



NL INDUSTRIES

2003

ANNUAL REPORT

MESSAGE TO SHAREHOLDERS

Significant developments during 2003 included:

- Record TiO₂ sales and production volumes for the second consecutive year.
- 42% improvement in segment profit.
- Recapitalization and partial spin-off of Kronos Worldwide, Inc. under which NL shareholders received one share of Kronos for every two shares of NL held.

Over the last five years, NL has:

- Generated approximately \$4.5 billion in sales and \$760 million in segment profit.
- Invested \$188 million in capital expenditures for production capacity enhancements and other improvements.
- Paid cash dividends on NL's common stock of \$276 million.
- Increased the value of one share of NL common stock over 60% from \$14.19 per share on December 31, 1998 to \$22.80 per share on December 31, 2003 (on an equivalent basis including the effect of the value of one-half share of Kronos' common stock).

Additional information about the Company is included in the accompanying Annual Report on Form 10-K.



Harold C. Simmons
Chairman of the Board and Chief Executive Officer

FINANCIAL HIGHLIGHTS

	<u>2002</u>	<u>2003</u>
	<i>(In \$ millions)</i>	
Sales	\$ 875.2	\$1,008.2
Segment profit	96.5	137.4
Income from operations	66.2	90.9
Operating data (thousands of metric tons of TiO ₂):		
Sales volumes	455	462
Production volumes	442	476

See the copy of NL's news release dated February 24, 2004, which follows the attached Form 10-K, for a description of segment profit and income from operations, and a reconciliation of such amounts.

ABOUT THE COMPANY

NL, through its subsidiary Kronos, is the world's fifth largest producer, and Europe's second-largest producer, of titanium dioxide pigments ("TiO₂"), with an estimated 12% share of worldwide TiO₂ sales volumes and an 18% share of European sales volumes in 2003. TiO₂, a quality-of-life product that can be manufactured as either a white powder or wet slurry, is a key ingredient for end-use products in a wide variety of industries, including paints, plastics, papers, fibers, foods, ceramics and cosmetics. TiO₂, with its unique ability to reflect light, is used to impart whiteness, brightness and opacity to various end-use products. Kronos has production facilities at six sites located throughout Europe and North America, with a combined annual production capacity of approximately 480,000 metric tons. Kronos sells its products to over 4,000 customers in 100 countries. NL has certain other assets and investments in addition to its ownership interest in Kronos.

NL INDUSTRIES, INC. CORPORATE AND OTHER INFORMATION

Board of Directors

C. H. Moore, Jr.(a)
*Retired Partner
KPMG LLP*

Glenn R. Simmons
*Vice Chairman of the Board
Valhi, Inc.*

Harold C. Simmons
*Chairman of the Board
and Chief Executive Officer*

Gen. Thomas P. Stafford (ret.)(a)(b)
*Co-Founder
Stafford, Burke & Hecker, Inc.*

Steven L. Watson
*President and Chief Executive Officer
Valhi, Inc.*

Terry N. Worrell(a)(b)
*President
Worrell Investments, Inc.*

Board Committees

(a) *Audit Committee*

(b) *Management Development and
Compensation Committee*

Operating Management

Harold C. Simmons
*Chairman of the Board
and Chief Executive Officer*

Lawrence A. Wigdor
*Consultant
Kronos Worldwide, Inc.*

Dr. Ulfert Fiand
*Senior Vice President,
Manufacturing and Technology*

H. Joseph Maas
*Senior Vice President, Sales and
Marketing*

Douglas C. Weaver
Senior Vice President, Development

James. W. Brown
Vice President and Controller

Robert D. Graham
*Vice President, General Counsel
and Secretary*

John St. Wrba
Vice President and Treasurer

Gregory M. Swalwell
Vice President, Finance

Kelly D. Luttmer
Tax Director

Product Information

Information about Kronos' products and services is available online or by contacting: Kronos Worldwide, Inc. 5 Cedar Brook Drive Cranbury, NJ 08512 Phone: (609) 860-6200 Customer Service: 1-800-866-5600 Email: kronos.marketing@nli-usa.com

Transfer Agent

Equiserve Trust Co., N.A. acts as transfer agent, registrar and dividend paying agent for the Company's common stock. Communications regarding stockholder accounts, dividends and change of address should be directed to:

EquiServe Trust Co., N.A.
P.O. Box 43069
Providence, Rhode Island 02940-3069
Telephone: (781) 575-2725
Internet address:
<http://www.equiserve.com>
E-mail address:
equiserve@equiserve.com

Visit us on the Web
<http://www.nl-ind.com>

Annual Meeting

The 2004 Annual Meeting of Stockholders will be held on Thursday, May 20, 2004, at 10:15 a.m., at the office of the Company, Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697. Notice of the meeting, proxy statement and form of proxy will be mailed to stockholders in advance of the meeting.

Form 10-K Report

The Company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission, is printed as part of this Annual Report. Additional copies are available without charge upon written request to:

Robert D. Graham, Secretary
NL Industries, Inc.
Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697

NL's common shares are listed on the New York and Pacific Stock Exchanges under the symbol "NL."

Kronos' common shares are listed on the New York Stock Exchange under the symbol "KRO".

Kronos International, Inc.'s 8.875% Senior Secured Notes Due 2009 are listed on the Luxembourg Stock Exchange and are quoted in the over-the-counter market in the U.S..

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 - For the fiscal year ended December 31, 2003

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

<u>New Jersey</u> (State or other jurisdiction of incorporation or organization)	<u>13-5267260</u> (IRS Employer Identification No.)
<u>5430 LBJ Freeway, Suite 1700, Dallas, Texas</u> (Address of principal executive offices)	<u>75240-2697</u> (Zip Code)
Registrant's telephone number, including area code:	<u>(972) 233-1700</u>

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

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

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

None.

