SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2004   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.)

5430 LBJ Freeway, Suite 1700, Dallas, Texas   75240-2697
(Address of principal executive offices)   (Zip Code)

Registrant's telephone number, including area code: (972) 233-1700

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 whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes X No

Number of shares of the Registrant's common stock outstanding on July 30, 2004: 48,389,284.

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2003	June 30, 2004
Current assets:		
Cash and cash equivalents	$ 67,799	$ 115,756
Restricted cash and cash equivalents	19,029	10,961
Restricted marketable debt securities	6,147	9,121
Accounts and other receivables	156,820	202,956
Refundable income taxes	35,336	1,332
Receivable from affiliates	55	139
Inventories	266,020	209,816
Prepaid expenses	5,257	4,433
Deferred income taxes	10,798	10,995
Total current assets	567,261	565,509
Other assets:		
Marketable equity securities	70,487	53,579
Restricted marketable debt securities	6,870	9,423
Investment in TiO2 manufacturing joint venture	129,011	120,711
Receivable from affiliate	14,000	12,000
Deferred income taxes	-	179,588
Other	34,057	35,372
Total other assets	254,425	410,673
Property and equipment:		
Land	32,981	32,173
Buildings	179,472	174,946
Equipment	765,704	753,417
Mining properties	83,183	82,024
Construction in progress	9,666	11,589
	1,071,006	1,054,149

Less accumulated depreciation and amortization	635,267	640,191
Net property and equipment	435,739	413,958
	$1,257,425	$1,390,140

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2003	June 30, 2004
Current liabilities:		
Current maturities of long-term debt	$ 288	$ 148
Accounts payable	103,180	71,181
Accrued liabilities	81,117	84,251
Accrued environmental costs	19,627	15,331
Payable to affiliates	19,537	20,755
Income taxes	12,726	7,177
Deferred income taxes	3,436	23,842
Total current liabilities	239,911	222,685
Noncurrent liabilities:		
Long-term debt	356,451	346,682
Accrued pension costs	81,180	79,148
Accrued postretirement benefits costs	23,411	22,025
Accrued environmental costs	57,854	57,218
Deferred income taxes	191,460	55,927
Other	19,453	19,184
Total noncurrent liabilities	729,809	580,184
Minority interest	86,791	210,852
Stockholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	777,819	777,819
Retained earnings	16,023	197,415
Accumulated other comprehensive income (loss):		
Marketable securities	23,323	12,241
Currency translation	(153,955)	(157,114)
Pension liabilities	(36,209)	(36,209)
Treasury stock	(434,442)	(426,088)
Total stockholders' equity	200,914	376,419
	$1,257,425	$1,390,140

Commitments and contingencies (Notes 11 and 14)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
Net sales	$ 266,631	$ 295,789	$ 519,604	$ 559,056
Cost of sales	197,649	227,505	386,066	429,736
Gross margin	68,982	68,284	133,538	129,320
Selling, general and administrative expense	30,975	34,970	60,354	70,214
Other operating income (expense):				
Currency transaction gains (losses), net	(2,743)	302	(3,841)	556
Disposition of property and equipment	1,116	21	1,055	(2)
Noncompete agreement income	-	-	333	-
Other income	713	6,806	861	6,820
Corporate expense	(23,202)	(4,625)	(38,517)	(11,292)
Income from operations	13,891	35,818	33,075	55,188
Other income (expense):				
Trade interest income	198	206	361	412
Other interest income	838	834	1,786	1,604
Securities transactions, net	218	(3)	2,452	(25)
Interest expense	(8,367)	(8,594)	(16,352)	(17,811)
Income before income taxes and minority interest	6,778	28,261	21,322	39,368
Income tax benefit	(22,191)	(283,817)	(17,101)	(281,593)
Minority interest in after-tax earnings	134	133,034	158	137,828
Net income	$ 28,835	$ 179,044	$ 38,265	$ 183,133
Basic and diluted net income per share	$ .60	$ 3.70	$ .80	$ 3.79
Weighted-average shares used in the calculation of net income per share:				
Basic	47,698	48,361	47,696	48,251
Dilutive impact of stock options	57	63	54	101
Diluted	47,755	48,424	47,750	48,352

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Six months ended June 30, 2003 and 2004

(In thousands)

	2003	2004
Net income	$ 38,265	$ 183,133

Other comprehensive income (loss), net of tax:		
Marketable securities adjustment:		
Unrealized holding gains (losses) arising during the period	2,669	(11,082)
Reclassification for realized net loss included in net income	(1,474)	-
	1,195	(11,082)
Currency translation adjustment	12,568	(3,159)
Total other comprehensive income (loss)	13,763	(14,241)
Comprehensive income	$ 52,028	$ 168,892

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Six months ended June 30, 2004

(In thousands)

				Accumulated other comprehensive income (loss)				
	Common stock	Additional paid-in capital	Retained earnings	Marketable securities	Currency translation	Pension liabilities	Treasury stock	Total
Balance at December 31, 2003	$8,355	$777,819	$ 16,023	$ 23,323	$(153,955)	$ (36,209)	$(434,442)	$200,914
Net income	-	-	183,133	-	-	-	-	183,133
Distribution of shares of Kronos Worldwide, Inc. common stock	-	-	(1,143)	-	-	-	-	(1,143)
Income tax on distribution	-	-	(598)	-	-	-	-	(598)
Other comprehensive loss, net	-	-	-	(11,082)	(3,159)	-	-	(14,241)
Treasury stock - reissued	-	-	-	-	-	-	8,354	8,354
Balance at June 30, 2004	$8,355	$777,819	$197,415	$ 12,241	$(157,114)	$ (36,209)	$(426,088)	$376,419

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30, 2003 and 2004

(In thousands)

	2003	2004
Cash flows from operating activities:		
Net income	$ 38,265	$ 183,133

	2003	2004
Depreciation and amortization	19,681	22,004
Deferred income taxes	(3,006)	(288,504)
Minority interest	158	137,828
Net (gains) losses from securities transactions	(2,452)	50
Other, net	(3,680)	1,283
Distributions from TiO2 manufacturing joint venture, net	800	8,300
Change in assets and liabilities:		
Accounts and other receivables	(37,409)	(49,507)
Insurance receivable	2,122	-
Inventories	25,301	51,362
Prepaid expenses	3,036	933
Accrued environmental costs	25,990	(4,932)
Accounts payable and accrued liabilities	(29,526)	(26,181)
Income taxes	(24,008)	24,095
Other, net	3,378	(1,902)
Net cash provided by operating activities	18,650	57,962
Cash flows from investing activities:		
Capital expenditures	(13,850)	(10,854)
Collection of loans to affiliates	2,000	2,000
Change in restricted cash equivalents and restricted marketable debt securities, net	658	2,470
Other, net	1,538	84
Net cash used in investing activities	(9,654)	(6,300)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	16,106	99,968
Principal payments	(11,615)	(99,994)
Cash dividends paid	(19,079)	-
Distributions to minority interest	-	(12,036)
Treasury stock reissued	175	8,286
Net cash used in financing activities	(14,413)	(3,776)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Six months ended June 30, 2003 and 2004

(In thousands)

	2003	2004
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	$ (5,417)	$ 47,886
Currency translation	1,686	71
Cash and cash equivalents at beginning of period	58,091	67,799
Cash and cash equivalents at end of period	$ 54,360	$115,756
Supplemental disclosures - cash paid (received) for:		
Interest, net of amounts capitalized	$ 16,347	$ 16,691
Income taxes, net	7,627	(20,603)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and basis of presentation:

At June 30, 2004, NL Industries, Inc. (NYSE: NL) conducts its titanium dioxide pigments ("TiO2") operations through its 50.5% owned subsidiary, Kronos Worldwide, Inc. (NYSE: KRO) ("Kronos"). At June 30, 2004, Valhi, Inc. and a wholly-owned subsidiary of Valhi held approximately 83% of NL's outstanding common stock, and Contran Corporation and its subsidiaries held approximately 90% of Valhi's outstanding common stock. At June 30, 2004, Valhi and a wholly-owned subsidiary of Valhi also held an additional 43.6% of Kronos' outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee, or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. Mr. Simmons, the Chairman of the Board of Valhi, Contran and the Company, may be deemed to control each of such companies.

The consolidated balance sheet of NL at December 31, 2003 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 2004, and the consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the interim periods ended June 30, 2003 and 2004, have been prepared by the Company, without audit, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made.

The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations. Certain information normally included in financial statements prepared in accordance with GAAP has been condensed or omitted, and certain prior year amounts have been reclassified to conform to the current year presentation. The accompanying consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the "2003 Annual Report").

