through January 1, 2001. The DM credit facility is collateralized by pledges of the stock of certain KII subsidiaries. The credit agreement restricts KII's ability to incur additional indebtedness, restricts its dividends and other payments to affiliates, requires it to maintain specified debt service coverage and other ratios, and contains other provisions and restrictive covenants customary in lending transactions of this type.

Borrowings under KLA's tranche of LPC's term loan bear interest at U.S. LIBOR plus 1.625% (8.125% and 7.315% at December 31, 1994 and 1995, respectively) and are repayable in quarterly installments through September 2000. See Note 6.

Rheox has a credit agreement providing for a seven-year term loan due in quarterly installments through December 1997 and a $5 million revolving credit facility due September 1996. Borrowings bear interest, at Rheox's option, at the prime rate plus 1.5% or U.S. LIBOR plus 2.5% (9.01% and 8.32% at December 31, 1994 and 1995, respectively), and are collateralized by the stock of Rheox and its domestic subsidiary and by Rheox's U.S. assets. The credit agreement restricts Rheox's ability to incur additional indebtedness, restricts its dividend payments and contains other provisions and restrictive covenants customary in lending transactions of this type.

Notes payable at December 31, 1995 consists of DM 56 million of short-term borrowings due in 1996 from non-U.S. banks with interest rates ranging from 4.25% to 4.856%.

Unused lines of credit available for borrowings under the Rheox U.S. facility and non-U.S. credit facilities totalled $5 million and $191 million, respectively, at December 31, 1995. Of the non-U.S. credit facilities available, $87 million is available only for (i) permanently reducing the DM term loan or (ii) paying future German tax assessments.

The aggregate maturities of long-term debt at December 31, 1995 are shown in the table below.

Years ending December 31,	Amount (In thousands)
1996	$ 43,369
1997	97,585
1998	110,602
1999	138,031
2000	11,845
2001 and thereafter	437,737
	839,169
Less unamortized original issue discount on the Senior Secured Discount Notes	55,466
	$783,703

NOTE 11 - EMPLOYEE BENEFIT PLANS:

Company-sponsored pension plans

The Company maintains various defined benefit and defined contribution pension plans covering substantially all employees. Personnel employed by non-U.S. subsidiaries are covered by separate plans in their respective countries and U.S. employees are covered by various plans including the Retirement Programs of NL Industries, Inc. (the "NL Pension Plan").

A majority of U.S. employees are eligible to participate in a contributory savings plan with partial matching contributions by the Company. The Company's expense related to matching contributions was nil in 1993, $.7 million in 1994 and $.8 million in 1995.

Defined pension benefits are generally based upon years of service and compensation under fixed-dollar, final pay or career average formulas, and the related expenses are based upon independent actuarial valuations. The funding policy for U.S. defined benefit plans is to contribute amounts which satisfy funding requirements of the Employee Retirement Income Security Act of 1974, as amended, and the Retirement Protection Act of 1994. Non-U.S. defined benefit pension plans are funded in accordance with applicable statutory requirements.

The funded status of the Company's defined benefit pension plans is set forth below. The rates used in determining the actuarial present value of benefit obligations were (i) discount rates - 7% and 8.5% (1994 - 8.5%) and (ii) rates of increase in future compensation levels - 3.5% to 6% (1994 - 5% to 6%). The expected long-term rates of return on assets used ranged from 8% to 9%

(1994 - 8.5% to 9%). Plan assets are comprised primarily of investments in U.S. and non-U.S. corporate equity and debt securities, short-term investments, mutual funds and group annuity contracts.

SFAS No. 87, "Employers' Accounting for Pension Costs" requires that an additional pension liability be recognized when the unfunded accumulated pension benefit obligation exceeds the unfunded accrued pension liability. Variances from actuarially-assumed rates, including the rate of return on pension plan assets, will result in additional increases or decreases in accrued pension liabilities, pension expense and funding requirements in future periods. A one percentage point decrease in the discount rate would increase the projected benefit obligations at December 31, 1995 by $31 million. At December 31, 1995, 67% of the projected benefit obligations in excess of plan assets relate to non-U.S. plans.

	Assets exceed accumulated benefits December 31,		Accumulated benefits exceed assets December 31,	
	1994	1995	1994	1995
	(In thousands)			
Actuarial present value of benefit obligations:				
Vested benefits	$43,248	$47,181	$132,317	$156,275
Nonvested benefits	3,390	3,744	2,155	2,562
Accumulated benefit obligations	46,638	50,925	134,472	158,837
Effect of projected salary increases	5,938	7,885	19,620	22,373
Projected benefit obligations ("PBO")	52,576	58,810	154,092	181,210
Plan assets at fair value	66,293	71,345	108,377	124,632
Plan assets over (under) PBO	13,717	12,535	(45,715)	(56,578)
Unrecognized net loss (gain) from experience different from actuarial assumptions	2,876	7,155	(32,808)	(20,643)
Unrecognized prior service cost (credit)	3,195	3,147	(3,255)	(2,711)
Unrecognized transition obligations (assets) being amortized over 15 to 18 years	(459)	(261)	2,606	2,517
Adjustment required to recognize minimum liability	-	-	(1,635)	(1,908)
Total prepaid (accrued) pension cost	19,329	22,576	(80,807)	(79,323)
Less current portion	-	-	(4,565)	(10,012)
Noncurrent prepaid (accrued) pension cost	$19,329	$22,576	$(76,242)	$(69,311)

The components of the net periodic defined benefit pension cost are set forth below.