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

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

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

The aggregate market value of the 7.2 million shares of voting stock held by nonaffiliates of NL Industries, Inc. as of June 30, 2003 (the last business day of the Registrant's most recently-completed second fiscal quarter) approximated \$122.5 million.

As of February 27, 2004, 48,262,284 shares of the Registrant's common stock were outstanding.

Documents incorporated by reference

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

PART I

ITEM 1. BUSINESS

NL Industries, Inc., (NYSE:NL) organized as a New Jersey corporation in 1891, conducts its primary operations through its majority-owned subsidiary, Kronos Worldwide, Inc. (NYSE:KRO) (formerly known as Kronos, Inc.). NL and its consolidated subsidiaries are sometimes referred to herein collectively as the "Company." The Company held approximately 51% of Kronos' common stock at December 31, 2003. Kronos is the world's fifth largest producer of titanium dioxide pigments ("TiO₂") with an estimated 12% share of worldwide TiO₂ sales volume in 2003. Approximately one-half of the Company's 2003 sales volume was in Europe, where the Company is the second largest producer of TiO₂ with an estimated 18% share of European TiO₂ sales volumes. The Company has an estimated 15% share of North American TiO₂ sales volume. Kronos has production facilities throughout Europe and North America.

At December 31, 2003, Valhi, Inc. and Tremont LLC, a wholly-owned subsidiary of Valhi, held an aggregate of approximately 84% of NL's outstanding common stock and approximately 32% of Kronos' outstanding common stock. At December 31, 2003, Contran Corporation and its subsidiaries held approximately 90% of Valhi's 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 the sole trustee. Mr. Simmons, the Chairman of the Board of each of Contran, Valhi, NL, Kronos and Tremont, may be deemed to control each of such companies. See Notes 1 and 16 to the Consolidated Financial Statements.

As provided by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions that the statements in this Annual Report on Form 10-K relating to matters that are not historical facts, including, but not limited to, statements found in this Item 1 - "Business," Item 3 - "Legal Proceedings," Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A - "Quantitative and Qualitative Disclosures About Market Risk," 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," "expected" 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 Annual Report and those described from time to time in the Company's other filings with the SEC including, but not limited to, the following:

- Future supply and demand for the Company's products,
- The extent of the dependence of certain of the Company's businesses on certain market sectors,
- The cyclicity of the Company's businesses,
- Customer inventory levels (such as the extent to which the Company's customers may, from time to time, accelerate purchases of TiO₂ in advance of anticipated price increases or defer purchases of TiO₂ 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 TiO₂),
- Competitive products and substitute products,
- Customer and competitor strategies,
- The impact of pricing and production decisions,
- Competitive technology positions,
- The introduction of trade barriers,
- 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,
- 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 changes in information, future events or otherwise.

Industry. Titanium dioxide pigments are chemical products used for imparting whiteness, brightness and opacity to a wide range of products, including paints, plastics, paper, fibers, food, ceramics and cosmetics. TiO₂ is considered a "quality-of-life" product with demand affected by gross domestic product in various regions of the world.

Pricing within the global TiO₂ industry over the long term is cyclical, and changes in industry economic conditions, especially in Western industrialized nations, can significantly impact the Company's earnings and operating cash flows. Kronos' average TiO₂ selling prices were generally decreasing during all of 2001 and the first quarter of 2002, were generally flat during the second quarter of 2002, were generally increasing during the third and fourth quarters of 2002 and the first quarter of 2003, were generally flat during the second quarter of 2003 and were generally decreasing during the third and fourth quarters of 2003. Industry-wide demand for TiO₂ is estimated to have been flat or declined slightly throughout 2003. This is believed to have been the result of lower customer inventory levels resulting from overall declining selling prices. Volume demand in 2004 is expected to increase moderately over 2003 levels.

Per capita consumption of TiO₂ in the United States and Western Europe far exceeds that in other areas of the world and these regions are expected to continue to be the largest consumers of TiO₂. Significant regions for TiO₂ consumption could emerge in Eastern Europe, the Far East or China as the economies in these regions develop to the point that quality-of-life products, including TiO₂, are in greater demand. The Company believes that, due to its strong presence in Western Europe, it is well positioned to participate in growth in consumption of TiO₂ in Eastern Europe. Geographic information is contained in Note 3 to the Consolidated Financial Statements.

Products and operations. TiO₂ is produced in two crystalline forms: rutile and anatase. Rutile TiO₂ is a more tightly bound crystal that has a higher refractive index than anatase TiO₂ and, therefore, provides better opacification and tinting strength in many applications. Although many end-use applications can use either form of TiO₂, rutile TiO₂ is the preferred form for use in coatings, plastics and ink. Anatase TiO₂ has a bluer undertone and is less abrasive than rutile TiO₂, and it is often preferred for use in paper, ceramics, rubber and man-made fibers.

The Company believes that there are no effective substitutes for TiO₂. However, extenders such as kaolin clays, calcium carbonate and polymeric opacifiers are used in a number of the Company's markets. Generally, extenders are used to reduce to some extent the utilization of higher-cost TiO₂. The use of extenders has not significantly changed TiO₂ consumption over the past decade because, to date, extenders generally have failed to match the performance characteristics of TiO₂. As a result, the Company believes that the use of extenders will not materially alter the growth of the TiO₂ business in the foreseeable future.

The Company currently produces over 40 different TiO₂ grades, sold under the *Kronos* trademark, which provide a variety of performance properties to meet customers' specific requirements. The Company's major customers include domestic and international paint, plastics and paper manufacturers.

