

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-30**  
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FILER

**NL INDUSTRIES INC**

CIK: **72162** | IRS No.: **135267260** | State of Incorp.: **NJ** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-00640** | Film No.: **95556986**  
SIC: **2810** Industrial inorganic chemicals

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HOUSTON TX 77060-2544*

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

( X ) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 - For the quarter ended June 30, 1995

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission file number 1-640

NL INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of  
incorporation or organization)

13-5267260  
(IRS Employer  
Identification No.)

Two Greenspoint Plaza, 16825 Northchase Dr., Suite 1200, Houston, TX 77060-2544  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934  
during the preceding 12 months, and (2) has been subject to such filing  
requirements for the past 90 days. Yes X No

Number of shares of common stock outstanding on July 28, 1995: 51,068,716  
NL INDUSTRIES, INC. AND SUBSIDIARIES

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## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands)

<TABLE>  
<CAPTION>

ASSETS	December 31, 1994	June 30, 1995
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 131,124	\$ 137,264
Marketable securities	25,165	2,387
Accounts and notes receivable	137,753	187,524
Refundable income taxes	1,162	11,309
Inventories	185,173	195,608
Prepaid expenses	3,878	9,704
Deferred income taxes	2,177	2,495
Total current assets	486,432	546,291
Other assets:		
Marketable securities	21,329	22,414
Investment in joint ventures	187,480	185,989
Prepaid pension cost	19,329	21,684
Deferred income taxes	2,746	692
Other	37,267	36,011
Total other assets	268,151	266,790
Property and equipment:		
Land	20,665	22,689
Buildings	147,370	166,709
Machinery and equipment	582,138	647,873
Mining properties	87,035	93,371
Construction in progress	9,579	7,523
	846,787	938,165
Less accumulated depreciation and depletion	438,960	486,949
Net property and equipment	407,827	451,216
	\$1,162,410	\$1,264,297

&lt;/TABLE&gt;

## NL INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

<TABLE>  
<CAPTION>

LIABILITIES AND SHAREHOLDERS' DEFICIT	December 31, 1994	June 30, 1995
---------------------------------------	----------------------	------------------

<S>	<C>	<C>
Current liabilities:		
Notes payable	\$ -	\$ 21,782
Current maturities of long-term debt	42,887	40,921
Accounts payable and accrued liabilities	168,327	174,797
Payable to affiliates	11,348	10,509
Income taxes	20,762	10,194
Deferred income taxes	1,590	1,666
Total current liabilities	244,914	259,869
Noncurrent liabilities:		
Long-term debt	746,762	765,478
Deferred income taxes	178,332	209,100
Accrued pension cost	76,242	78,956
Accrued postretirement benefits cost	65,299	63,221
Other	141,518	147,955
Total noncurrent liabilities	1,208,153	1,264,710
Minority interest	2,425	2,826
Shareholders' deficit:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(125,494)	(130,142)
Pension liabilities	(1,635)	(1,635)
Marketable securities	(12)	430
Accumulated deficit	(567,041)	(532,977)
Treasury stock	(366,536)	(366,420)
Total shareholders' deficit	(293,082)	(263,108)
	\$1,162,410	\$1,264,297

</TABLE>

Commitments and contingencies (Note 13)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

<TABLE>  
<CAPTION>

<S>	Three months ended		Six months ended	
	June 30, 1994	1995	June 30, 1994	1995
<C>	<C>	<C>	<C>	<C>
Revenues and other income:				
Net sales	\$237,113	\$283,474	\$438,962	\$534,349
Other, net	5,200	6,121	28,214	9,015
	242,313	289,595	467,176	543,364
Costs and expenses:				
Cost of sales	178,925	187,896	325,881	357,664
Selling, general and administrative	54,250	50,448	110,261	94,620
Interest	21,071	21,052	42,136	41,728
	254,246	259,396	478,278	494,012
Income (loss) before income taxes and minority interest	(11,933)	30,199	(11,102)	49,352
Income tax expense	(3,354)	(9,056)	(10,303)	(14,802)
Income (loss) before				

minority interest	(15,287)	21,143	(21,405)	34,550
Minority interest	(247)	(141)	(496)	(486)
Net income (loss)	\$ (15,534)	\$ 21,002	\$ (21,901)	\$ 34,064
Net income (loss) per share of common stock	\$ (.30)	\$ .41	\$ (.43)	\$ .66
Weighted average common and common equivalent shares outstanding	51,040	51,552	51,002	51,469

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT

Six months ended June 30, 1995

(In thousands)