	Years ended December 31,		
	1993	1994	1995
	(In thousands)		
Service cost benefits	$ 4,082	$ 4,905	$ 4,325
Interest cost on PBO	14,430	15,371	17,853
Return on plan assets	(15,647)	(8,039)	(16,574)
Net amortization and deferrals	2,413	(5,940)	(2,399)
	$ 5,278	$ 6,297	$ 3,205

Incentive bonus programs

The Company has incentive bonus programs for certain employees providing for annual payments, which may be in the form of NL common stock, based on formulas involving the profitability of Kronos and Rheox in relation to the annual operating plan of the employee's business unit and individual performance.

Postretirement benefits other than pensions

In addition to providing pension benefits, the Company currently provides certain health care and life insurance benefits for eligible retired employees. Certain of the Company's U.S. and Canadian employees may become eligible for such postretirement health care and life insurance benefits if they reach retirement age while working for the Company. In 1989, the Company began phasing out such benefits for currently active U.S. employees over a ten-year period. The majority of all retirees are required to contribute a portion of the cost of their benefits and certain current and future retirees are eligible for reduced health care benefits at age 65. The Company's policy is to fund medical claims as they are incurred, net of any contributions by the retirees.

The rates used in determining the actuarial present value of the accumulated benefit obligations were (i) discount rate - 7.5% (1994 - 8.5%), (ii) rate of increase in future compensation levels - 4.5% (1994 - 6%), (iii) rate of increase in future health care costs - 9% in 1996, gradually declining to 5% in 2000 and thereafter and (iv) expected return on plan assets - 9%. Variances from actuarially-assumed rates will result in additional increases or decreases in accrued OPEB cost, net periodic OPEB cost and funding requirements in future periods. If the health care cost trend rate was increased by one percentage point for each year, postretirement benefit expense would have increased approximately $.3 million in 1995, and the actuarial present value of accumulated benefit obligations at December 31, 1995 would have increased by approximately $2.9 million. A one percentage point decrease in the discount rate would increase the actuarial present value of accumulated benefit obligations at December 31, 1995 by approximately $4 million.

	December 31,	
	1994	1995
	(In thousands)	
Actuarial present value of accumulated benefit obligations:		
Retiree benefits	$51,895	$53,211
Other fully eligible active plan participants	1,229	1,228
Other active plan participants	1,797	2,322
	54,921	56,761
Plan assets at fair value	7,217	7,103
Accumulated postretirement benefit obligations in excess of plan assets	47,704	49,658
Unrecognized net gain from experience different from actuarial assumptions	9,251	4,676
Unrecognized prior service credit	13,672	12,199
Total accrued postretirement benefits cost	70,627	66,533
Less current portion	5,328	6,298
Noncurrent accrued postretirement benefits cost	$65,299	$60,235

The components of the Company's net periodic postretirement benefit cost are set forth below:

	Years ended December 31,		
	1993	1994	1995
	(In thousands)		
Interest cost on accumulated benefit obligations	$ 4,911	$ 4,338	$ 4,415
Service cost benefits earned during the year	127	99	101
Return on plan assets	(647)	(688)	(637)
Net amortization and deferrals	(1,473)	(1,495)	(1,870)
	$ 2,918	$ 2,254	$ 2,009

NOTE 12 - SHAREHOLDERS' DEFICIT:

Common stock

	Shares of common stock		
	Issued	Treasury stock	Outstanding
	(In thousands)		

Balance at December 31, 1992 and 1993	66,839	15,949	50,890
Treasury shares reissued	-	(162)	162
Balance at December 31, 1994	66,839	15,787	51,052
Treasury shares reissued	-	(39)	39
Balance at December 31, 1995	66,839	15,748	51,091

Common stock options

The 1989 Long Term Performance Incentive Plan of NL Industries, Inc. (the "NL Option Plan") provides for the discretionary grant of restricted common stock, stock options, stock appreciation rights ("SARs") and other incentive compensation to officers and other key employees of the Company. Although certain stock options granted pursuant to a similar plan which preceded the NL Option Plan ("the Predecessor Option Plan") remain outstanding at December 31, 1995, no additional options may be granted under the Predecessor Option Plan.