The Company is one of the world's leading producers and marketers of TiO₂. The Company and its distributors and agents sell and provide technical services for its products to over 4,000 customers with the majority of sales in Europe and North America. TiO₂ is distributed by rail, truck and ocean carrier in either dry or slurry form. The Company's manufacturing facilities are located in Germany, Canada, Belgium and Norway, and the Company owns a one-half interest in a TiO₂ manufacturing joint venture located in Louisiana, U.S.A. The Company conducts sales and marketing activities in over 100 countries worldwide. The Company and its predecessors have produced and marketed TiO₂ in North America and Europe for over 80 years. As a result, the Company believes that it has developed considerable expertise and efficiency in the manufacture, sale, shipment and service of its products in domestic and international markets. By volume, approximately one-half of the Company's 2003 TiO₂ sales were to Europe, with approximately 40% to North America and the balance to export markets.

The Company is also engaged in the mining and sale of ilmenite ore (a raw material used directly as a feedstock by some sulfate-process TiO₂ plants) pursuant to a governmental concession with an unlimited term that allows the Company to operate an ilmenite mine in Norway. The ore body, owned by the Norwegian government, has estimated ilmenite reserves that are expected to last at least 20 years. Approximately 5% of the Company's consolidated net sales in each of the last three years represented ilmenite sales to third-party customers. The Company is also engaged in the manufacture and sale of iron-based water treatment chemicals (derived co-products of the pigment production processes). The Company's water treatment chemicals (marketed under the name Ecochem) are used as treatment and conditioning agents for industrial effluents and municipal wastewater, and in the manufacture of iron

pigments. Sales of water treatment chemicals were approximately 3% of the Company's revenues in each of 2001, 2002 and 2003.

Manufacturing process and raw materials. The Company manufactures TiO₂ using both the chloride process and the sulfate process. Approximately 72% of the Company's current production capacity is based on the chloride process. The chloride process is a continuous process in which chlorine is used to extract rutile TiO₂. In general, the chloride process is also less intensive than the sulfate process in terms of capital investment, labor and energy. Because much of the chlorine is recycled and feedstock bearing a higher titanium content is used, the chloride process produces less waste than the sulfate process. The sulfate process is a batch chemical process that uses sulfuric acid to extract TiO₂. Sulfate technology normally produces either anatase or rutile pigment. Once an intermediate TiO₂ pigment has been produced by either the chloride or sulfate process, it is 'finished' into products with specific performance characteristics for particular end-use applications through proprietary processes involving various chemical surface treatments and intensive milling and micronizing.

Due to environmental factors and customer considerations, the proportion of TiO₂ industry sales represented by chloride-process pigments has increased relative to sulfate-process pigments and, in 2003, chloride-process production facilities represented approximately 62% of industry capacity.

The Company produced a new Company record 476,000 metric tons of TiO₂ in 2003, compared to the prior record 442,000 metric tons produced in 2002 and 412,000 metric tons in 2001. The Company's average production capacity utilization rate in 2003 was near full capacity, up from 96% in 2002. The rates in 2002 and 2003 were higher than in 2001 due in part to continued debottlenecking activities. The Company believes its current annual attainable production capacity is approximately 480,000 metric tons, including its one-half interest in the joint venture-owned Louisiana plant (see "TiO₂ manufacturing joint venture"). The Company expects this production capacity will be increased by approximately 10,000 metric tons, primarily at its chloride facilities, with moderate capital expenditures, bringing the Company's capacity to approximately 490,000 metric tons during 2005.

The primary raw materials used in the TiO₂ chloride production process are titanium-containing feedstock derived from sand ilmenite, natural rutile ore, chlorine and coke. Chlorine and coke are available from a number of suppliers. Titanium-containing feedstock suitable for use in the chloride process is available from a limited but increasing number of suppliers around the world, principally in Australia, South Africa, Canada, India and the United States. The Company purchased approximately 390,000 metric tons of chloride feedstock in 2003, of which the vast majority was slag.

The Company purchased slag in 2003 from two subsidiaries of Rio Tinto plc UK - Richards Bay Iron and Titanium Limited South Africa and Q.I.T. Fer et Titane Inc. Canada ("Q.I.T.") under long-term supply contracts that expire at the end of 2007 and 2006 respectively. Natural rutile ore is purchased primarily from Iluka Resources, Limited (Australia), a company formed through the merger of Westralian Sands Limited (Australia) and RGC Mineral Sands, Ltd., under a long-term supply contract that expires at the end of 2005. The Company does not expect to encounter difficulties obtaining long-term extensions to existing supply contracts prior to the expiration of the contracts. Raw materials purchased under these contracts and extensions thereof are expected to meet the Company's chloride feedstock requirements over the next several years.

The primary raw materials used in the TiO₂ sulfate production process are titanium-containing feedstock, derived primarily from rock and beach sand ilmenite, and sulfuric acid. Sulfuric acid is available from a number of

suppliers. Titanium-containing feedstock suitable for use in the sulfate process is available from a limited number of suppliers around the world. Currently, the principal active sources are located in Norway, Canada, Australia, India and South Africa. As one of the few vertically integrated producers of sulfate-process pigments, the Company operates a rock ilmenite mine in Norway, which provided all of the Company's feedstock for its European sulfate-process pigment plants in 2003. The Company produced approximately 850,000 metric tons of ilmenite in 2003, of which approximately 300,000 metric tons were used internally with the remainder sold to third parties. For its Canadian sulfate-process plant, the Company also purchases sulfate grade slag (approximately 25,000 metric tons in 2003) primarily from Q.I.T., under a long-term supply contract that expires at the end of 2006.