In March 2004, the Company paid its $.20 per share regular quarterly dividend in the form of shares of Kronos common stock in which approximately 345,000 shares (approximately .7% of Kronos' outstanding common stock) were distributed to NL stockholders in the form of a pro-rata dividend. The Company's distribution of such shares of Kronos common stock is taxable to the Company, and the Company is required to recognize a taxable gain equal to the difference between the fair market value of the shares of Kronos distributed on the date of distribution and the Company's adjusted tax basis in such shares at the date of distribution. Pursuant to the Company's tax sharing agreement with Valhi, the Company is not required to pay taxes on the tax liability generated for the shares of Kronos distributed to Valhi and its wholly-owned subsidiary. The Company is required to recognize a tax liability with respect to the Kronos shares distributed to NL stockholders other than Valhi and its wholly-owned subsidiary, and such tax liability was approximately $598,000 for the March 2004 distribution. In accordance with GAAP, the net carrying value of such shares of Kronos distributed ($1.1 million) and the $598,000 tax liability have been recognized as a reduction of the Company's stockholders' equity and charged directly to retained earnings. The Company paid its next regular quarterly dividend of $.20 per share in July 2004, in which approximately 322,000 Kronos shares (approximately .7% of Kronos' outstanding common stock) were distributed. The effect of such distribution will be recognized by the Company in the third quarter of 2004. After considering the July 2004 distribution, the Company's ownership of Kronos will be reduced to approximately 49.8% and the Company will no longer own a majority of Kronos' outstanding common stock. Consequently, effective in the third quarter of 2004 the Company will cease to consolidate Kronos' financial position, results of operations and cash flows and instead the Company will commence accounting for its interest in Kronos by the equity method.

The Company complied with the consolidation requirements of FASB Interpretation ("FIN") No. 46R, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," as amended, as of March 31, 2004. See Note 15.

As disclosed in the 2003 Annual Report, the Company accounts for stock-based employee compensation in accordance with Accounting Principles Board Opinion ("APBO") No. 25, "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 greater than or equal to the market price on the grant date. Prior to 2003, the Company commenced accounting for its stock options using the variable accounting method of APBO No. 25, which requires the intrinsic value of all unexercised stock options (including stock options with an exercise price at least equal to the market price on the date of grant) to be accrued as an expense, with subsequent increases (decreases) in the Company's market price resulting in recognition of additional compensation expense (income). Net compensation cost recognized by the Company in accordance with APBO No. 25 was approximately $500,000 and nil in the second quarter and first six months of 2003, respectively, and net compensation cost recognized by the Company was nil and $1.1 million in the second quarter and first six months of 2004, respectively.

The following table presents what the Company's consolidated net income, and related per share amounts, would have been in the first quarter of 2003 and 2004 if the Company and its subsidiaries and affiliates had each elected to account for their respective stock-based employee compensation related to stock options in accordance with the fair value-based recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for all awards granted subsequent to January 1, 1995.

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
	(In millions, except per share amounts)			
Net income as reported	$28.8	$179.0	$38.3	$183.1
Adjustments, net of applicable income tax effects and minority interest, of stock-based employee compensation determined under:				
APBO No. 25	.3	-	-	.5
SFAS No. 123	(.1)	-	(.3)	(.1)
Pro forma net income	$29.0	$179.0	$38.0	$183.5
Basic and diluted net income per share:				
As reported	$ .60	$ 3.70	$ .80	$ 3.79
Pro forma	$ .61	$ 3.70	$ .80	$ 3.80

Note 2 - Accounts and other receivables:

	December 31, 2003	June 30, 2004
	(In thousands)	
Trade receivables	$147,029	$192,788
Recoverable VAT and other receivables	12,710	13,017
Allowance for doubtful accounts	(2,919)	(2,849)
	$156,820	$202,956

Note 3 - Inventories:

	December 31, 2003	June 30, 2004
	(In thousands)	

Raw materials	$ 61,959	$ 35,409
Work in process	19,855	17,078
Finished products	147,270	121,659
Supplies	36,936	35,670
	$266,020	$209,816

Note 4 - Marketable equity securities:

	December 31, 2003	June 30, 2004
	(In thousands)	
Valhi common stock	$ 70,450	$ 53,543
Other	37	36
	$ 70,487	$ 53,579

At June 30, 2004, the Company owned approximately 4.7 million shares of Valhi common stock with a quoted market price of $11.37 per share (December 31, 2003 quoted market price - $14.96 per share).

Note 5 - Other noncurrent assets:

	December 31, 2003	June 30, 2004
	(In thousands)	
Deferred financing costs, net	$ 10,417	$ 9,100
Goodwill	6,406	6,406
Unrecognized net pension obligations	13,747	13,426
Intangible asset, net	1,859	1,673
Other	1,628	4,767
	$ 34,057	$ 35,372

Note 6 - Accrued liabilities:

	December 31, 2003	June 30, 2004
	(In thousands)	
Employee benefits	$ 38,368	$ 33,038
Interest	206	306
Other	42,543	50,907
	$ 81,117	$ 84,251

Note 7 - Long-term debt:

	December 31, 2003	June 30, 2004
	(In thousands)	
Kronos International, Inc. and subsidiaries:		
Senior Secured Notes	$356,136	$346,446
Other	603	384
	356,739	346,830
Less current maturities	288	148
	$356,451	$346,682

During the first quarter of 2004, certain of Kronos International, Inc.'s ("KII") operating subsidiaries in Europe borrowed a net euro 26 million ($32 million when borrowed) under the European revolving credit facility at an interest rate of 3.8%. Such amounts were repaid in the second quarter of 2004.

Note 8 - Other noncurrent liabilities:

	December 31, 2003	June 30, 2004
	(In thousands)	
Employee benefits	$ 4,849	$ 4,622
Insurance	4,331	3,798
Other	10,273	10,764
	$ 19,453	$ 19,184

Note 9 - Minority interest:

	December 31, 2003	June 30, 2004
	(In thousands)	
Minority interest in net assets:		
Kronos Worldwide, Inc.	$ 77,763	$201,217
Other subsidiaries	9,028	9,635
	$ 86,791	$210,852

	Three months ended June 30, 2003	Three months ended June 30, 2004	Six months ended June 30, 2003	Six months ended June 30, 2004
	(In thousands)			
Minority interest in net earnings:				
Kronos Worldwide, Inc.	$ -	$132,485	$ -	$137,271
Other subsidiaries	134	549	158	557
	$ 134	$133,034	$ 158	$137,828

As discussed in Note 1, effective in the third quarter of 2004 the Company will cease to consolidate Kronos and instead will commence accounting for its interest in Kronos by the equity method. Accordingly, commencing in the third quarter of 2004 the Company will cease to report minority interest in Kronos' net assets and net earnings.

Note 10 - Other income:

	Six months ended June 30, 2003	Six months ended June 30, 2004
	(In thousands)	
Litigation settlement gains, net	$ 650	$ 495
Contract dispute settlement	-	6,289
Other	211	36
	$ 861	$ 6,820

The contract dispute settlement relates to Kronos' settlement with a customer. As part of the settlement, the customer agreed to make payments to Kronos through 2007 aggregating $7.3 million. The $6.3 million gain recognized represents the present value of the future payments to be paid by the customer to Kronos.

Note 11 - Income tax benefit:

	Six months ended June 30, 2003	Six months ended June 30, 2004
	(In millions)	
Expected tax expense	$ 7.5	$ 13.8
Change in deferred income tax valuation allowance, net	-	(285.5)
Tax contingency reserve adjustments, net	-	(12.5)
Refund of prior year income taxes	(24.6)	(3.1)
Incremental U.S. tax and rate differences on equity in earnings of non-tax group companies	.1	-
Non-U.S. tax rates	(.4)	.1
U.S. state income taxes, net	.4	-
Other, net	(.1)	5.6
	$(17.1)	$(281.6)