Up to five million shares of NL common stock may be issued pursuant to the NL Option Plan. The NL Option Plan provides for the grant of options that qualify as incentive options and for options which are not so qualified. Generally, stock options and SARs (collectively, "options") are granted at a price equal to or greater than 100% of the market price at the date of grant, vest over a five year period and expire ten years from the date of grant. Restricted stock, forfeitable unless certain periods of employment are completed, is held in escrow in the name of the grantee until the restriction period expires. No SARs have been granted under the NL Option Plan. At December 31, 1995, 50,000 shares of common stock, restricted until February 1996, are included in common shares outstanding.

In addition to the NL Option Plan, the Company maintains a stock option plan for its non-employee directors. At December 31, 1995, there were options to acquire 8,000 shares of common stock outstanding of which 6,000 were fully vested.

Changes in outstanding options granted pursuant to the NL Option Plan, the Predecessor Option Plan and the non-employee director plan are summarized in the table below. At December 31, 1995, options to purchase 1,189,907 shares were exercisable and options to purchase 548,798 shares become exercisable in 1996. Of the exercisable options at December 31, 1995, options to purchase 693,237 shares had exercise prices less than the Company's December 31, 1995 quoted market price of $12.125 per share. At December 31, 1995, an aggregate of 2.7 million shares were available for future grants under the NL Option Plan.

	Shares	Exercise price per share	Amount payable upon exercise
	(In thousands, except per share amounts)		
Outstanding at December 31, 1992	1,272	$ 8.13 - 24.19	$18,013
Granted	453	4.81 - 7.00	2,655
Canceled	(7)	5.00 - 9.31	(44)
Outstanding at December 31, 1993	1,718	4.81 - 24.19	20,624
Granted	675	8.69 - 10.69	6,315
Exercised	(13)	9.31 - 10.50	(120)
Canceled	(6)	5.00 - 9.31	(46)
Outstanding at December 31, 1994	2,374	4.81 - 24.19	26,773
Granted	94	11.81 - 14.81	1,150
Exercised	(39)	5.00 - 10.78	(282)
Canceled	(36)	5.00 - 11.81	(320)
Outstanding at December 31, 1995	2,393	$ 4.81 - 24.19	$27,321

The Company expects to elect the disclosure alternative prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation" and to continue to account for stock-based employee compensation in accordance with Accounting Principles Board Opinion No. 25 ("APBO"), "Accounting for Stock Issued to Employees" and its various interpretations. Under APBO No. 25, no compensation cost is generally recognized for fixed stock options in which the exercise price is not less than the market price on the grant date. Under the disclosure alternative of SFAS

No. 123, the Company will disclose, starting with the year ended December 31, 1996, its pro forma net income and earnings per share as if the fair value based accounting method of SFAS No. 123 had been used to account for stock-based compensation cost for all awards granted after January 1, 1995.

Preferred stock

The Company is authorized to issue a total of five million shares of preferred stock. The rights of preferred stock as to dividends, redemption, liquidation and conversion are determined upon issuance.

NOTE 13 - INCOME TAXES:

The components of (i) income (loss) before income taxes, minority interest, extraordinary item and cumulative effect of change in accounting principle ("pretax income (loss)"), (ii) the difference between the provision for income taxes attributable to pretax income (loss) and the amounts that would be expected using the U.S. federal statutory income tax rate of 35%, (iii) the provision for income taxes and (iv) the comprehensive tax provision (benefit) are presented below.

	Years ended December 31, 1993	1994	1995
		(In thousands)	
Pretax income (loss):			
U.S.	$(41,579)	$ (6,241)	$ 43,125
Non-U.S.	(28,189)	(7,164)	55,777
	$(69,768)	$(13,405)	$ 98,902
Expected tax expense (benefit)	$(24,419)	$ (4,692)	$ 34,616
Non-U.S. tax rates	(15,620)	(7,108)	(7,016)
Rate change adjustment of deferred taxes	6,823	-	(6,593)
Valuation allowance	40,827	24,309	(9,588)
Settlement of U.S. tax audits	-	(5,437)	-
Incremental tax on income of companies not included in the NL Tax Group	2,553	790	499
U.S. state income taxes	486	534	721
Other, net	2,063	1,338	32
	$ 12,713	$ 9,734	$ 12,671
Provision for income taxes:			
Current income tax expense (benefit):			
U.S. federal	$ (915)	$ (5,222)	$ 249
U.S. state	870	475	2,135
Non-U.S.	14,083	2,574	39,535
	14,038	(2,173)	41,919
Deferred income tax expense (benefit):			
U.S. federal	244	4,058	(9,005)
U.S. state	(384)	347	(1,026)
Non-U.S.	(1,185)	7,502	(19,217)
	(1,325)	11,907	(29,248)
	$ 12,713	$ 9,734	$ 12,671
Comprehensive tax provision (benefit) allocable to:			
Pretax income (loss)	$12,713	$9,734	$12,671
Shareholders' deficit, principally deferred income taxes allocable to currency translation and marketable securities adjustments	(1,243)	7	10
	$11,470	$9,741	$12,681