The Company believes the availability of titanium-containing feedstock for both the chloride and sulfate processes is adequate for the next several years. The Company does not expect to experience any interruptions of its raw material supplies because of its long-term supply contracts. However, political and economic instability in certain countries from which the Company purchases its raw material supplies could adversely affect the availability of such feedstock. Should the Company's vendors not be able to meet their contractual obligations or should the Company be otherwise unable to obtain necessary raw materials, the Company may incur higher costs for raw materials or may be required to reduce production levels, which may have a material adverse effect on the Company's financial position, results of operations or liquidity.

TiO₂ manufacturing joint venture. Subsidiaries of the Company and Huntsman International Holdings LLC ("Huntsman") each own a 50%-interest in a manufacturing joint venture, Louisiana Pigment Company ("LPC"). LPC owns and operates a chloride-process TiO₂ plant located in Lake Charles, Louisiana. Production from the plant is shared equally by the Company and Huntsman (the "Partners") pursuant to separate offtake agreements.

A supervisory committee, composed of four members, two of which are appointed by each Partner, directs the business and affairs of LPC including production and output decisions. Two general managers, one appointed and compensated by each Partner, manage the operations of the joint venture acting under the direction of the supervisory committee.

The manufacturing joint venture operates on a break-even basis and, accordingly, the Company reports no equity in earnings of the joint venture. The Company's cost for its share of the TiO₂ produced is equal to its share of the joint venture's costs. The Company's share of net costs is reported as cost of sales as the related TiO₂ acquired from the joint venture is sold. See Note 7 to the Consolidated Financial Statements.

Competition. The TiO₂ industry is highly competitive. The Company competes primarily on the basis of price, product quality and technical service, and the availability of high performance pigment grades. Although certain TiO₂ grades are considered specialty pigments, the majority of the Company's grades and substantially all of the Company's production are considered commodity pigments with price generally being the most significant competitive factor. During 2003 the Company had an estimated 12% share of worldwide TiO₂ sales volume, and the Company believes that it is the leading seller of TiO₂ in several countries, including Germany and Canada.

The Company's principal competitors are E.I. du Pont de Nemours & Co. ("DuPont"); Millennium Chemicals, Inc.; Huntsman; Kerr-McGee Corporation; and Ishihara Sangyo Kaisha, Ltd. The Company's five largest competitors have estimated individual shares of TiO₂ production capacity ranging from 24% to 5%, and an estimated aggregate 70% share of worldwide TiO₂ production volume.

DuPont has about one-half of total U.S. TiO₂ production capacity and is the Company's principal North American competitor.

Capacity additions that are the result of construction of greenfield plants in the worldwide TiO₂ market require significant capital and substantial lead time, typically three to five years in the Company's experience. As no new plants are currently under construction, additional greenfield capacity is not expected in the next three to five years, but industry capacity can be expected to increase as the Company and its competitors debottleneck existing plants. In addition to potential capacity additions, certain competitors have either idled or shut down facilities. Based on the factors described under the caption "Industry" above, the Company expects that the average annual increase in industry capacity from announced debottlenecking projects will be less than the average annual demand growth for TiO₂ over the next three to five years.

No assurance can be given that future increases in the TiO₂ industry production capacity and future average annual demand growth rates for TiO₂ will conform to the Company's expectations. If actual developments differ from the Company's expectations, the Company and the TiO₂ industry's performance could be unfavorably affected.

Research and development. The Company's expenditures for research and development and certain technical support programs were approximately \$6 million in each of 2001 and 2002 and \$7 million in 2003. Research and development activities are conducted principally at the Leverkusen, Germany facility. Such activities are directed primarily toward improving both the chloride and sulfate production processes, improving product quality and strengthening the Company's competitive position by developing new pigment applications.

Patents and trademarks. Patents held for products and production processes are believed to be important to the Company and to the continuing business activities of the Company. The Company continually seeks patent protection for its technical developments, principally in the United States, Canada and Europe, and from time to time enters into licensing arrangements with third parties.

The Company's major trademarks, including *Kronos (TM)*, are protected by registration in the United States and elsewhere with respect to those products it manufactures and sells.

Foreign operations. The Company's chemical businesses have operated in non-U.S. markets since the 1920s. Most of the Company's current production capacity is located in Europe and Canada with non-U.S. net property and equipment aggregating approximately \$435 million at December 31, 2003. Net property and equipment in the U.S., including 50% of the property and equipment of LPC, was approximately \$116 million at December 31, 2003. Kronos' European operations include production facilities in Germany, Belgium and Norway. Approximately \$711 million of the Company's 2003 consolidated sales were to non-U.S. customers, including \$91 million to customers in areas other than Europe and Canada. Sales to customers in the U.S. aggregated \$297 million in 2003. Foreign operations are subject to, among other things, currency exchange rate fluctuations, and the Company's results of operations have, in the past, been both favorably and unfavorably affected by fluctuations, in currency exchange rates. Effects of fluctuations in currency exchange rates on the Company's results of operations are discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk."

Political and economic uncertainties in certain of the countries in which the Company operates may expose it to risk of loss. The Company does not believe that there is currently any likelihood of material loss through political or economic instability, seizure, nationalization or similar event. The Company cannot predict, however, whether events of this type in the future could have a material effect on its operations. The Company's manufacturing and mining operations are also subject to extensive and diverse environmental regulation in each of the foreign countries in which they operate. See "Regulatory and Environmental Matters."

Customer base and annual seasonality. The Company believes that neither its aggregate sales nor those of any of its principal product groups are concentrated in or materially dependent upon any single customer or small group of customers. The Company's largest ten customers accounted for approximately 25% of net sales in 2003. Neither the Company's business as a whole nor that of any of its principal product groups is seasonal to any significant extent. Due in part to the increase in paint production in the spring to meet the spring and summer painting season demand, TiO₂ sales are generally higher in the first half of the year than in the second half of the year.