Certain of the Company's U.S. and non-U.S. tax returns are being examined and tax authorities have or may propose tax deficiencies, including penalties and interest. For example:

o NL's and NL's majority-owned subsidiary's, NL Environmental Management Services, Inc. ("EMS"), 1998 U.S. federal income tax returns are being examined by the U.S. tax authorities, and NL and EMS have granted extensions of the statute of limitations for assessments of tax with respect to their 1998, 1999 and 2000 income tax returns until September 30, 2005. During the course of the examination, the IRS proposed a substantial tax deficiency, including interest, related to a restructuring transaction. In an effort to avoid protracted litigation and minimize the hazards of such litigation, NL applied to take part in an IRS settlement initiative applicable to transactions similar to the restructuring transaction, and in April 2003 NL received notification from the IRS that NL had been accepted into such settlement initiative. Under the initiative, a final settlement with the IRS is to be reached through expedited negotiations and, if necessary, through a specified arbitration procedure. NL has reached an agreement with the IRS concerning the settlement of this matter pursuant to which, among other things, the Company agreed to pay approximately $24 million, including interest, up front as a partial payment of the settlement amount (which amount is expected to be paid in the next 12 months and is classified as a current liability at June 30, 2004), and NL will be required to recognize the remaining settlement amount in its taxable income over the next 15 years beginning in 2004. NL has signed the settlement agreement that was prepared by the IRS. The IRS will sign the settlement agreement after certain procedural matters are concluded, which procedural matters both NL and its outside legal counsel believe are perfunctory. NL had previously provided accruals to cover its estimated additional tax liability (and related interest) concerning this matter. As a result of the settlement, NL has decreased its previous estimate of the amount of additional income taxes and interest it will be required to pay, and NL recognized a $12.6 million tax benefit in the second quarter of 2004 related to the revised estimate. In addition, during the second quarter of 2004, the Company recognized a $30.5 million tax benefit related to the reversal of a deferred income tax asset valuation allowance related to certain tax attributes of EMS which NL believes now meet the "more-likely-than-not" recognition criteria. A majority of the deferred income tax asset valuation allowance relates to net operating loss carryforwards of EMS. As a result of the settlement agreement, NL (which previously was not allowed to utilize such net operating loss carryforwards of EMS) will fully utilize such carryforwards in its 2003 taxable year, eliminating the need for a valuation allowance related to such carryforwards. The remainder of the deferred income tax asset valuation allowance relates to deductible temporary differences associated with accrued environmental obligations of EMS which NL now believes meet the "more-likely-than-not" recognition criteria since, as a result of the settlement agreement, such obligations and the related tax deductions will be included in NL's taxable income.

- Kronos has received a preliminary tax assessment related to 1993 from the Belgian tax authorities proposing tax deficiencies, including related interest, of approximately euro 6 million ($7 million at June 30, 2004). Kronos has filed a protest to this assessment and believes that a significant portion of the assessment is without merit. The Belgian tax authorities have filed a lien on the fixed assets of Kronos' Belgian TiO_2 operations in connection with this assessment. In April 2003, Kronos received a notification from the Belgian tax authorities of their intent to assess a tax deficiency related to 1999 that, including interest, is expected to be approximately euro 13 million ($16 million). Kronos believes the proposed assessment is substantially without merit, and Kronos has filed a written response.
- The Norwegian tax authorities have notified Kronos of their intent to assess tax deficiencies of approximately kroner 12 million ($2 million at June 30, 2004) relating to the years 1998 to 2000. Kronos has objected to this proposed assessment.

No assurance can be given that these tax matters will be resolved in the Company's favor in view of the inherent uncertainties involved in settlement initiatives, court and tax proceedings. The Company believes that it has provided adequate accruals for additional taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

At December 31, 2003, Kronos had a significant amount of net operating loss carryforwards for German corporate and trade tax purposes, all of which have no expiration date. These net operating loss carryforwards were generated by KII principally during the 1990's when KII had a significantly higher level of outstanding indebtedness than is currently outstanding. For financial reporting purposes, however, the benefit of such net operating loss carryforwards had not previously been recognized because Kronos did not believe they met the "more-likely-than-not" recognition criteria, and accordingly Kronos had a deferred income tax asset valuation allowance offsetting the benefit of such net operating loss carryforwards and Kronos' other tax attributes in Germany. Prior to the end of 2003, Kronos believed there was significant uncertainty regarding its ability to utilize such net operating loss carryforwards under German tax law and, principally because of this uncertainty, Kronos had concluded the benefit of the net operating loss carryforwards did not meet the "more-likely-than-not" criteria. By the end of 2003, and primarily as a result of a favorable German court ruling in 2003 and the procedures Kronos had completed during 2003 with respect to the filing of certain amended German tax returns (as discussed below), Kronos had concluded that the significant uncertainty regarding its ability to utilize such net operating loss carryforwards under German tax law had been eliminated. However, at the end of 2003, Kronos believed that it would generate a taxable loss in Germany during 2004. Such expectation was based primarily upon then current levels of prices for TiO2, and the fact that Kronos was experiencing a downward trend in its TiO2 selling prices and Kronos did not have any indication that the downward trend would improve. Accordingly, Kronos continued to conclude at the end of 2003 that the benefit of the German net operating loss carryforwards did not meet the "more-likely-than-not" criteria. The expectation for a taxable loss in Germany continued through the end of the first quarter of 2004. By the end of the second quarter of 2004, however, Kronos' TiO2 selling prices had started to increase, and Kronos believes its selling prices will continue to increase during the second half of 2004 after Kronos and its major competitors announced an additional round of price increases. Consequently, Kronos' revised projections now reflect taxable income for Germany in 2004 as well as 2005. Accordingly, based on all available evidence, Kronos concluded that the benefit of the net operating loss carryforwards and other German tax attributes now meet the "more-likely-than-not" recognition criteria, and Kronos reversed the deferred income tax asset valuation allowance related to Germany. Accordingly, in the first six months of 2004, Kronos recognized a $254.3 million income tax benefit related to the reversal of such deferred income tax asset valuation allowance attributable to Kronos' income tax attributes in Germany (principally the net operating loss carryforwards). Of such $254.3 million, $8.7 million relates primarily to the utilization of the German net operating loss carryforwards during the first six months of 2004, the benefit of which had previously not met the "more-likely-than-not" recognition criteria, and $245.6 million relates to the German deferred income tax asset valuation allowance attributable to the remaining German net operating loss carryforwards and other tax attributes as of June 30, 2004, the benefit of which Kronos has concluded now meet the "more-likely-than-not" recognition criteria. At June 30, 2004, the net operating loss carryforwards for German corporate and trade tax purposes aggregated the equivalent of $594 million and $255 million, respectively, all of which have no expiration date.

In the first quarter of 2003, KII was notified by the German Federal Fiscal Court that the Court had ruled in KII's favor concerning a claim for refund suit in which KII sought refunds of prior taxes paid during the periods 1990 through 1997. KII and KII's German operating subsidiary were required to file amended tax returns with the German tax authorities to receive refunds for such years, and all of such amended returns were filed during 2003. Such amended returns reflected an aggregate net refund of taxes and related interest to KII and its German operating subsidiary of euro 26.9 million ($32.1 million), and the Company recognized the benefit for these net refunds in its 2003 results of operations. During the first six months of 2004, the Company recognized a benefit of euro 2.5 million ($3.1 million) related to additional net interest which has accrued on the outstanding refund amounts. Assessments and refunds will be processed by year as the respective returns are reviewed by the tax authorities. Certain interest components may also be refunded separately. The German tax authorities have reviewed and accepted the amended returns with respect to the 1990 and 1991 tax years. Through June 2004, KII's German operating subsidiary had received net refunds of euro 24.5 million ($28.4 million when received). KII believes it will receive the remainder of the net refunds of taxes and related interest during the remainder of 2004. In addition to the refunds for the 1990 to 1997 periods, the court ruling also resulted in a refund of 1999 income taxes and interest for which KII received euro 21.5 million ($24.6 million) in 2003, and the Company recognized the benefit of the refund in the second quarter of 2003.

Note 12 - Employee benefit plans:

The components of net periodic defined benefit pension cost are presented in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
	(In thousands)			
Service cost benefits	$1,335	$1,459	$2,633	$ 3,128
Interest cost on projected benefit obligations	4,547	4,989	8,951	10,020
Expected return on plan assets	(4,470)	(4,678)	(9,373)	(9,400)
Amortization of prior service cost	88	140	175	281

Amortization of net transition obligations	183	147	355	290
Recognized actuarial losses	449	966	895	1,928
	$2,132	$3,023	$3,636	$ 6,247

The components of net periodic postretirement benefits other than pensions ("OPEB") cost are presented in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
	(In thousands)			
Service cost	$ 38	$ 56	$ 73	$ 113
Interest cost	515	469	1,026	940
Amortization of prior service credit	(519)	(256)	(1,038)	(511)
Recognized actuarial losses	48	70	94	141
	$ 82	$ 339	$ 155	$ 683

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare 2003 Act") introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Detailed regulations necessary to implement the Medicare 2003 Act have not been issued, including those that would specify the manner in which actuarial equivalency would be determined, the evidence required to demonstrate actuarial equivalence and the documentation requirements necessary to receive the subsidy. Until such definitive regulations are issued, the Company is unable to determine whether the prescription drug benefit offered under its postretirement benefit plans is at least actuarially equivalent to Medicare Part D. Accordingly, the Company's accumulated postretirement benefit obligation and net periodic postretirement benefit cost, as reflected in the accompanying consolidated financial statements, do not reflect any effect of the federal subsidy. When such definitive regulations are issued or at such other time that the Company can determine whether the prescription drug benefit offered under its postretirement benefit plans is at least actuarially equivalent to Medicare Part D, the Company would account for the effect of the federal subsidy, if any, prospectively from that date, as permitted by and in accordance with FASB Staff Position No. 106-2.