The Company's valuation allowance increased in the aggregate by $47 million in 1993 and $31 million in each of 1994 and 1995. During 1995, both the Company's gross deferred tax assets and the offsetting valuation allowance were increased by $34 million as a result of recharacterizations of certain tax attributes primarily due to changes in certain tax return elections. In addition, the valuation allowance was reduced by approximately $10 million due to recognition of the future tax benefit of certain tax credits which the Company believes satisfies the "more-likely-than-not" recognition criteria as a result of the Company's return to profitability. The components of the net deferred tax liability are summarized below:

December 31,	1994		1995	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
		(In thousands)		

Tax effect of temporary differences relating to:				
Inventories	$ 4,275	$ (2,885)	$ 5,277	$ (5,644)
Property and equipment	423	(97,421)	574	(109,418)
Accrued postretirement benefits cost	24,691	-	23,200	-
Accrued pension cost	9,363	(11,529)	8,978	(14,942)
Accrued environmental costs	34,108	-	38,214	-
Other accrued liabilities and deductible differences	32,308	-	26,496	-
Other taxable differences	-	(144,774)	-	(101,621)
Tax on unremitted earnings of non-U.S. subsidiaries	452	(22,416)	281	(22,526)
Tax loss and tax credit carryforwards	162,906	-	189,263	-
Valuation allowance	(164,500)	-	(195,569)	-
Gross deferred tax assets (liabilities)	104,026	(279,025)	96,714	(254,151)
Reclassification, principally netting by tax jurisdiction	(99,103)	99,103	(93,404)	93,404
Net total deferred tax assets (liabilities)	4,923	(179,922)	3,310	(160,747)
Net current deferred tax assets (liabilities)	2,177	(1,590)	2,522	(3,555)
Net noncurrent deferred tax assets (liabilities)	$ 2,746	$(178,332)	$ 788	$(157,192)

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions, including Germany, are being examined and tax authorities have proposed or may propose tax deficiencies. During 1994, the German tax authorities withdrew certain proposed tax deficiencies of DM 100 million and remitted tax refunds aggregating DM 225 million ($136 million), including interest, on a tentative basis while examination of the Company's German income tax returns continued. The Company recently reached agreement in principle with the German tax authorities which will resolve certain significant tax contingencies for years through 1990. The Company expects to finalize assessments and pay tax deficiencies of approximately DM 50 million ($35 million at December 31, 1995), including interest, in settlement of these issues during the first half of 1996. The Company considers the agreement in principle to be a favorable resolution of the contingencies and the anticipated payment is within previously-accrued amounts for such matters.

Certain other German tax contingencies remain outstanding and will continue to be litigated. No assurances can be given that this litigation will be resolved in the Company's favor in view of the inherent uncertainties involved in court rulings. Although the Company believes that it will ultimately prevail in the litigation, the Company has granted a DM 100 million ($70 million at December 31, 1995) lien on its Nordenham, Germany TiO_2 plant in favor of the German tax authorities until the litigation is resolved. 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.

During the fourth quarter of 1995, the Company recorded tax benefits of $6.6 million due to the reduction in dividend withholding tax rates pursuant to ratification of the new U.S./Canada income tax treaty.

During 1995, the Company utilized $14 million of foreign tax credit carryforwards and U.S. net operating loss carryforwards from prior years to reduce its 1995 U.S. federal income tax expense. At December 31, 1995, for U.S. federal income tax purposes, the Company had approximately $27 million of foreign tax credit carryforwards expiring during 1997 through 1999 and approximately $9 million of alternative minimum tax credit carryforwards with no expiration date. The Company also had approximately $350 million of income tax loss carryforwards in Germany with no expiration date.

NOTE 14 - OTHER INCOME, NET:

	Years ended December 31, 1993	1994	1995
		(In thousands)	
Securities earnings:			
Interest and dividends	$ 4,104	$ 5,075	$ 6,244
Securities transactions	4,363	(1,220)	1,175
	8,467	3,855	7,419
Litigation settlement gains	-	22,978	-
Technology fee income	2,048	10,344	10,660

Currency transaction gains, net	3,299	1,735	561
Royalty income	2,016	1,508	-
Disposition of property and equipment	(199)	(1,981)	(2,713)
Other, net	6,453	6,389	6,314
	$22,084	$44,828	$22,241

Litigation settlement gains includes $20 million related to the Company's 1994 settlement of its lawsuit against Lockheed Corporation. Technology fee income is being amortized by the straight-line method over a three-year period beginning October 1993.

NOTE 15 - OTHER ITEMS:

Advertising costs, expensed as incurred, were $2.1 million in 1993, $1.9 million in 1994 and $2.1 million in 1995.

Research, development and sales technical support costs, expensed as incurred, approximated $10 million in each of 1993 and 1994, and $11 million in 1995.

Interest capitalized in connection with long-term capital projects was $1 million in each of 1993, 1994 and 1995.