<TABLE>  
<CAPTION>

	Common stock	Additional paid-in capital	Currency translation	Adjustments Pension liabilities	Marketable securities
<S> Balance at December 31, 1994	<C> \$8,355	<C> \$759,281	<C> \$ (125,494)	<C> \$ (1,635)	<C> \$ (12)
Net income	-	-	-	-	-
Adjustments	-	-	(4,648)	-	442
Treasury stock reissued	-	-	-	-	-
Balance at June 30, 1995	\$8,355	\$759,281	\$ (130,142)	\$ (1,635)	\$430

<TABLE>  
<CAPTION>

	Accumulated deficit	Treasury stock	Total
<S> Balance at December 31, 1994	<C> \$ (567,041)	<C> \$ (366,536)	<C> \$ (293,082)
Net income	34,064	-	34,064
Adjustments	-	-	(4,206)
Treasury stock reissued	-	116	116
Balance at June 30, 1995	\$ (532,977)	\$ (366,420)	\$ (263,108)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30, 1994 and 1995

(In thousands)

<TABLE>  
<CAPTION>

	1994	1995
<S> Cash flows from operating activities:	<C>	<C>

Net income (loss)	\$ (21,901)	\$ 34,064
Depreciation, depletion and amortization	17,481	19,291
Noncash interest expense	8,921	9,547
Deferred income taxes	30,195	16,259
Other, net	(894)	(5,073)
	33,802	74,088
Change in assets and liabilities:		
Accounts and notes receivable	(46,791)	(37,759)
Inventories	22,715	3,053
Prepaid expenses	(2,503)	(5,151)
Accounts payable and accrued liabilities	(848)	(7,013)
Income taxes	75,490	(22,447)
Other, net	15,459	(606)
Marketable trading securities, net	14,254	23,943
Net cash provided by operating activities	111,578	28,108
Cash flows from investing activities:		
Capital expenditures	(16,564)	(26,200)
Investment in joint ventures, net	2,405	1,486
Other, net	562	33
Net cash used by investing activities	(13,597)	(24,681)

</TABLE>

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Six months ended June 30, 1994 and 1995

(In thousands)

	1994	1995
	<C>	<C>
<S>		
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 31,937	\$ 25,839
Principal payments	(105,472)	(27,326)
Other, net	(202)	102
Net cash used by financing activities	(73,737)	(1,385)
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	24,244	2,042
Currency translation	4,942	4,098
Balance at beginning of period	106,593	131,124
Balance at end of period	\$ 135,779	\$137,264
Supplemental disclosures - cash paid (received) for:		
Interest, net of amounts capitalized	\$ 35,130	\$ 28,273
Income taxes	(95,134)	21,296

</TABLE>

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

NL Industries, Inc. conducts its operations primarily through its wholly-owned subsidiaries, Kronos, Inc. (titanium dioxide pigments, or "TiO2") and Rheox, Inc. (specialty chemicals). Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold 53% and 18%, respectively, of NL's

outstanding common stock. Contran holds, directly or indirectly, approximately 90% of Valhi's and 44% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1994 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1995 and the consolidated statements of operations, shareholders' deficit and cash flows for the interim periods ended June 30, 1994 and 1995, have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the 1995 presentation. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (the "1994 Annual Report").

NOTE 2 - NET INCOME (LOSS) PER SHARE OF COMMON STOCK:

Net income (loss) per share of common stock is based on the weighted average number of common shares and equivalents outstanding. Common stock equivalents, primarily non-qualified stock options, are excluded from the computation when their effect is antidilutive.

NOTE 3 - BUSINESS SEGMENT INFORMATION:

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

<TABLE>  
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	1994	1995	1994	1995
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Net sales:				
Kronos	\$206,407	\$249,393	\$380,667	\$466,721
Rheox	30,706	34,081	58,295	67,628
	\$237,113	\$283,474	\$438,962	\$534,349
Operating income:				
Kronos	\$ 17,664	\$ 47,100	\$ 33,023	\$ 79,553
Rheox	8,578	10,449	15,532	19,964
	26,242	57,549	48,555	99,517
General corporate income (expense):				
Securities earnings, net	642	1,926	843	4,395
Expenses, net	(17,746)	(8,224)	(18,364)	(12,832)
Interest expense	(21,071)	(21,052)	(42,136)	(41,728)
	\$ (11,933)	\$ 30,199	\$ (11,102)	\$ 49,352

</TABLE>

NOTE 4 - INVENTORIES:

<TABLE>  
<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Raw materials	\$ 30,118	\$ 27,791
Work in process	7,655	9,085
Finished products	112,410	120,309
Supplies	34,990	38,423
	\$185,173	\$195,608