Note 13 - Accounts with affiliates:

	December 31, 2003	June 30, 2004
	(In thousands)	
Current receivables from affiliates:		
TIMET	$ 50	$ -
Other	5	139
	$ 55	$ 139
Noncurrent receivable from affiliate - loan to Contran family trust	$ 14,000	$ 12,000
Current payables to affiliates:		
Louisiana Pigment Company	$ 8,560	$ 9,030
Income taxes payable to Valhi	10,512	11,315
Other	465	410
	$ 19,537	$ 20,755

Note 14 - Commitments and contingencies:

Lead pigment litigation. The Company's former operations included the manufacture of lead pigments for use in paint and lead-based paint. Since 1987, NL, other former manufacturers of lead pigments for use in paint, and lead-based paint, and the Lead Industries Association (which discontinued business operations in 2002) have been named as defendants in various legal proceedings seeking damages for personal injury, property damage and governmental expenditures allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of states, large U.S. cities or their public housing authorities and school districts, and certain others have been asserted as class actions. These lawsuits seek recovery under a variety of theories, including public and private nuisance, negligent product design, negligent failure to warn, strict liability, breach of warranty, conspiracy/concert of action, aiding and abetting, enterprise liability, market share liability, intentional tort, fraud and misrepresentation violations of state consumer protection statutes, supplier negligence and similar claims.

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, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. Several former cases have been dismissed or withdrawn. Most of the remaining cases are in various pre-trial stages. Some are on appeal following dismissal or summary judgment rulings in favor of the defendants. In addition, various other cases are pending (in which the Company is not a defendant) seeking recovery for injury allegedly caused by lead pigment and lead-based paint. Although the Company is not a defendant in these cases, the outcome of these cases may have an impact on additional cases being filed against the Company.

NL believes these actions are without merit, intends to continue to deny all allegations of wrongdoing and liability and to defend against all actions vigorously. NL has neither lost nor settled any of these cases. NL has not accrued any amounts for the pending lead pigment and lead-based paint litigation. Liability that may result, if any, cannot reasonably be estimated. There can be no assurance that NL 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.

Environmental matters and litigation. The Company's operations are governed by various federal, state, local and foreign environmental laws and regulations. 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 past and current operations and products of the Company have the potential to cause environmental or other damage. The Company has implemented and 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 plants and to continually strive to improve environmental performance in association with applicable industry initiatives. The Company believes that its operations are in substantial compliance with applicable requirements of environmental laws. From time to time, the Company may be subject to environmental regulatory enforcement under various statutes, resolution of which typically involves the establishment of compliance programs. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could adversely affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances.

The Company's production facilities operate within an environmental regulatory framework in which governmental authorities typically are granted broad discretionary powers that allow them to issue operating permits under which the plants must operate. The Company believes all of its plants are in substantial compliance with applicable environmental laws. With respect to the Company's plants, neither the Company nor any of its subsidiaries have been notified of any environmental claim in the United States or any foreign jurisdiction by the U.S. Environmental Protection Agency ("EPA") or any applicable foreign authority or any state, provincial or local authority.

Some of the Company's current and former facilities, including divested primary and secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or investigations arising under federal and state environmental laws. Additionally, in connection with past disposal practices, the Company has been named as a defendant, potentially responsible party ("PRP") or both, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA") and similar state laws in approximately 60 governmental and private actions associated with waste disposal sites, mining locations, and facilities currently or previously owned, operated or used by the Company or its subsidiaries, or their predecessors, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage and/or damages for injury to natural resources. Certain of these proceedings involve claims for substantial amounts. Although the Company may be jointly and severally liable for such costs, in most cases it is only one of a number of PRPs who may also be jointly and severally liable.

Environmental obligations are difficult to assess and estimate for numerous reasons including the complexity and differing interpretations of governmental regulations, the number of PRPs and the PRPs' ability or willingness to fund such allocation of costs, their financial capabilities and the allocation of costs among PRPs, the solvency of other PRPs, the multiplicity of possible solutions, and the years of investigatory, remedial and monitoring activity required. In addition, 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, solvency of other PRPs, the results of future testing and analysis undertaken with respect to certain sites 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. In addition, with respect to other PRPs and the fact that the Company may be jointly and severally liable for the total remediation cost at certain sites, the Company could ultimately be liable for amounts in excess of its accruals due to, among other things, reallocation of costs among PRPs or the insolvency of one or more PRPs. 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.

A summary of the activity in the Company's accrued environmental costs during the first six months of 2004 is presented in the table below. The Company recognized a net reduction in its accrued environmental costs credited to income during the first six months of 2004 due primarily to the $1.5 million recovery discussed below. The amount shown in the table below for payments against the Company's accrued environmental costs is net of such $1.5 million recovery.

	Amount (In thousands)
Balance at the beginning of the period	$ 77,481
Net reductions credited to income	(67)
Payments, net	(4,865)
Balance at the end of the period	$ 72,549

The Company records liabilities related to environmental remediation obligations when estimated future expenditures are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or circumstances change. Estimated future expenditures are generally not discounted to their present value. Recoveries of remediation costs from other parties, if any, are recognized as assets when their receipt is deemed probable. At June 30, 2004, NL had recognized a $1.5 million receivable from other PRPs at one site for recovery of remediation costs previously expended by NL pursuant to an agreement entered into by NL and such other PRPs. NL expects to receive the $1.5 million recovery during the third quarter of 2004.

On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant, including sites for which EMS has contractually assumed NL's obligation. At June 30, 2004, the Company had accrued $73 million for 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 for which it is possible to estimate costs is approximately $101 million. The Company's estimates of such liabilities have not been discounted to present value.

The exact time frame over which the Company makes payments with respect to its accrued environmental costs is unknown and is dependent upon, among other things, the timing of the actual remediation process which in part depends on factors outside the control of the Company. At each balance sheet date, the Company makes an estimate of the amount of its accrued environmental costs which will be paid out over the subsequent 12 months, and the Company classifies such amount as a current liability. The remainder of the accrued environmental costs is classified as a noncurrent liability.

At June 30, 2004, there are approximately 15 sites for which the Company is unable to estimate a range of costs. For these sites, generally the investigation is in the early stages, and it is either unknown as to whether or not the Company actually had any association with the site, or if the Company did have association with the site, the nature of its responsibility, if any, for the contamination at the site and the extent of contamination. The timing on when information would become available to the Company to allow the Company to estimate a range of loss is unknown and dependent on events outside the control of the Company, such as when the party alleging liability provides information to the Company.

At June 30, 2004, the Company had $17 million in restricted cash, restricted cash equivalents and restricted marketable debt securities held by special purpose trusts, the assets of which can only be used to pay for certain of the Company's future environmental remediation and other environmental expenditures (December 31, 2003 - $24 million). Use of such restricted balances does not affect the Company's Consolidated Statements of Cash Flows.

Other litigation. The Company has been named as a defendant in various lawsuits in a variety of jurisdictions, alleging personal injuries as a result of occupational exposure to asbestos, silica and/or mixed dust in connection with formerly owned operations. Approximately 485 of these cases involving a total of approximately 30,000 plaintiffs and their spouses remain pending. Of these plaintiffs, approximately 18,400 are represented by eight cases pending in Mississippi state court. The Company has not accrued any amounts for this litigation because liability that might result to the Company, if any, cannot be reasonably estimated. In addition, from time to time, the Company has received notices regarding asbestos or silica claims purporting to be brought against former subsidiaries of the Company, including notices provided to insurers with which the Company has entered into settlements extinguishing certain insurance policies. These insurers may seek indemnification from the Company.

In addition to the litigation described above, the Company is also involved in various other environmental, contractual, product liability, patent (or other intellectual property), employment and other claims and disputes incidental to its present and former businesses. In certain cases, the Company has insurance coverage for such items. The Company currently believes the disposition of all of these 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.