Employees. As of December 31, 2003, the Company employed approximately 2,450 persons, excluding LPC employees, with approximately 50 employees in the United States and approximately 2,400 at sites outside the United States. Hourly employees in production facilities worldwide, including LPC, are represented by a variety of labor unions, with labor agreements having various expiration dates. The Company believes its labor relations are good.

Regulatory and environmental matters. The Company's operations are governed by various environmental laws and regulations. Certain of the Company's businesses operated through its subsidiaries 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 policy of the Company and its subsidiaries is to maintain compliance with applicable environmental laws and regulations at all its facilities and to strive to improve its environmental performance. 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 as well as the Company's consolidated financial position, results of operations or liquidity.

The Company's U.S. manufacturing operations are governed by federal environmental and worker health and safety laws and regulations, principally the Resource Conservation and Recovery Act ("RCRA"), the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), as well as the state counterparts of these statutes. The Company believes the TiO₂ plant owned by the LPC joint venture and a TiO₂ slurry facility owned by the Company in Lake Charles, Louisiana are in substantial compliance with applicable requirements of these laws or compliance orders issued thereunder. The Company has no other U.S. plants. From time to time, the Company's facilities may be subject to environmental regulatory enforcement under such statutes. Resolution of such matters typically involves the establishment of compliance programs. Occasionally, resolution may result in the payment of penalties, but to date

such penalties have not involved amounts having a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company's production facilities operate in an environmental regulatory framework in which governmental authorities typically are granted broad discretionary powers that allow them to issue operating permits required for the plants to operate. The Company believes that all current operating plants are in substantial compliance with applicable environmental laws. With respect to the Company's current operating 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. EPA or any applicable foreign authority or any state, provincial or local authority.

While the laws regulating operations of industrial facilities in Europe vary from country to country, a common regulatory denominator is provided by the European Union (the "EU"). Germany and Belgium are members of the EU and follow its initiatives. Norway, although not a member, generally patterns its environmental regulatory actions after the EU. The Company believes that Kronos has obtained all required permits and is in substantial compliance with applicable EU requirements, including EU Directive 92/112/EEC regarding establishment of procedures for reduction and eventual elimination of pollution caused by waste from the TiO₂ industry.

At the Company's sulfate plant facilities other than Fredrikstad, Norway and Varennes, Quebec, Canada, the Company recycles spent acid either through contracts with third parties or using the Company's own facilities. At its Fredrikstad, Norway plant, the Company ships its spent acid to a third party location where it is treated and disposed. The Company's Canadian sulfate plant neutralizes its spent acid, and by product gypsum is sold to a local wallboard manufacturer with solid wastes landfilled. The Company has a contract with a third party to treat certain by-products of its German sulfate-process plants. Either party may terminate the contract after giving four years advance notice with regard to its Nordenham, Germany plant. Under certain circumstances, the Company may terminate the contract after giving six months notice with respect to treatment of by-products from the Leverkusen, Germany plant.

The Company's capital expenditures related to its ongoing environmental protection and improvement programs in 2003 were approximately \$5 million, and are currently expected to be approximately \$5 million in 2004.

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, pursuant to CERCLA and similar state laws in approximately 70 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. Environmental Protection Agency's ("U.S. EPA") Superfund National Priorities List or similar state lists. See Item 3. "Legal Proceedings."

Website and other available information. The Company maintains a website on the Internet with the address of www.nl-ind.com. Copies of this Annual Report on Form 10-K for the year ended December 31, 2003 and copies of the Company's Quarterly Reports on Form 10-Q for 2003 and 2004 and any Current Reports on Form 8-K for 2003 and 2004, and any amendments thereto, are or will be available free of charge at such website as soon as reasonably practical after they are filed with the SEC. Additional information regarding the Company, including the Company's Audit Committee charter and the Company's Code of Business Conduct and Ethics, can also be found at this website as

required. Information contained on the Company's website is not part of this report.

The general public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer, and the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company. The Internet address of the SEC's website is www.sec.gov.

ITEM 2. PROPERTIES

The Company currently operates four TiO₂ plants in Europe (one in Leverkusen, Germany; one in Nordenham, Germany; one in Langerbrugge, Belgium; and one in Fredrikstad, Norway). In North America, the Company has a TiO₂ plant in Varennes, Quebec, Canada and, through the manufacturing joint venture described above, a one-half interest in a TiO₂ plant in Lake Charles, Louisiana. The Company operates an ilmenite ore mine in Hauge i Dalane, Norway pursuant to a governmental concession and also owns a TiO₂ slurry plant in Lake Charles, Louisiana. See Note 7 to the Consolidated Financial Statements.

The Company's principal German operating subsidiary leases the land under its Leverkusen TiO₂ production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with about one-third of the Company's current TiO₂ production capacity, is located within an extensive manufacturing complex owned by Bayer AG. Rent for the Leverkusen facility is periodically established by agreement with Bayer AG for periods of at least two years at a time. Under a separate supplies and services agreement expiring in 2011, Bayer provides some raw materials, including chlorine and certain amounts of sulfuric acid, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. The lease and the supplies and services agreement have certain restrictions regarding the Company's ability to transfer ownership or use of the Leverkusen facility.

The Company owns all of its principal production facilities described above, except for the land under the Leverkusen and Fredrikstad facilities. Kronos also operates an ilmenite ore mine in Norway pursuant to a governmental concession with an unlimited term.

The Company has under lease various corporate and administrative offices located in the U.S. and various sales offices located in the U.S., France, the Netherlands, Denmark and the U.K.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings. In addition to information that is included below, certain information called for by this Item is included in Note 18 to the Consolidated Financial Statements, which information is incorporated herein by reference.

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 (together the "former pigment manufacturers"), and lead-based paint, and the Lead Industries Association (the "LIA") (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 the pending litigation in view of the inherent uncertainties involved in court and jury rulings.