NOTE 16 - EXTRAORDINARY ITEM:

The extraordinary loss in 1993 relates to the settlement of certain interest rate swap agreements for $20 million in cash in conjunction with prepaying the Louisiana plant indebtedness and from the write-off of deferred financing costs related to such prepayment and the paydown of a portion of the DM bank credit facility. The Louisiana plant indebtedness loan agreement required the Company to enter into the interest rate swap agreements and both the debt and related swaps were collateralized by the Louisiana plant. The Company was required to prepay the Louisiana plant indebtedness and settle the swaps prior to the formation of LPC.

NOTE 17 - RELATED PARTY TRANSACTIONS:

The Company may be deemed to be controlled by Harold C. Simmons. Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. While no transactions of the type described above are planned or proposed with respect to the Company other than as set forth in this Annual Report on Form 10-K, the Company from time to time considers, reviews and evaluates and understands that Contran, Valhi and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, and restrictions under the indentures and other agreements, it is possible that the Company might be a party to one or more such transactions in the future.

It is the policy of the Company to engage in transactions with related parties on terms, in the opinion of the Company, no less favorable to the Company than could be obtained from unrelated parties.

The Company is a party to an intercorporate services agreements with Valhi and Contran (the "Valhi and Contran ISAs") whereby Valhi and Contran provide certain management, financial and administrative services to the Company on a fee basis. Management services fee expense related to the Valhi and Contran ISAs was $.7 million in 1993, $.6 million in 1994 and $.5 million in 1995.

Baroid Corporation, a former wholly-owned subsidiary of the Company and a subsidiary of Dresser Industries, Inc., and the Company were parties to an intercorporate services agreement (the "Baroid ISA") pursuant to which, as amended, Baroid agreed to make certain services available to the Company on a fee basis. The agreement was terminated in 1994. Management services fee expense pursuant to the Baroid ISA approximated $.3 million in 1993, $.2 million in 1994.

The Company is party to an intercorporate services agreement with Tremont (the "Tremont ISA"). Under the terms of the contract, the Company provides certain management and financial services to Tremont on a fee basis. Management services fee income related to the Tremont ISA was $.1 million in 1993, nil in 1994 and $.1 million in 1995.

Purchases from Tremont in the ordinary course of business pursuant to a long-term supply contract were $.4 million in 1993 and nil in each of 1994 and 1995.

Sales to Baroid in the ordinary course of business were $1.8 million in 1993 and 1994, and $1.6 million in 1995.

Purchases in the ordinary course of business from unconsolidated joint ventures, including LPC, were approximately $22 million in 1993, $74 million in 1994 and $79 million in 1995.

Certain employees of the Company have been granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. The Company and Valhi have agreed that the Company will pay Valhi the aggregate difference between the option price and the market value of Valhi's common stock on the exercise date of such options. For financial reporting purposes, the Company accounts for the related expense (income) (nil in 1993, $64,000 in 1994 and $(25,000) in 1995) in a manner similar to accounting for SARs. At December 31, 1995, employees of the Company held options to purchase 365,000 shares (362,000 shares vested) of Valhi common stock at exercise prices ranging from $4.76 to $14.66 per share. At December 31, 1995, 27,000 of the vested options were exercisable at prices less than Valhi's quoted market price per share of $6.375.

The Company and TRE Insurance, a wholly-owned subsidiary of Tremont, are parties to an Insurance Sharing Agreement with respect to certain loss payments and reserves established by TRE Insurance that (i) arise out of claims against other entities for which the Company is responsible and (ii) are subject to payment by TRE Insurance under certain reinsurance contracts. Also, TRE Insurance will credit the Company with respect to certain underwriting profits or credit recoveries that TRE Insurance receives from independent reinsurers that relate to retained liabilities.

Net amounts payable to affiliates are summarized in the following table.

	December 31, 1994	December 31, 1995
	(In thousands)	
Tremont Corporation	$ 4,780	$ 3,525
LPC	6,565	6,677
Other	3	(21)
	$11,348	$10,181

Amounts payable to LPC are generally for the purchase of TiO2 (see Note 6), and amounts payable to Tremont relate to the Company's Insurance Sharing Agreement described above.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

Leases

The Company leases, pursuant to operating leases, various manufacturing and office space and transportation equipment. Most of the leases contain purchase and/or various term renewal options at fair market and fair rental values, respectively. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases.

Kronos' principal German operating subsidiary leases the land under its Leverkusen TiO2 production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with approximately one-third of Kronos' current TiO2 production capacity, is located within the lessor's extensive manufacturing complex, and Kronos is the only unrelated party so situated. Under a separate supplies and services agreement expiring in 2011, the lessor provides some raw materials, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. Both the lease and the supplies and services agreements restrict the Company's ability to transfer ownership or use of the Leverkusen facility.

Net rent expense aggregated $8 million in 1993 and 1994, and $9 million in 1995. At December 31, 1995, minimum rental commitments under the terms of noncancellable operating leases were as follows:

Years ending December 31,	Real Estate	Equipment
	(In thousands)	
1996	$ 2,097	$1,869
1997	1,722	1,250
1998	1,721	649
1999	1,544	203
2000	934	17
2001 and thereafter	13,818	-
	$21,836	$3,988

Capital expenditures

At December 31, 1995, the estimated cost to complete capital projects in process approximated $49 million, including $41 million related to environmental protection and compliance programs and a debottlenecking expansion project at the Company's Leverkusen, Germany chloride process TiO_2 facility.