Note 15 - Accounting principle newly adopted in 2004:

The Company complied with the consolidation requirements of FIN No. 46R, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," as amended, as of March 31, 2004. The Company does not have any involvement with any variable interest entity (as that term is defined in FIN No. 46R) covered by the scope of FIN No. 46R which had not already been consolidated under prior applicable GAAP, and therefore the impact to the Company of adopting the consolidation requirements of FIN No. 46R was not material.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

Executive summary

At June 30, 2004, the Company conducts operations for the manufacture and sales of TiO_2, its principal product, through its subsidiary, Kronos. Relative changes in the Company's sales and income from operations related to its TiO_2 business during the second quarter and first six months of 2003 and 2004 are primarily due to (i) relative changes in average TiO_2 selling prices, (ii) relative changes in TiO_2 sales volumes and (iii) relative changes in foreign currency exchange rates. Selling prices were generally increasing during the first quarter of 2003, were generally flat during the second quarter of 2003, were generally decreasing during the third and fourth quarters of 2003 and the first quarter of 2004 and were generally flat during the second quarter of 2004.

The Company reported net income of $179.0 million, or $3.70 per diluted share, in the second quarter of 2004 compared to net income of $28.8 million, or $.60 per diluted share, in the second quarter of 2003. For the first six months of 2004, the Company reported net income of $183.1 million, or $3.79 per diluted share, compared to net income of $38.3 million, or $.80 per diluted share, in the first six months of 2003. The increase in the Company's diluted earnings per share from the first quarter and first six months of 2003 to the same periods in 2004 is due primarily to the net effects of (i) significantly higher tax benefit generated from the reversal of Kronos' German deferred income tax asset valuation allowance and tax benefits related to EMS, (ii) lower gross margins generated at Kronos, (iii) higher selling, general and administrative expenses at Kronos, (iv) income from a contract dispute settlement with a Kronos customer, (iv) lower environmental remediation and legal expenses of NL and (v) higher minority interest in Kronos. Overall, the Company believes its net income in 2004 will be higher than 2003 as the impact of the reversal of Kronos' and EMS' deferred income tax asset valuation allowances are expected to more than offset the effect of Kronos' expected lower income from operations.

The Company believes the analysis presented in the following table is useful in understanding the comparability of its results of operations for the 2003 and 2004 periods presented. Each of these items are more fully discussed below in the applicable sections of this "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations" or in the 2003 Annual Report.

	Net income - diluted earnings per share			
	Three months ended June 30,		Six months ended June 30,	
	2003	2004	2003	2004
German valuation allowance adjustments(1)	$ -	$ 2.57	$ -	$ 2.57
Tax benefits related to EMS(2)	-	.89	-	.89
Contract dispute settlement(3)	-	.04	-	.04
Refund of prior year German income taxes(4)	.52	-	.52	-
Operations and other, net	.08	.20	.28	.29
	$ .60	$ 3.70	$ .80	$ 3.79

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(1) Kronos' reversal of its German deferred income tax asset valuation allowance as of June 30, 2004.
(2) Reversal of the deferred income tax asset valuation allowance related to EMS and adjustment of estimated tax due upon IRS settlement.
(3) Kronos' income from settlement of customer contract.
(4) Refund of prior year German income taxes received.

As discussed in Note 1 to the Consolidated Financial Statements, in July 2004 the Company paid its regular quarterly dividend of $.20 per share in the form of shares of Kronos common stock in which approximately 322,000 shares were distributed. After considering such 2004 distribution, the Company's ownership of Kronos will be reduced from 50.5% to approximately 49.8%, and the Company will no longer own a majority of Kronos' outstanding common stock. Consequently, effective in the third quarter of 2004 the Company will cease to consolidate

Kronos' financial position, results of operations and cash flows and instead the Company will commence accounting for its interest in Kronos by the equity method.

Forward-looking information

As provided by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions that the statements in this Quarterly Report on Form 10-Q relating to matters that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such forward-looking statements. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties. Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in the Company's other filings with the Securities and Exchange Commission ("SEC") including, but not limited to, the following:

- Future supply and demand for the Company's products,
- The cyclicality of the Company's businesses,
- Customer inventory levels (such as the extent to which Kronos' customers may, from time to time, accelerate purchases of TiO_2 in advance of anticipated price increases or defer purchases of TiO_2 in advance of anticipated price decreases),
- Changes in raw material and other operating costs (such as energy costs),
- The possibility of labor disruptions,
- General global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for TiO_2),
- Competitive products and substitute products,
- Customer and competitor strategies,
- The impact of pricing and production decisions,
- Competitive technology positions,
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian kroner and the Canadian dollar),
- Operating interruptions (including, but not limited to, labor disputes, leaks, fires, explosions, unscheduled or unplanned downtime and transportation interruptions),
- The ability of the Company to renew or refinance credit facilities,
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters,
- The ultimate ability to utilize income tax attributes, the benefit of which has been recognized under the "more-likely-than-not" recognition criteria,
- Environmental matters (such as those requiring emission and discharge standards for existing and new facilities),
- Government laws and regulations and possible changes therein (such as changes in government regulations which might impose various obligations on present and former manufacturers of lead pigment and lead-based paint, including NL, with respect to asserted health concerns associated with the use of such products),
- The ultimate resolution of pending litigation (such as NL's lead pigment litigation and litigation surrounding environmental matters) and
- Possible future litigation.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. The Company disclaims any intention or obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise.

Net sales and income from operations

	Three months ended June 30,			Six months ended June 30,		
	2003	2004	% Change	2003	2004	% Change
	(In millions, except percentages and volumes)					
Net sales	$266.6	$295.8	+11%	$519.6	$559.1	+8%
Cost of sales	197.6	227.5	+15%	386.1	429.8	+11%
Gross margin	69.0	68.3	-1%	133.5	129.3	-3%
Selling, general and administrative expense	(31.0)	(35.0)	%	(60.4)	(70.2)	
Currency transaction gains (losses), net	(2.7)	.3		(3.8)	.6	
Noncompete agreement income	-	-		.3	-	
Contract dispute settlement	-	6.3		-	6.3	
Other income	1.1	-		1.3	-	
Litigation settlement gains, net	.7	.5		.7	.5	
Corporate expense	(23.2)	(4.6)		(38.5)	(11.3)	
Income from operations	$ 13.9	$ 35.8	+158%	$ 33.1	$ 55.2	+67%
TiO2 data:						
Percent change in average selling prices:						
Using actual foreign currency exchange rates			**%			+2%
Impact of changes in foreign currency exchange rates			-5%			-7%
In billing currencies			-5%			-5%
Sales volumes*	121	137		240	255	
Production volumes*	120	123		237	240	

* Thousands of metric tons

** Less than 1% decrease

Kronos' sales increased $29.2 million (11%) in the second quarter of 2004 compared to the second quarter of 2003 and increased $39.5 million (8%) in the first six months of 2004 compared to the same period in 2003, as the favorable effect of fluctuations in foreign currency exchange rates, which increased sales by approximately $13 million and $35 million, respectively, (as more fully discussed below) and increased sales volumes, more than offset the impact of lower average TiO2 selling prices. Excluding the effect of fluctuations in the value of the U.S. dollar relative to other currencies, Kronos' average TiO2 selling prices in billing currencies in the second quarter of 2004 were 5% lower than the second quarter of 2003 and in the first six months of 2004 were 5% lower than the first six months of 2003. When translated from billing currencies into U.S. dollars using actual foreign currency exchange rates prevailing during the respective periods, Kronos' average TiO2 selling prices in the second quarter of 2004 were comparable to the second quarter of 2003 and increased 2% in the year to date period. Kronos' TiO2 sales volumes in the second quarter and first six months of 2004 increased 13% and 6%, respectively, compared to the same periods of 2003, as higher volumes in European and export markets more than offset lower volumes in Canada. Kronos' TiO2 sales volumes in the first six months of 2004 were a new record for Kronos.

Kronos' sales are denominated in various currencies, including the U.S. dollar, the euro, other major European currencies and the Canadian dollar. The disclosure of the percentage change in Kronos' average TiO2 selling prices in billing currencies (which excludes the effects of fluctuations in the value of the U.S. dollar relative to other currencies) is considered a "non-GAAP" financial measure under regulations of the SEC. The disclosure of the percentage change in Kronos' average TiO2 selling prices using actual foreign currency exchange rates prevailing during the respective periods is considered the most directly comparable financial measure presented in accordance with accounting principles generally accepted in the United States ("GAAP measure"). Kronos discloses percentage changes in its average TiO2 prices in billing currencies because Kronos believes such disclosure provides useful information to investors to allow them to analyze such changes without the impact of changes in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the relative changes in average selling prices in the actual various billing currencies. Generally, when the U.S. dollar either strengthens or weakens against other currencies, the percentage change in average selling prices in billing currencies will be higher or lower, respectively, than such percentage changes would be using actual exchange rates prevailing during the respective periods. The difference between the less than 1% decrease and 2% increase in Kronos' average TiO2 selling prices during the second quarter and first six months of 2004, respectively, as compared to the same periods in 2003 using actual foreign currency exchange rates prevailing during the respective periods (the GAAP measure) and the 5% decrease in Kronos' average TiO2 selling price in billing currencies (the non-GAAP measure) during each of such periods is due to the effect of changes in foreign currency exchange rates. The above table presents (i) the percentage change in Kronos' average TiO2 selling prices using actual foreign currency exchange rates prevailing during the respective periods (the GAAP measure), (ii) the percentage change in Kronos' average TiO2 selling prices in billing currencies (the non-GAAP measure) and (iii) the percentage change due to changes in foreign currency exchange rates (or the reconciling item between the non-GAAP measure and the GAAP measure).