In 1989 and 1990 the Housing Authority of New Orleans ("HANO") filed third-party complaints against the former pigment manufacturers and the LIA in 14 actions commenced by residents of HANO units seeking compensatory and punitive damages for injuries allegedly caused by lead pigment. All but two of these actions, *Hall v. HANO, et al.* (No. 89-3552) and *Allen v. HANO, et al.* (No. 89-427) Civil District Court for the Parish of Orleans, State of Louisiana, have been dismissed. These two cases have been inactive since 1992.

In June 1989 a complaint was filed in the Supreme Court of the State of New York, County of New York, against the former pigment manufacturers and the LIA. Plaintiffs sought damages in excess of \$50 million for monitoring and abating alleged lead paint hazards in public and private residential buildings, diagnosing and treating children allegedly exposed to lead paint in city buildings, the costs of educating city residents to the hazards of lead paint, and liability in personal injury actions against New York City and the New York City Housing Authority based on alleged lead poisoning of city residents (*The City of New York, the New York City Housing Authority and the New York City Health and Hospitals Corp. v. Lead Industries Association, Inc., et al.*, No. 89-4617). As a result of pre-trial motions, the New York City Housing Authority is the only remaining plaintiff in the case and is pursuing damage claims only with respect to two housing projects. Discovery had been proceeding in 2001, but no activity has occurred since September 2001.

In August 1992 the Company was served with an amended complaint in *Jackson, et al. v. The Glidden Co., et al.*, Court of Common Pleas, Cuyahoga County, Cleveland, Ohio (Case No. 236835). Plaintiffs seek compensatory and punitive damages for personal injury caused by the ingestion of lead, and an order directing defendants to abate lead-based paint in buildings. Plaintiffs purport to represent a class of similarly situated persons throughout the State of Ohio. The trial court has denied plaintiffs' motion for class

certification. Discovery and pre-trial proceedings are continuing with respect to the individual plaintiffs. Defendants have filed a motion for summary judgment on all claims. The court has not yet ruled on the motion.

In December 1998 the Company was served with a complaint on behalf of four children and their guardians in *Sabater, et al. v. Lead Industries Association, et al.* (Supreme Court of the State of New York, County of Bronx, Index No. 25533/98). Plaintiffs purport to represent a class of all children and mothers similarly situated in New York State. The complaint seeks damages from the LIA and other former pigment manufacturers for establishment of property abatement and medical monitoring funds and compensatory damages for alleged injuries to plaintiffs. In February 2004, the trial court denied plaintiffs' motion for class certification. The time for plaintiffs to appeal has not yet begun to run.

In September 1999 an amended complaint was filed in *Thomas v. Lead Industries Association, et al.* (Circuit Court, Milwaukee, Wisconsin, Case No. 99-CV-6411), adding as defendants the former pigment manufacturers to a suit originally filed against plaintiff's landlords. Plaintiff, a minor, alleges injuries purportedly caused by lead on the surfaces of premises in homes in which he resided. Plaintiff seeks compensatory and punitive damages, and the Company has denied liability. In January 2003 the trial court granted defendants' motion for summary judgment, dismissing all counts of the complaint. In June 2003, plaintiff appealed the trial court's grant of summary judgment for defendants.

In October 1999 the Company was served with a complaint in *State of Rhode Island v. Lead Industries Association, et al.* (Superior Court of Rhode Island, No. 99-5226). The State seeks compensatory and punitive damages for medical and educational expenses, and public and private building abatement expenses that the State alleges were caused by lead paint, and for funding of a public education campaign and health screening programs. Plaintiff seeks judgments of joint and several liability against the former pigment manufacturers and the LIA. Trial began in phase I of this case before a Rhode Island state court jury on September 4, 2002 on the question of whether lead pigment in paint on Rhode Island buildings is a public nuisance. On October 29, 2002 the trial judge declared a mistrial in the case when the jury was unable to reach a verdict on the question, with the jury reportedly deadlocked 4-2 in the defendants' favor. Other claims made by the Attorney General, including violation of the Rhode Island Unfair Trade Practices and Consumer Protection Act, strict liability, negligence, negligent and fraudulent misrepresentation, civil conspiracy, indemnity, and unjust enrichment remain pending and were not the subject of the 2002 trial. Both plaintiff and defendants filed post trial motions for judgment notwithstanding the verdict, which the court denied in March 2003. In January 2004, plaintiff requested the court to dismiss its claims for State-owned buildings, claiming all remaining claims did not require a jury and asking the court to reconsider the trial schedule. In February 2004 the trial Court dismissed the strict liability, negligence, negligent misrepresentation and fraud claims with prejudice. The time for plaintiffs to appeal has not yet begun to run. In March 2004, the trial court ruled that the defendants have a constitutional right to a trial by jury under the Rhode Island Constitution. The plaintiffs have announced their intention to appeal this decision. The trial court also set April 2005 as the date for the retrial of all phases of this case.

In October 1999 the Company was served with a complaint in *Smith, et al. v. Lead Industries Association, et al.* (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004490). Plaintiffs, seven minors from four families, each seek compensatory damages of \$5 million and punitive damages of \$10 million for alleged injuries due to lead-based paint. Plaintiffs allege that the former pigment manufacturers and other companies alleged to have manufactured paint and/or gasoline additives, the LIA, and the National Paint

and Coatings Association are jointly and severally liable. The Company has denied liability, and all defendants filed motions to dismiss various of the claims. In February 2002 the trial court dismissed all claims except those relating to product liability for lead paint and the Maryland Consumer Protection Act. In November 2002 the trial court granted defendants' motion for summary judgment against the first plaintiffs and plaintiffs have appealed. The appellate court held a hearing on the appeal in November 2003; however no decision has yet been issued. Pre-trial proceedings and discovery against the other plaintiffs are continuing. The court has set trial dates in 2004 for these plaintiffs; however the trials are stayed pending the appeal.