Purchase commitments

The Company has long-term supply contracts that provide for the Company's chloride feedstock requirements through 2000. The agreements require the Company to purchase certain minimum quantities of feedstock with average minimum annual purchase commitments aggregating approximately $115 million.

Legal proceedings

Lead pigment litigation. Since 1987, the Company, other past manufacturers of lead pigments for use in paint and lead-based paint and the Lead Industries Association have been named as defendants in various legal proceedings seeking damages for personal injury and property damage allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of large United States cities or their public housing authorities and certain others have been asserted as class actions. These legal proceedings seek recovery under a variety of theories, including negligent product design, failure to warn, breach of warranty, conspiracy/concert of action, enterprise liability, market share liability, intentional tort, and fraud and misrepresentation.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and asserted health concerns associated with the use of lead-based paints, which was permitted for interior residential use in the United States until 1973, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. Most of these legal proceedings are in various pre-trial stages; several are on appeal.

The Company believes that these actions are without merit, intends to continue to deny all allegations of wrongdoing and liability and to defend all actions vigorously. The Company has not accrued any amounts for the pending lead pigment litigation. Considering the Company's previous involvement in the lead and lead pigment businesses, there can be no assurance that additional litigation similar to that currently pending will not be filed.

Environmental matters and litigation. Some of the Company's current and former facilities, including several divested secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or of investigations arising under federal and state environmental laws. Additionally, in connection with past disposal practices, the Company has been named a potential responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA") in approximately 80 governmental enforcement and private actions associated with hazardous waste sites and former mining locations, some of which are on the U.S. Environmental Protection Agency's Superfund National Priorities List. These actions seek cleanup costs and/or damages for personal injury or property damage. While the Company may be jointly and severally liable for such costs, in most cases it is only one of a number of PRPs who are also jointly and severally liable. In addition, the Company is a party to a number of lawsuits filed in various jurisdictions alleging CERCLA or other environmental claims. At December 31, 1995, the Company had accrued $100 million in respect of those environmental matters which are reasonably estimable. 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 which it is possible to estimate costs is approximately $169 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. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes respecting site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. 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.

Certain of the Company's businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws. As with other companies engaged in similar businesses, certain operations and products of the Company have the potential to cause environmental or other damage. The Company continues to implement various policies and programs in an effort to minimize these risks. The Company's policy is to comply with environmental laws and regulations at all of its facilities and to continually strive to improve environmental performance in association with applicable industry initiatives. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances.

Other litigation. The Company is also involved in various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses.

The Company currently believes the disposition of all claims and disputes individually or in the aggregate, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

Concentrations of credit risk

Sales of TiO_2 accounted for almost 90% of net sales during the past three years. TiO_2 is sold to the paint, plastics and paper industries. Such markets are generally considered "quality-of-life" markets whose demand for TiO_2 is influenced by the relative economic well-being of the various geographic regions. TiO_2 is sold to over 5,000 customers, none of which represents a significant portion of net sales. In each of the past three years, approximately one-half of the Company's TiO_2 sales by volume were to Europe and approximately 38% in 1993 and 36% in both 1994 and 1995 of sales were attributable to North America.

Consolidated cash and cash equivalents includes $80 million and $103 million invested in U.S. Treasury securities purchased under short-term agreements to resell at December 31, 1994 and 1995, respectively, of which $73 million and $88 million, respectively, of such securities are held in trust for the Company by a single U.S. bank.

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE:

In 1993, the Company adopted SFAS No. 115 (marketable securities) as of December 31, 1993. The cumulative effect of change in accounting principle adjustments are shown below.

	Amount reflected in	
	Earnings	Equity component
	(In thousands)	
Increase (decrease) in net assets at December 31, 1993 - SFAS No. 115:		

Marketable securities	$1,872	$(1,872)
Deferred income taxes	(655)	655
	$1,217	$(1,217)

NOTE 20 - FINANCIAL INSTRUMENTS:

Summarized below is the estimated fair value and related net carrying value of the Company's financial instruments.

	December 31, 1994 Carrying Amount	December 31, 1994 Fair Value	December 31, 1995 Carrying Amount	December 31, 1995 Fair Value
	(In millions)			
Cash and cash equivalents	$ 131.1	$131.1	$ 141.3	$141.3
Marketable securities - classified as:				
Trading securities	25.2	25.2	-	-
Available-for-sale	21.3	21.3	20.9	20.9
Notes payable and long-term debt:				
Fixed rate with market quotes:				
Senior Secured Notes	$ 250.0	$247.1	$ 250.0	$267.7
Senior Secured Discount Notes	116.4	114.8	132.0	151.8
Variable rate debt	423.2	423.2	440.9	440.9
Common shareholders' equity (deficit)	$(293.1)	$644.5	$(209.4)	$619.5

Fair value of the Company's marketable securities and Notes are based upon quoted market prices and the fair value of the Company's common shareholder's equity (deficit) is based upon quoted market prices for NL's common stock. The Company held no derivative financial instruments at December 31, 1994 and 1995.