Kronos' cost of sales increased $29.9 million (15%) in the second quarter of 2004 compared to the second quarter of 2003, and increased $43.7 million (11%) in the year-to-date period largely due to the higher sales volumes and the effects of translating foreign currencies (primarily the euro) into U.S. dollars. As a result of the lower average TiO2 selling prices in billing currencies, Kronos' cost of sales as a percentage of net sales, increased from 74% in each of the second quarter and the first six months of 2003 to 77% in each of the second quarter and the first six months of 2004. Kronos' TiO2 production volumes in the second quarter of 2004 increased 3% compared to the second quarter of 2003, and increased 1% in the first six months of 2004, with operating rates near full capacity in those periods. Kronos' TiO2 production volumes in the first six months of 2004 were also a new record for Kronos.

Despite the increase in net sales, Kronos' gross margins for the second quarter of 2004 decreased $700,000 (1%) from the second quarter of 2003 and decreased $4.2 million (3%) from the first half of 2003 as compared to the first half of 2004, as the unfavorable effect of lower average TiO2 selling prices more than offset the favorable effect on gross margin resulting from relative changes in foreign currency exchange rates.

Reflecting the impact of partial implementation of prior price increase announcements, Kronos' average TiO2 selling prices in the second quarter of 2004 were generally flat as compared to the first quarter of 2004. Kronos has also recently announced additional price increases of 4 cents per pound in the U.S., Canadian 6 cents per pound in Canada and euro 120 per metric ton in Europe, all of which are targeted to be implemented later in 2004. The extent to which all of such price increase announcements will be realized will depend on, among other things, economic factors.

Selling, general and administrative expenses increased $4.0 million (13%) and $9.8 million (16%), respectively, in the second quarter and first six months of 2004 as compared to the corresponding periods in 2003. These increases are largely attributable to the higher sales volumes as well as the impact of translating foreign currencies (primarily the euro) into U.S. dollars.

Kronos' income from operations in the second quarter of 2004 also includes $6.3 million of income related to the settlement of a certain contract dispute with a customer. As part of the settlement, the customer agreed to make payments to Kronos through 2007 aggregating $7.3 million. The $6.3 million recognized gain represents the present value of the future payments to be paid by the customer to Kronos.

Kronos has substantial operations and assets located outside the United States (particularly in Germany, Belgium, Norway and Canada). A significant amount of Kronos' sales generated from its non-U.S. operations are denominated in currencies other than the U.S. dollar, primarily the euro, other major European currencies and the Canadian dollar. In addition, a portion of Kronos' sales generated from its non-U.S. operations are denominated in the U.S. dollar. Certain raw materials, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are denominated primarily in local currencies. Consequently, the translated U.S. dollar value of Kronos' foreign sales and operating results are subject to currency exchange rate fluctuations which may favorably or adversely impact reported earnings and may affect the comparability of period-to-period operating results. Overall, fluctuations in the value of the U.S. dollar relative to other currencies, primarily the euro, increased TiO2 sales in the second quarter of 2004 by approximately $13 million compared to the same period in 2003 and increased TiO2 sales in the first six months of 2004 by approximately $35 million compared to the same period in 2003. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted Kronos' foreign currency-denominated operating expenses. Kronos' operating costs that are not denominated in the U.S. dollar, when translated into U.S. dollars, were higher in the second quarter and first six months of 2004 compared to the second quarter and first six months of 2003. Overall, currency exchange rate fluctuations resulted in net increases in Kronos' income from operations of approximately $6 million and $8 million in the second quarter and first six months of 2004, respectively, as compared to the same periods in 2003.

Corporate expense for the second quarter of 2004 decreased 80% to $4.6 million as compared to the second quarter of 2003 and decreased 71% to $11.3 million for the first six months of 2004 as compared to the comparable period in 2003 primarily due to lower environmental remediation and legal expenses. Corporate expenses are expected to continue to be lower for the full-year 2004 as compared to full-year 2003. However, obligations for environmental remediation are difficult to assess and estimate, and no assurance can be given that actual costs will not exceed accrued amounts or that costs will not be incurred with respect to sites for which no estimate of liability can presently be made. See Note 14 to the Consolidated Financial Statements.

Outlook

The Company expects Kronos' TiO_2 sales and production volumes in calendar 2004 will be higher as compared to 2003. Kronos' average TiO_2 selling price, which declined during the second half of 2003 and first quarter of 2004, commenced to begin to rise during the second quarter of 2004, and should continue to rise during the remainder of the year. Nevertheless, Kronos expects its average TiO_2 selling prices, in billing currencies, will be lower in calendar 2004 as compared to 2003 and expects its gross margin in 2004 to be lower than 2003. The Company's expectations as to the future prospects of the Company and the TiO_2 industry are based upon a number of factors beyond its control, including worldwide growth of gross domestic product, competition in the marketplace, unexpected or earlier-than-expected capacity additions and technological advances. If actual developments differ from the Company's expectations, the Company's results of operations could be unfavorably affected.

Other income (expense)

	Three months ended June 30, 2003	Three months ended June 30, 2004	Three months ended June 30, Difference	Six months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, Difference
	(In millions)					
Securities transactions, net	$ .2	$ -	$ (.2)	$ 2.4	$ -	$ (2.4)
Other interest income	.8	.8	-	1.8	1.6	(.2)
Trade interest income	.2	.2	-	.4	.4	-
Interest expense	(8.3)	(8.6)	(.3)	(16.4)	(17.8)	(1.4)
	$ (7.1)	$ (7.6)	$ (.5)	$(11.8)	$(15.8)	$ (4.0)

Kronos has a significant amount of outstanding indebtedness denominated in the euro, including KII's euro 285 million Senior Secured Notes. Accordingly, the reported amount of interest expense will vary depending on relative changes in foreign currency exchange rates. Interest expense in the second quarter of 2004 was $8.6 million, an increase of $300,000 from the second quarter of 2003. Interest expense in the first six months of 2004 was $17.8 million, an increase of $1.4 million from the first six months of 2003. The increases were due primarily to relative changes in foreign currency exchange rates, which increased the U.S. dollar equivalent of interest expense on the KII Senior Secured Notes by approximately $600,000 in the second quarter of 2004 as compared to the first quarter of 2003 and $1.7 million in the first six months of 2004 as compared to the first six months of 2003. Assuming no significant change in interest rates or foreign currency exchange rates, interest expense for the full-year 2004 is expected to be slightly higher than amounts for the same period in 2003.

Provision for income taxes

The principal reasons for the difference between the Company's effective income tax rate and the U.S. federal statutory income tax rates are explained in Note 11 to the Consolidated Financial Statements.

At June 30, 2004, Kronos had the equivalent of $594 million and $255 million, respectively, of net operating loss carryforwards for German corporate and trade tax purposes, all of which have no expiration date. As more fully described in Note 11 to the Consolidated Financial Statements, Kronos had previously provided a deferred income tax asset valuation allowance against substantially all of these tax loss carryforwards and other deductible temporary differences in Germany because Kronos did not believe they met the "more-likely-than-not" recognition criteria. During the first six months of 2004, Kronos reduced its deferred income tax asset valuation allowance by approximately $8.7 million, primarily as a result of utilization of these German net operating loss carryforwards, the benefit of which had not previously been recognized. At June 30, 2004, after considering all available evidence, Kronos concluded that these German tax loss carryforwards and other deductible temporary differences now meet the "more-likely-than-not" recognition criteria. Accordingly, as of June 30, 2004, Kronos reversed the remaining $245.6 million valuation allowance related to such items. Because the benefit of such net operating loss carryforwards and other deductible temporary differences in Germany has now been recognized, the Company's future effective income tax rate will be higher than what it would have otherwise been, although its future cash income tax rate would not be affected.