</TABLE>

NOTE 5 - MARKETABLE SECURITIES AND SECURITIES TRANSACTIONS:

<TABLE>

<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Current - U.S. Treasury securities:		
Unrealized losses	\$ (1,124)	\$ (10)
Cost	26,289	2,397
Aggregate market	\$25,165	\$ 2,387
Noncurrent - marketable equity securities:		
Unrealized gains	\$ 3,357	\$ 2,818
Unrealized losses	(3,374)	(2,156)
Cost	21,346	21,752
Aggregate market	\$21,329	\$22,414

</TABLE>

The Company has classified its U.S. Treasury securities as trading securities and its marketable equity securities as available-for-sale.

Net gains and losses from securities transactions are composed of:

<TABLE>

<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	1994	1995	1994	1995
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Unrealized gains (losses)	\$ (387)	\$422	\$ (775)	\$1,115
Realized gains (losses)	(25)	154	(438)	50
	\$ (412)	\$576	\$ (1,213)	\$1,165

</TABLE>

NOTE 6 - INVESTMENT IN JOINT VENTURES:

<TABLE>

<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
TiO2 manufacturing joint venture	\$185,122	\$183,636
Other	2,358	2,353
	\$187,480	\$185,989

</TABLE>

NOTE 7 - OTHER NONCURRENT ASSETS:

<TABLE>

<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Intangible assets, net	\$13,957	\$13,863
Deferred financing costs, net	16,079	15,377
Other	7,231	6,771
	\$37,267	\$36,011

</TABLE>

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

<TABLE>

<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Accounts payable	\$ 74,903	\$ 70,236
Accrued liabilities:		
Employee benefits	34,209	36,772
Environmental costs	10,433	10,433
Interest	6,485	10,446
Miscellaneous taxes	7,336	2,649
Other	34,961	44,261
	93,424	104,561
	\$168,327	\$174,797

</TABLE>

NOTE 9 - OTHER NONCURRENT LIABILITIES:

<TABLE>  
<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Environmental costs	\$ 93,655	\$102,666
Insurance claims and expenses	14,716	14,649
Employee benefits	12,322	14,319
Deferred technology fee income	18,305	14,064
Other	2,520	2,257
	\$141,518	\$147,955

</TABLE>

NOTE 10 - NOTES PAYABLE AND LONG-TERM DEBT:

<TABLE>  
<CAPTION>

	December 31, 1994	June 30, 1995
	(In thousands)	
<S>	<C>	<C>
Notes payable - Kronos	\$ -	\$ 21,782
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	\$250,000	\$250,000
13% Senior Secured Discount Notes	116,409	123,976
	366,409	373,976
Kronos:		
DM bank credit facility (DM 397,609)	255,703	286,756
Joint venture term loan	88,715	81,000
Other	10,507	13,662
	354,925	381,418
Rheox:		
Bank term loan	67,500	50,263
Other	815	742
	68,315	51,005
	789,649	806,399
Less current maturities	42,887	40,921
	\$746,762	\$765,478

</TABLE>

NOTE 11 - INCOME TAXES:

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

<TABLE>  
<CAPTION>

	Six months ended June 30,	
	1994	1995
	(In thousands)	
<S>	<C>	<C>
Expected tax benefit (expense)	\$ 3,886	\$ (17,273)
Non-U.S. tax rates	2,703	2,263
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return	(1,096)	(2,462)
Valuation allowance	(15,138)	2,479
U.S. state income taxes	(283)	(350)
Other, net	(375)	541
Income tax expense	\$ (10,303)	\$ (14,802)

</TABLE>

NOTE 12 - OTHER INCOME, NET:

<TABLE>  
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	1994	1995	1994	1995
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Securities earnings:				
Interest and dividends	\$1,054	\$1,350	\$ 2,056	\$ 3,230
Securities transactions	(412)	576	(1,213)	1,165
	642	1,926	843	4,395
Litigation settlement gain	-	-	20,040	-
Technology fee income	2,453	2,719	4,862	5,305
Currency transaction gains, (losses), net	502	716	366	(1,917)
Disposition of property and equipment	(292)	(591)	(1,279)	(1,385)
Royalty income	594	-	1,020	-
Other, net	1,301	1,351	2,362	2,617
	\$5,200	\$6,121	\$28,214	\$ 9,015

</TABLE>

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

For descriptions of certain legal proceedings, income tax and other commitments and contingencies related to the Company, reference is made to (i) Part II, Item 1 - "Legal Proceedings," (ii) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and (iii) the 1994 Annual Report.