NOTE 21 - QUARTERLY FINANCIAL DATA (UNAUDITED):

	Quarter ended March 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share amounts)			
Year ended December 31, 1994:				
Net sales	$201,849	$237,113	$225,200	$223,792
Cost of sales	146,956	178,925	168,033	155,831
Operating income	22,313	26,242	27,093	35,704
Net income (loss)	$ (6,367)	$(15,534)	$ (4,578)	$ 2,497
Net income (loss) per share of common stock	$ (.12)	$ (.30)	$ (.09)	$ .05
Weighted average shares outstanding	50,965	51,040	51,040	51,045
Year ended December 31, 1995:				
Net sales	$250,875	$283,474	$255,339	$234,251
Cost of sales	169,768	187,896	169,058	149,462
Operating income	41,968	57,549	50,590	49,612
Net income	$ 13,062	$ 21,002	$ 17,426	$ 34,119(a)
Net income per share of common stock	$ .26	$ .41	$ .34	$ .66(a)
Weighted average shares outstanding	51,176	51,552	51,628	51,486

(a) Income tax benefits in the fourth quarter of 1995 include the recognition of $10 million of deferred tax assets related to the expected realization of the tax benefit of certain tax credits resulting from the Company's return to profitability and $6.6 million related to the reduction in U.S./Canada dividend withholding tax rates. See Note 13.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

Our report on the consolidated financial statements of NL Industries, Inc. is included on page F-2 of this Annual Report on Form 10-K. As discussed in Notes 2 and 19 to the consolidated financial statements, the Company changed its method of accounting for marketable securities in 1993. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page F-1.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Houston, Texas
February 8, 1996

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Balance Sheets

December 31, 1994 and 1995

(In thousands)

	1994	1995
Current assets:		
Cash and cash equivalents	$ 18,371	$ 40,080
Marketable securities	25,165	-
Accounts and notes receivable	1,274	203
Receivable from subsidiaries	2,854	4,273
Refundable income taxes	-	1,662
Prepaid expenses	747	729
Total current assets	48,411	46,947
Other assets:		
Marketable securities	21,329	20,944
Notes receivable from subsidiary	366,409	382,034
Investment in subsidiaries	(181,751)	(89,395)
Other	9,214	7,582
Total other assets	215,201	321,165
Property and equipment, net	3,732	3,562
	$ 267,344	$ 371,674
Current liabilities:		
Accounts payable and accrued liabilities	$ 33,248	$ 28,116
Payable to affiliates	4,783	3,498
Income taxes	186	-
Deferred income taxes	1,436	1,905
Total current liabilities	39,653	33,519
Noncurrent liabilities:		
Long-term debt	366,409	382,034
Deferred income taxes	9,546	10,211
Accrued pension cost	14,021	10,835
Accrued postretirement benefits cost	40,711	37,430
Other	90,086	107,066
Total noncurrent liabilities	520,773	547,576

Shareholders' deficit	(293,082)	(209,421)
	$ 267,344	$ 371,674

Contingencies (Note 4)

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Operations

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Revenues and other income:			
Equity in income (loss) of subsidiaries	$ (49,766)	$ 7,925	$ 99,734
Interest and dividends	3,622	2,538	2,739
Interest income from subsidiary	8,358	43,157	45,551
Securities transactions	3,637	(1,220)	1,175
Other income, net	2,597	3,135	460
	(31,552)	55,535	149,659
Costs and expenses:			
General and administrative	44,113	69,875	27,079
Interest	13,771	44,003	45,842
	57,884	113,878	72,921
Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting principle	(89,436)	(58,343)	76,738
Income tax benefit	6,225	34,361	8,871
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	(83,211)	(23,982)	85,609
Extraordinary item - equity in income of subsidiaries	(27,815)	-	-
Cumulative effect of change in accounting principle - NL	1,217	-	-
Net income (loss)	$(109,809)	$(23,982)	$ 85,609

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Cash Flows

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Cash flows from operating activities:			
Net income (loss)	$(109,809)	$(23,982)	$ 85,609
Undistributed earnings of subsidiaries:			
Equity in (income) loss before extraordinary item and cumulative			

effect of change in accounting principle	49,766	(7,925)	(99,734)
Extraordinary item	27,815	-	-
Distributions from subsidiaries	-	30,000	15,000
Noncash interest expense	165	845	842
Deferred income taxes	1,510	(20,577)	1,411
Securities transactions	(3,637)	1,220	(1,175)
Cumulative effect of change in accounting principle	(1,217)	-	-
Other, net	(1,268)	(3,836)	(5,819)
	(36,675)	(24,255)	(3,866)
Change in assets and liabilities, net	14,428	23,263	8,042
Marketable trading securities:			
Purchases	-	(870)	(762)
Dispositions	-	15,530	27,102
Net cash provided (used) by operating activities	(22,247)	13,668	30,516
Cash flows from investing activities:			
Investment in subsidiary	(6,478)	(6,630)	(9,062)
Capital expenditures	(4)	(126)	(33)
Loans to subsidiaries	(341,500)	-	-
Purchases of marketable securities	(10,899)	-	-
Proceeds from disposition of marketable securities	69,232	-	-
Other, net	667	402	10
Net cash used by investing activities	(288,982)	(6,354)	(9,085)