In January 2004, the German federal government enacted new tax law amendments that limit the annual utilization of income tax loss carryforwards effective January 1, 2004 to 60% of taxable income after the first euro 1 million of taxable income. The new law will have a significant effect on Kronos' cash tax payments in Germany going forward, the extent of which will be dependent on the level of income earned in Germany.

Minority interest

See Note 9 to the Consolidated Financial Statements. The Company commenced recognizing minority interest in Kronos following the Company's December 2003 distribution of a portion of the shares of Kronos common stock to the Company's shareholders. Because of such distribution, the Company expects to report a higher amount of minority interest in earnings in 2004 as compared to 2003. Subsequent to the payment of the Company's July 2004 quarterly dividend in the form of shares of Kronos common stock in which approximately 322,000 shares of Kronos were distributed, the Company's ownership of Kronos will be reduced from 50.5% to approximately 49.8%, and the Company will no longer own a majority of Kronos' outstanding common stock. Consequently, effective in the third quarter of 2004 the Company will cease to consolidate Kronos and instead the Company will commence accounting for its interest in Kronos by the equity method, at which time the Company will no longer report minority interest in Kronos.

Minority interest in NL's subsidiaries also relates to the Company's majority-owned environmental management subsidiary, EMS. EMS was established in 1998, at which time EMS contractually assumed certain of the Company's environmental liabilities. EMS' earnings are based, in part, upon its ability to favorably resolve these liabilities on an aggregate basis. The shareholders of EMS, other than the Company, actively manage the environmental liabilities and share in 39% of EMS' cumulative earnings. The Company continues to consolidate EMS and provides accruals for the reasonably estimable costs for the settlement of EMS' environmental liabilities, as discussed below.

Recently adopted accounting principle

See Note 15 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES:

Consolidated cash flows

The Company's consolidated cash flows from operating, investing and financing activities for the six months ended June 30, 2003 and 2004 are presented below:

	Six months ended June 30,	
	2003	2004

	(In millions)	
Net cash provided (used) by:		
Operating activities	$ 18.7	$ 58.0
Investing activities	(9.7)	(6.3)
Financing activities	(14.4)	(3.8)
Net cash provided (used) by operating, investing and financing activities	$ (5.4)	$ 47.9

Operating activities

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 flow from operations is considered the primary source of liquidity for the Company. Changes in TiO_2 pricing, production volume and customer demand, among other things, could significantly affect the liquidity of the Company. Trends in cash flows from operating activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in the Company's earnings. However, certain items included in the determination of net income are non-cash, and therefore such items have no impact on cash flows from operating activities. Non-cash items included in the determination of net income include depreciation and amortization expense, deferred income taxes and non-cash interest expense. Non-cash interest expense relates principally to Kronos and consists of amortization of deferred financing costs.

Certain other items included in the determination of net income may have an impact on cash flows from operating activities, but the impact of such items on cash flows from operating activities will differ from their impact on net income. For example, the amount of periodic defined benefit pension plan expense and periodic OPEB expense depends upon a number of factors, including certain actuarial assumptions, and changes in such actuarial assumptions will result in a change in the reported expense. The amount of such periodic expense generally differs from the outflows of cash required to be currently paid for such benefits.

Relative changes in assets and liabilities generally result from the timing of production, sales, purchases and income tax payments. Such relative changes can significantly impact the comparability of cash flow from operations from period to period, as the income statement impact of such items may occur in a different period from when the underlying cash transaction occurs. For example, raw materials may be purchased in one period, but the payment for such raw materials may occur in a subsequent period. Similarly, inventory may be sold in one period, but the cash collection of the receivable may occur in a subsequent period.

Cash flows from operating activities increased from $18.7 million provided by operating activities in the first six months of 2003 to $58.0 million of cash provided by operating activities in the first six months of 2004. This $39.3 million increase was due primarily to the net effects of (i) higher net income of $144.9 million, (ii) higher depreciation expense of $2.3 million, (iii) lower deferred income taxes of $285.5 million, (iv) higher minority interest in earnings of $137.7 million, (v) higher net distributions from the TiO_2 manufacturing joint venture of $8.3 million in the first half of 2004 compared to an $800,000 distribution in the first half of 2003, (vi) a higher amount of net cash used from relative changes in the Company's inventories, receivables, payables and accruals of $15.7 million in the first six months of 2004 as compared to the first six months of 2003 and (vii) lower cash paid for income taxes of $28.2 million. Relative changes in accounts receivable are affected by, among other things, the timing of sales and the collection of the resulting receivables. Relative changes in inventories and accounts payable and accrued liabilities are affected by, among other things, the timing of raw material purchases and the payment for such purchases and the relative difference between production volumes and sales volumes. Relative changes in accrued environmental costs are affected by, among other things, the period in which recognition of the environmental accrual is recognized and the period in which the remediation expenditure is actually made.

NL does not have complete access to the cash flows of its subsidiaries and affiliates, in part due to limitations contained in certain credit agreements as well as the fact that certain of such subsidiaries and affiliates are not 100%

owned by NL. A detail of NL's consolidated cash flows from operating activities is presented in the table below. Eliminations consist of intercompany dividends (most of which are paid by Kronos to NL).

	Six months ended June 30, 2003	Six months ended June 30, 2004
	(In millions)	
Cash provided (used) by operating activities:		
Kronos	$ 29.3	$ 67.5
NL Parent	(15.6)	3.8
Other	12.0	(.9)
Eliminations	(7.0)	(12.4)
	$ 18.7	$ 58.0

Investing and financing activities

The Company's capital expenditures were $13.9 million and $10.9 million in the first six months of 2003 and 2004, respectively, the majority of which relate to Kronos.

In the first quarter of 2004 KII's operating subsidiaries in Germany, Belgium and Norway borrowed a net euro 26 million ($32 million when borrowed) under the European revolving credit facility at an interest rate of 3.8%. Such amounts were repaid in the second quarter of 2004.

In each of the first two quarters of 2004, Kronos paid a regular quarterly cash dividend to its stockholders of $.25 per share, of which $12.0 million was paid to Kronos shareholders other than NL and is reflected as a distribution to minority interest on NL's Consolidated Statements of Cash Flows.

At June 30, 2004, unused credit available under Kronos' existing credit facilities approximated $150 million, which was comprised of: $95 million under its European revolving credit facility, $11 million under its Canadian credit facility, $40 million under its U.S. credit facility and $4 million under other non-US facilities. At June 30, 2004, KII had approximately $220 million available for payment of dividends and other restrictive payments as defined in the Senior Secured Notes indenture.

Provisions contained in certain of Kronos' credit agreements could result in the acceleration of the applicable indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, certain credit agreements allow the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. In addition, certain credit agreements could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside the ordinary course of business. Other than operating leases discussed in the 2003 Annual Report, neither NL nor any of its subsidiaries or affiliates are parties to any off-balance sheet financing arrangements.

Kronos Worldwide, Inc.

At June 30, 2004, Kronos had cash, cash equivalents and marketable debt securities of $92.0 million, including restricted balances of $3.5 million, and Kronos had $150 million available for borrowing under its U.S. and non-U.S. credit facilities.

At June 30, 2004, Kronos' outstanding debt was comprised of (i) $346.4 million related to KII's Senior Secured Notes and (ii) approximately $400,000 of other indebtedness. In addition, Kronos had a $200 million long-term note payable to NL due in 2010, which is eliminated in the Company's consolidated financial statements.

Pricing within the TiO_2 industry is cyclical, and changes in industry economic conditions significantly impact Kronos' earnings and operating cash flows. Cash flows from operations is considered the primary source of liquidity for Kronos. Changes in TiO2 pricing, production volume and customer demand, among other things, could significantly affect the liquidity of Kronos.

See Note 11 to the Consolidated Financial Statements for certain income tax examinations currently underway with respect to certain of Kronos' income tax returns in various U.S. and non-U.S. jurisdictions, and see Note 14 to the Consolidated Financial Statements with respect to certain legal proceedings with respect to Kronos.

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

Kronos has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amounts of Kronos' assets and liabilities related to its non-U.S. operations, and therefore Kronos' and the Company's consolidated net assets, will fluctuate based upon changes in currency exchange rates.

NL Industries

At June 30, 2004, NL, exclusive of Kronos and its subsidiaries had (i) current cash and cash equivalents aggregating $27.3 million, (ii) current restricted cash equivalents of $9.9 million, (iii) current restricted marketable debt securities of $9.1 million and (iv) noncurrent restricted marketable debt securities of $6.9 million. Of such restricted balances, $17 million was held by special purpose trusts, the assets of which can only be used to pay for certain of NL's future environmental remediation and other environmental expenditures. NL also has a $200 million long-term note receivable from Kronos due in 2010, which is eliminated in the Company's consolidated financial statements.