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

RESULTS OF OPERATIONS

The Company's chemical operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox. The Company's results improved significantly during the first six months of 1995, as discussed below, and the Company expects to remain profitable for the remainder of the year.

<TABLE>  
<CAPTION>

	Three months ended June 30,		%	Six months ended June 30,		%
	1994	1995		Change	1994	
	(In millions)			(In millions)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Net sales:						
Kronos	\$206.4	\$249.4	+21%	\$380.7	\$466.7	+23%
Rheox	30.7	34.1	+11%	58.3	67.6	+16%
	\$237.1	\$283.5	+20%	\$439.0	\$534.3	+22%
Operating income:						
Kronos	\$ 17.6	\$ 47.0	+167%	\$ 33.1	\$ 79.5	+141%
Rheox	8.6	10.5	+22%	15.5	20.0	+29%
	\$ 26.2	\$ 57.5	+119%	\$ 48.6	\$ 99.5	+105%
Percent changes in TiO2:						
Sales volume			-6%			+1%
Average selling prices (in billing currencies)			+19%			+15%

Kronos' TiO2 operating income in the second quarter of 1995 increased from the second quarter of 1994 primarily due to higher average selling prices. As a result of increased pricing in all major markets, Kronos' average TiO2 selling prices in the second quarter of 1995 were 19% higher than the second quarter of 1994 and 6% higher than the first quarter of 1995. Kronos' year-to-date sales volumes for 1995 approximated sales volumes for the same period in 1994; however, second quarter 1995 sales volumes were 6% below the second quarter of 1994. Rheox's operating results for both the second quarter and first half of 1995 improved compared to the 1994 periods primarily as a result of higher sales volumes and average selling prices. A significant amount of sales are denominated in currencies other than the U.S. dollar, and fluctuations in the value of the U.S. dollar relative to other currencies increased the dollar value of sales for the second quarter and first half of 1995 by \$20 million and \$32 million, respectively, compared to the 1994 periods.

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

	Three months ended June 30, 1994		Difference	Six months ended June 30, 1994		Difference
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Securities earnings	\$ .7	\$ 1.9	\$ 1.2	\$ .9	\$ 4.4	\$3.5
Corporate expenses, net	(17.7)	(8.2)	9.5	(18.5)	(12.8)	5.7
Interest expense	(21.1)	(21.1)	-	(42.1)	(41.7)	.4
	\$ (38.1)	\$ (27.4)	\$10.7	\$ (59.7)	\$ (50.1)	\$9.6

Corporate expenses, net in the six months ended June 30, 1995 were lower than the comparable 1994 period due to lower provisions for environmental remediation and other costs, partially offset by the effect of the \$20 million gain related to the first-quarter 1994 settlement of the Company's lawsuit against Lockheed Corporation. Corporate expenses, net in the second quarter of 1995 were lower than 1994 due to reduced provisions for environmental remediation and other costs. Interest expense in the first six months of 1995 was slightly lower due to the lower level of debt partially offset by the impact of changes in currency exchange rates and higher variable U.S. interest rates.

The Company's operations are conducted on a worldwide basis. In 1994, the Company's income tax expense was impacted by losses in certain countries for which no current benefit was available and for which the Company believed recognition of a deferred tax asset was not appropriate.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the six months ended June 30, 1994 and 1995 are presented below.

<TABLE>  
<CAPTION>

Six months ended  
June 30,

	1994	1995
<S>	(In millions)	
	<C>	<C>
Net cash provided (used) by:		
Operating activities	\$111.6	\$ 28.1
Investing activities	(13.6)	(24.7)
Financing activities	(73.8)	(1.4)
Net cash provided by operating, investing and financing activities	\$ 24.2	\$ 2.0

</TABLE>

The TiO2 industry is cyclical, with the previous peak in selling prices in early 1990 and the latest trough in the third quarter of 1993. Excluding the effects of the receipt of the German tentative tax refunds in the first half of 1994, the Company's cash flows from operations improved during the first six months of 1995 compared to the 1994 period, primarily due to increased TiO2 selling prices and the sale of \$24 million in current marketable securities. Changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) used cash in both periods.