In February 2000 the Company was served with a complaint in *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). Plaintiff seeks compensatory and punitive damages for its expenses discovering and abating lead-based paint, detecting lead poisoning and providing medical care and educational programs for City residents, and the costs of educating children suffering injuries due to lead exposure. Plaintiff seeks joint and several liability against the former pigment manufacturers and the LIA. In November 2002 defendants' motion to dismiss was denied. In May 2003, plaintiffs filed an amended complaint alleging only a nuisance claim. Defendants' renewed motion to dismiss and motion for summary judgment are pending. Discovery is proceeding.

In April 2000 the Company was served with a complaint in *County of Santa Clara v. Atlantic Richfield Company, et al.* (Superior Court of the State of California, County of Santa Clara, Case No. CV788657), brought against the former pigment manufacturers, the LIA and certain paint manufacturers. The County of Santa Clara seeks to represent a class of California governmental entities (other than the state and its agencies) to recover compensatory damages for funds the plaintiffs have expended or will in the future expend for medical treatment, educational expenses, abatement or other costs due to exposure to, or potential exposure to, lead paint, disgorgement of profit, and punitive damages. Santa Cruz, Solano, Alameda, San Francisco, and Kern counties, the cities of San Francisco and Oakland, the Oakland and San Francisco unified school districts and housing authorities and the Oakland Redevelopment Agency have joined the case as plaintiffs. In February 2003, defendants filed a motion for summary judgment. In July 2003, the trial court granted defendants' motion for summary judgment on all remaining claims. Plaintiffs have appealed.

In June 2000 two complaints were filed in Texas state court, *Spring Branch Independent School District v. Lead Industries Association, et al.* (District Court of Harris County, Texas, No. 2000-31175), and *Houston Independent School District v. Lead Industries Association, et al.* (District Court of Harris County, Texas, No. 2000-33725). The School Districts seek past and future damages and exemplary damages for costs they have allegedly incurred or will incur due to the presence of lead-based paint in their buildings from the former pigment manufacturers and the LIA. The Company has denied all liability. In June 2002, the trial court granted the Company's motion for summary judgment in the *Spring Branch Independent School District* case. Plaintiffs have appealed. The *Houston Independent School District* case has been abated pending appellate review of the trial court's dismissal of the *Spring Branch Independent School District* case or certain other events.

In June 2000 a complaint was filed in Illinois state court, *Lewis, et al. v. Lead Industries Association, et al.* (Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 00CH09800). Plaintiffs seek to represent two classes, one of all minors between ages six months and six years who resided in housing in Illinois built before 1978, and one of all individuals between ages six and twenty years who lived between

ages six months and six years in Illinois housing built before 1978 and had blood lead levels of 10 micrograms/deciliter or more. The complaint seeks damages jointly and severally from the former pigment manufacturers and the LIA to establish a medical screening fund for the first class to determine blood lead levels, a medical monitoring fund for the second class to detect the onset of latent diseases, and a fund for a public education campaign. In March 2002 the trial court dismissed all claims. Plaintiffs appealed, and in June 2003, the appellate court affirmed the dismissal of five of the six counts of plaintiffs' complaint, but reversed the dismissal of the conspiracy count.

In February 2001 the Company was served with a complaint in the case now known as *Barker, et al. v. The Sherwin-Williams Company, et al.* (Circuit Court of Jefferson County, Mississippi, Civil Action No. 2000-587). (The case was formerly known as *Borden, et al. v. The Sherwin-Williams Company, et al.*) The complaint seeks joint and several liability for compensatory and punitive damages from more than 40 manufacturers and retailers of lead pigment and/or paint, including the Company, on behalf of 18 adult residents of Mississippi who were allegedly exposed to lead during their employment in construction and repair activities. One plaintiff has dropped his claims and the court has ordered that the claims of nine of the plaintiffs be transferred to Holmes County, Mississippi, state court. The defendants petitioned the Mississippi Supreme Court to reverse the trial court's transfer of these plaintiffs to Holmes County and have requested that the plaintiffs be transferred to their appropriate venues. The Mississippi Supreme Court has stayed all activities in Holmes County pending its decision. With respect to the eight plaintiffs remaining in Jefferson County, pre-trial proceedings are continuing, and the court has set a trial date of October 2004.

In May 2001 the Company was served with a complaint in *City of Milwaukee v. NL Industries, Inc. and Mautz Paint* (Circuit Court, Civil Division, Milwaukee County, Wisconsin, Case No. 01CV003066). The City of Milwaukee seeks compensatory and equitable relief for lead hazards in Milwaukee homes, restitution for amounts it has spent to abate lead, and punitive damages. The Company has denied all liability. In July 2003, the trial court granted defendants' motion for summary judgment. The plaintiff has appealed.

In May 2001 the Company was served with a complaint in *Harris County, Texas v. Lead Industries Association, et al.* (District Court of Harris County, Texas, No. 2001-21413). The complaint seeks actual and punitive damages and asserts claims jointly and severally against the former pigment manufacturers and the LIA for past and future damages due to the presence of lead paint in County-owned buildings. The Company has denied all liability. The case has been stayed pending appellate review of the trial court's dismissal of the *Spring Branch Independent School District* case or certain other events.

In January and February 2002 the Company was served with complaints by 25 New Jersey municipalities and counties which have been consolidated as *In re: Lead Paint Litigation*, (Superior Court of New Jersey, Middlesex County, Case Code 702). Each complaint seeks abatement of lead paint from all housing and all public buildings in each jurisdiction and punitive damages jointly and severally from the former pigment manufacturers and the LIA. In November 2002 the trial court dismissed the cases with prejudice. Plaintiffs have appealed.