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Cash Flows (Continued)

Years ended December 31, 1993, 1994 and 1995

(In thousands)

	1993	1994	1995
Cash flows from financing activities:			
Borrowings of (principal payments on):			
Long-term debt	$ 327,340	$ (170)	$ -
Loans from affiliates	(16,047)	-	-
Other, net	-	120	278
Net cash provided (used) by financing activities	311,293	(50)	278
Cash and cash equivalents:			
Increase (decrease) from:			
Operating activities	(22,247)	13,668	30,516
Investing activities	(288,982)	(6,354)	(9,085)
Financing activities	311,293	(50)	278
Net change from operating, investing and financing activities	64	7,264	21,709
Balance at beginning of year	11,043	11,107	18,371
Balance at end of year	$ 11,107	$18,371	$40,080

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Notes to Condensed Financial Information

NOTE 1 - BASIS OF PRESENTATION:

The Consolidated Financial Statements of NL Industries, Inc. (the "Company") and the related Notes to Consolidated Financial Statements are incorporated herein by reference.

NOTE 2 - NET RECEIVABLE FROM (PAYABLE TO) subsidiaries and affiliates:

	December 31, 1994	1995
	(In thousands)	
Current:		
Tremont Corporation	$ (4,780)	$ (3,525)
Other	(3)	27
Kronos and Rheox:		
Income taxes	(1,043)	567
Other, net	3,897	3,706
	$ (1,929)	$ 775
Noncurrent:		
Note receivable - Kronos	$366,409	$382,034

NOTE 3 - LONG-TERM DEBT:

	December 31, 1994	1995
	(In thousands)	
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	116,409	132,034
	$366,409	$382,034

See Note 10 of the Consolidated Financial Statements for a description of the Notes.

The aggregate maturities of the Company's long-term debt at December 31, 1995 are shown in the table below.

	Amount (In thousands)
Senior Secured Notes due 2003	$250,000
Senior Secured Discount Notes due 2005	187,500
	437,500
Less unamortized original issue discount on the Senior Secured Discount Notes	55,466
	$382,034

The Company and Kronos have agreed, under certain circumstances, to provide Kronos' principal international subsidiary with up to DM 125 million through January 1, 2001.

NOTE 4 - CONTINGENCIES:

See Legal proceedings in Note 18 to the Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Balance at beginning	Charged to costs and

Description	of year	expenses	Deductions
Year ended December 31, 1995:			
Allowance for doubtful accounts and notes receivable	$ 3,749	$ 289	$ (166)(a)
Amortization of intangibles	$ 16,149	$3,241	$ -
Valuation allowance for deferred income taxes	$164,500	$(9,588)	$ -
Year ended December 31, 1994:			
Allowance for doubtful accounts and notes receivable	$ 3,008	$ 1,141	$ (616)(a)
Amortization of intangibles	$ 11,941	$ 2,901	$ -
Valuation allowance for deferred income taxes	$133,377	$24,309	$ -
Year ended December 31, 1993:			
Allowance for doubtful accounts and notes receivable	$ 2,385	$ 1,216	$ (476)(a)
Amortization of intangibles	$ 9,792	$ 2,863	$ -
Valuation allowance for deferred income taxes	$ 86,031	$50,562(b)	$ -

Description	Currency translation adjustments	Other	Balance at end of year
Year ended December 31, 1995:			
Allowance for doubtful accounts and notes receivable	$ 167	$ -	$ 4,039
Amortization of intangibles	$ 1,172	$ -	$ 20,562
Valuation allowance for deferred income taxes	$ 6,451	$34,206(c)	$195,569
Year ended December 31, 1994:			
Allowance for doubtful accounts and notes receivable	$ 216	$ -	$ 3,749
Amortization of intangibles	$ 1,307	$ -	$ 16,149
Valuation allowance for deferred income taxes	$ 6,814	$ -	$164,500
Year ended December 31, 1993:			
Allowance for doubtful accounts and notes receivable	$ (117)	$ -	$ 3,008
Amortization of intangibles	$ (714)	$ -	$ 11,941
Valuation allowance for deferred income taxes	$(3,216)	$ -	$133,377

(a) Amounts written off, less recoveries.
(b) Includes amounts recorded as part of extraordinary item.
(c) Direct offset to the increase in gross deferred income tax assets resulting from recharacterization ofcertain tax attributes due primarily to changes in certain income tax return elections.