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions, including Germany, are being examined and tax authorities have proposed tax deficiencies. Additional substantial German proposed tax deficiency assessments are expected. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million (\$72 million at June 30, 1995) lien on its Nordenham, Germany TiO2 plant and may be required to provide additional security in favor of the German tax authorities until the assessments proposing tax deficiencies are resolved. The Company believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

During the second quarter of 1995, a non-U.S. subsidiary borrowed \$22 million under short-term lines of credit. Repayments of indebtedness in the first six months of 1995 include payments of \$17 million on the Rheox bank term loan and \$8 million on the joint venture term loan. Net repayments of indebtedness in the first half of 1994 include payments of DM 143 million of the DM credit facility (\$87 million), \$8 million on the Rheox bank term loan and \$8 million on the joint venture term loan, and borrowings under the DM bank credit facility of DM 55 million (\$33 million).

At June 30, 1995, the Company had cash, cash equivalents and current marketable securities aggregating \$140 million (28% held by non-U.S. subsidiaries) including restricted cash, cash equivalents and current marketable securities of \$16 million. The Company's subsidiaries had \$228 million available for borrowing under existing credit facilities, of which \$90 million is available only for (i) permanently reducing the DM term loan or (ii) paying future German income tax assessments, as described above.

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites or facilities currently or formerly owned, operated or used by the Company, many of which disposal sites or facilities are on the U.S. Environmental Protection Agency's (the "U.S. EPA") Superfund National Priorities List or similar state lists. The Company believes it has adequate accruals (\$94 million at June 30, 1995) for reasonably estimable costs of such matters. It is not possible to estimate the range of costs for certain sites. The Company has estimated that 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 \$162 million. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. Based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment litigation is without merit and has not accrued any amounts for such pending

lead pigment litigation. The Company currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed at the state, local and federal levels that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which the Company and other pigment manufacturers have been successful.

The Company periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, the Company has in the past and may in the future seek to reduce, refinance or restructure indebtedness, raise additional capital, 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1994 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 for descriptions of certain previously-reported legal proceedings.

Wright (Alvin) and Wright (Allen) v. Lead Industries, et. al. In an April 1995 amended complaint, plaintiffs voluntarily dismissed their breach of warranty claim and added an unfair and deceptive trade practices claim. In July 1995, the trial court granted in part the defendants' motion to dismiss, and dismissed the plaintiffs' fraud and unfair and deceptive trade practices claims. A trial date has been set in these consolidated cases for October 1996.

HANO Third-Party Complaints. In June 1995, the District Court granted motions for summary judgment in several of the remaining cases and, after such grant, two cases remained pending. The time in which plaintiffs may file an appeal has not yet expired. The Company understands that the plaintiffs' counsel in the HANO cases has indicated an intention to file a class action against the lead pigment defendants on behalf of allegedly injured plaintiffs.

Wagner, et al. v. Anzon, Inc. and NL Industries, Inc. In May 1995, plaintiffs filed a notice of appeal.

In re: Asbestos III. The trial date has been delayed until August 1995.

Rhodes, et al. v. ACF Industries, Inc., et al. (Circuit Court of Putnam County, West Virginia, No. 95-C-261). Twelve plaintiffs brought this action against the Company and various other defendants in July 1995. Plaintiffs allege that they were employed by demolition and disposal contractors, and claim that as a result of the defendants' negligence they were exposed to asbestos during such activities on defendants' premises in West Virginia. Plaintiffs allege personal injuries and seek compensatory damages totaling \$18.5 million and punitive damages totaling \$55.5 million. The Company intends to file an answer denying plaintiffs' allegations.

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

The Company held its Annual Meeting of Shareholders on May 3, 1995. The only matter voted upon was the election of directors, and all the nominees for director were elected. The vote with respect to each was as follows:

Director	Vote For	Vote Withheld
<S>	<C>	<C>
Joseph S. Compofelice	47,186,917	150,618
J. Landis Martin	47,189,309	148,226

Kenneth R. Peak	47,229,178	108,357
Glenn R. Simmons	47,189,690	147,845
Harold C. Simmons	47,185,803	151,732
Lawrence A. Wigdor	47,201,790	135,745
Admiral Elmo R. Zumwalt, Jr.	47,228,836	117,499

</TABLE>

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

27.1 - Financial Data Schedule for the six-month period ended June 30, 1995.

(b) REPORTS ON FORM 8-K

Reports on Form 8-K for the quarter ended June 30, 1995 and for the month of July 1995:

April 25, 1995 - reported Items 5 and 7.

July 20, 1995 - reported Items 5 and 7.

SIGNATURES

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

NL INDUSTRIES, INC.  
(Registrant)

Date: July 28, 1995                      By /s/ Joseph S. Compofelice  
Joseph S. Compofelice  
Vice President and  
Chief Financial Officer

Date: July 28, 1995                      By /s/ Dennis G. Newkirk  
Dennis G. Newkirk  
Vice President and Controller  
(Principal Accounting Officer)

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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