See Note 11 to the Consolidated Financial Statements for certain income tax examinations currently underway with respect to certain of NL's income tax returns, and see Note 14 to the Consolidated Financial Statements and Part II, Item 1, "Legal Proceedings" with respect to certain legal proceedings and environmental matters with respect to NL.

In December 2003, NL completed the distribution of approximately 48.8% of Kronos' outstanding common stock to its shareholders under which NL shareholders received one share of Kronos' common stock for every two shares of NL common stock held. Approximately 23.9 million shares of Kronos common stock were distributed. Immediately prior to the distribution of shares of Kronos common stock, Kronos distributed a $200 million promissory note payable by Kronos to NL. In March 2004, NL paid its $.20 per share regular quarterly dividend in the form of shares of Kronos common stock. Approximately 345,100 shares, or approximately .7% of Kronos' outstanding common stock, were distributed. NL's second quarter dividend of $.20 per share, also paid in the form of shares of Kronos common stock, was paid in July 2004. Approximately 322,000 shares of Kronos, or approximately .7% of Kronos' outstanding common stock, were distributed in this distribution. Following this distribution, NL no longer owns a majority of Kronos' outstanding common stock, and accordingly NL will cease to consolidate Kronos as of July 1, 2004.

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

Non-GAAP financial measures

In an effort to provide investors with additional information regarding the Company's results of operations as determined by GAAP, the Company has disclosed certain non-GAAP information which the Company believes provides useful information to investors.

- The Company discloses percentage changes in Kronos' average TiO_2 selling prices in billing currencies, which excludes the effects of foreign currency translation. The Company believes disclosure of such percentage changes allows investors to analyze such changes without the impact of changes in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the relative changes in average selling prices in the actual various billing currencies. Generally, when the U.S. dollar either strengthens or weakens against other currencies, the percentage change in average selling prices in billing currencies will be higher or lower, respectively, than such percentage changes would be using actual exchange rates prevailing during the respective periods.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by regulations of the SEC, means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits to the SEC under the Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Harold C. Simmons, the Company's Chief Executive Officer, and Gregory M. Swalwell, the Company's Vice President, Finance and Chief Financial Officer, have evaluated the Company's disclosure controls and procedures as of June 30, 2004. Based upon their evaluation, these executive officers have concluded that the Company's disclosure controls and procedures are effective as of the date of such evaluation.

The Company also maintains a system of internal controls over financial reporting. The term "internal control over financial reporting," as defined by regulations of the SEC, means a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

There has been no change to the Company's system of internal controls over financial reporting during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's system of internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Note 14 to the Consolidated Financial Statements, the 2003 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 for descriptions of certain previously reported legal proceedings.

Sabater, et al. v. Lead Industries Association, et al. (Supreme Court of the State of New York, County of Bronx, Index No. 25533/98). In June 2004, at plaintiffs' request, the trial court dismissed the case with prejudice as to the adult plaintiffs and without prejudice as to the minor plaintiffs.

Thomas v. Lead Industries Association, et al. (Circuit Court, Milwaukee, Wisconsin, Case No. 99-CV-6411). In June 2004, the appellate court affirmed the trial court's dismissal of all of plaintiff's claims. In July 2004, plaintiff filed a petition for review with the Wisconsin Supreme Court.

State of Rhode Island v. Lead Industries Association, et al. (Superior Court of Rhode Island, No. 99-5226). In July 2004, the Rhode Island Supreme Court dismissed plaintiff's appeal of, and denied plaintiff's petition to review, the trial court's decision that the case must be tried to a jury.

Smith, et al. v. Lead Industries Association, et al. (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004490). In May 2004, the appellate court reversed and remanded the trial court's dismissal of plaintiffs' design defect claim and other claims, but affirmed the trial court's dismissal of plaintiffs' fraud claim and failure to warn claim. In July 2004, plaintiffs filed a petition for review with the Maryland Court of Appeals.

City of St. Louis v. Lead Industries Association, et al. (Missouri Circuit Court 22nd Judicial Circuit, St. Louis City, Cause No. 002-245, Division 1). Defendants' renewed motion to dismiss and motion for summary judgment were denied by the trial court in March 2004, but the trial court limited plaintiff's complaint to monetary damages from 1990 to 2000, specifically excluding future damages. In April 2004, the court set a trial date of July 2005.

Spring Branch Independent School District v. Lead Industries Association, et al. (District Court of Harris County, Texas, No. 2000-31175). In June 2004, the appellate court affirmed the trial court's order granting defendants' motion for summary judgment. The time for plaintiff's appeal has not run.

Lewis et al. v. Lead Industries Association, et al. (Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 00CH09800). In May 2004, the trial court denied defendants' motion for summary judgment on plaintiffs' conspiracy count. In May 2004, defendants filed another motion for summary judgment on plaintiffs' conspiracy count, arguing that plaintiffs cannot show that all manufacturers of lead pigment were members of a conspiracy.

Barker, et al. v. The Sherwin-Williams Company, et al. (Circuit Court of Jefferson County, Mississippi, Civil Action No. 2000-587). With respect to the ten plaintiffs transferred by the trial court to Holmes County, in May 2004, the Mississippi Supreme Court remanded the case to the trial court in Holmes County and instructed the court to transfer the plaintiffs to their appropriate venues. With respect to the eight plaintiffs remaining in Jefferson County, in July 2004 the Mississippi Supreme Court denied plaintiffs' motion to add additional defendants.

Russell v. NL Industries, Inc., et al. (Circuit Court of LeFlore County, Mississippi, No.2002-0235-CICI). In May 2004, four of the six plaintiffs voluntarily dismissed their claims.

Jones v. NL Industries, Inc., et al. (Circuit Court of LeFlore County, Mississippi, Civil Action No. 2002-0241-CICI). In June 2004, the court set a trial date of February 2006.

The Quapaw Tribe of Oklahoma et al. v. ASARCO Incorporated et al. (United States District Court, Northern District of Oklahoma, Case No. 03C-V846 H). In April 2004, the plaintiffs filed an amended complaint adding claims under the Resource Conservation Recovery Act ("RCRA") and the Comprehensive Environmental

Response, Compensation and Liability Act, and the Company moved to dismiss those claims. In June 2004, the trial court dismissed the plaintiffs' claims for unjust enrichment and fraud as well as one plaintiff's claims arising under RCRA.

Evans v. Asarco (United States District Court, Northern District of Oklahoma, Case No. 04-CV-94EA(M)). The trial court has stayed the proceedings in this case pending the outcome of a class certification decision in Cole, et al. v. ASARCO Incorporated et al. (U.S. District Court for the Northern District of Oklahoma, Case No. 03C V327 EA (J)) case, from which the Company has been dismissed with prejudice.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's 2004 Annual Meeting of Shareholders was held on May 20, 2004. C.H. Moore, Jr., Glenn R. Simmons, Harold C. Simmons, Thomas P. Stafford, Steven L. Watson and Terry N. Worrell were elected as directors, each receiving votes "For" their election from at least 94.1% of the 48.3 million common shares eligible to vote at the Annual Meeting.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The Company has retained a signed original of any exhibit listed below that contains signatures, and the Company will provide any such exhibit to the SEC or its staff upon request. The Company will also furnish, without charge, a copy of its Code of Business Conduct and Ethics, its Audit Committee Charter and its Corporate Governance Guidelines, each as approved by the Company's board of directors and each of which are also available at the Company's website at www.nl-ind.com, upon request. Such requests should be directed to the attention of the Company's corporate secretary at the Company's corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

31.1 - Certification

31.2 - Certification

32.1 - Certification

(b) Reports on Form 8-K Reports on Form 8-K for the quarter ended June 30, 2004.

May 6, 2004 - Reported Item 9.
May 21, 2004 - Reported Item 9.

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 5, 2004 By /s/ Gregory M. Swalwell

Gregory M. Swalwell
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

Date August 5, 2004 By /s/ James W. Brown

James W. Brown
Vice President and Controller
(Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Harold C. Simmons, the Chief Executive Officer of NL Industries, Inc., certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

/s/ Harold C. Simmons

Harold C. Simmons
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Gregory M. Swalwell, the Chief Financial Officer of NL Industries, Inc., certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

/s/ Gregory M. Swalwell

Gregory M. Swalwell
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NL Industries, Inc. (the Company) on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Harold C. Simmons, Chief Executive Officer of the Company, and I, Gregory M. Swalwell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Harold C. Simmons

Harold C. Simmons
Chief Executive Officer

/s/ Gregory M. Swalwell

Gregory M. Swalwell
Chief Financial Officer

August 5, 2004

Note: The certification the registrant furnishes in this exhibit is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.