In January 2002 the Company was served with a complaint in *Jackson, et al., v. Phillips Building Supply of Laurel, et al.* (Circuit Court of Jones County, Mississippi, Dkt. Co. 2002-10-CV1). The complaint seeks joint and several liability from three local retailers and six non-Mississippi companies that sold paint for compensatory and punitive damages on behalf of three adults for injuries alleged to have been caused by the use of lead paint. After removal to federal court, in February 2003 the case was remanded to

state court. The Company has denied all allegations of liability, and pre-trial proceedings are continuing. In August 2003, the court set a trial date of June 2004. In February 2004 plaintiffs agreed to dismiss one plaintiff voluntarily upon defendants' agreement to extend the statute of limitations period for that plaintiff for 12 months.

In February 2002 the Company was served with a complaint in *Liberty Independent School District v. Lead Industries Association, et al.* (District Court of Liberty County, Texas, No. 63,332). The school district seeks compensatory and punitive damages jointly and severally from the former pigment manufacturers and the LIA for property damage to its buildings. The complaint was amended to add Liberty County, the City of Liberty, and the Dayton Independent School District as plaintiffs and drop the Lead Industries Association as a defendant. The Company has denied all allegations of liability. The case has been stayed pending appellate review of the trial court's dismissal of the *Spring Branch Independent School District* case or certain other events.

In May 2002 the Company was served with a complaint in *Brownsville Independent School District v. Lead Industries Association, et al.* (District Court of Cameron County, Texas, No. 2002-052081 B), seeking compensatory and punitive damages jointly and severally from the Company, the former lead pigment manufacturers and the LIA for property damage. The Company has denied all allegations of liability. The case has been stayed pending appellate review of the trial court's dismissal of the *Spring Branch Independent School District* case or certain other events.

In September 2002 the Company was served with a complaint in *City of Chicago v. American Cyanamid, et al.* (Circuit Court of Cook County, Illinois, No. 02CH16212), seeking damages to abate lead paint in a single-count complaint alleging public nuisance against the Company and seven other former manufacturers of lead pigment. In October 2003, the trial court granted defendants' motion to dismiss. The plaintiff has appealed.

In October 2002 the Company was served with a complaint in *Walters v. NL Industries, et al.* (Kings County Supreme Court, New York, No. 28087/2002), in which an adult seeks compensatory and punitive damages from the Company and five other former lead pigment manufacturers for childhood exposure to lead paint. The complaint alleges negligence and strict product liability, and seeks joint and several liability with claims of civil conspiracy, concert of action, enterprise liability, and market share or alternative liability. In March 2003 the court granted defendants' motion to dismiss the product defect allegations in the negligence and strict liability counts. Discovery is proceeding.

In April 2003 the Company was served with a complaint in *Russell v. NL Industries, Inc., et al.* (Circuit Court of LeFlore County, Mississippi, No.2002-0235-CICI), in which six painters have sued NL, four paint companies, and a local retailer, alleging strict liability, negligence, fraudulent concealment, misrepresentation, and conspiracy, and seeking compensatory and punitive damages for alleged injuries caused by lead paint. Defendants removed this case to federal court, and plaintiffs have dropped their motion to remand. Discovery is proceeding.

In April 2003 the Company was served with a complaint in *Jones v. NL Industries, Inc., et al.* (Circuit Court of LeFlore County, Mississippi, Civil Action No. 2002-0241-CICI), in which fourteen children from five families have sued NL and one landlord alleging strict liability, negligence, fraudulent concealment, and misrepresentation, and seeking compensatory and punitive damages for alleged injuries caused by lead paint. Defendants have removed

this case to federal court, and plaintiffs have moved to remand the case back to state court. Discovery is proceeding.

In November 2003 the Company was served with a complaint in *Brown v. NL Industries, Inc. et al* (Circuit Court of Cook County, Illinois, County Department, Law Division, Case No. 03L 012425). The complaint seeks damages against the Company and two local property owners on behalf of a minor for injuries alleged to be due to exposure to lead paint contained in the minor's residence. The Company has denied all allegations of liability.

In addition to the foregoing litigation, various legislation and administrative regulations have, from time to time, been proposed that seek to (a) 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 (b) effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage, and bills which would revive actions barred by the statute of limitations. While no legislation or regulations have been enacted to date which are expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity, the imposition of market share liability or other legislation could have such an effect.

Environmental matters and litigation. The Company has been named as a defendant, PRP, or both, pursuant to CERCLA and similar state laws in approximately 70 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. In addition, the Company is a party to a number of lawsuits filed in various jurisdictions alleging CERCLA or other environmental claims. See Note 18 to the Consolidated Financial Statements.

The extent of CERCLA liability cannot accurately be determined until the Remedial Investigation and Feasibility Study ("RIFS") is complete, the U.S. EPA issues a record of decision and costs are allocated among PRPs. The extent of liability under analogous state cleanup statutes and for common law equivalents are subject to similar uncertainties. The Company believes it has provided adequate accruals for reasonably estimable costs for CERCLA matters and other environmental liabilities. At December 31, 2003, the Company had accrued \$77 million for those environmental matters that are reasonably estimable. The Company determines the amount of accrual on a quarterly basis by analyzing and estimating the range of reasonably possible costs to the Company. Such costs include, among other things, expenditures for remedial investigations, monitoring, managing, studies, cleanup, removal and remediation. 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 \$110 million. The Company's estimate of such liability has not been discounted to present value, and the Company has not reduced its accruals for any potential insurance recoveries. No assurance can be given that actual costs will not exceed either 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. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes with respect to site cleanup costs or allocation of such costs among PRPs, the insolvency of other PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. Furthermore, there can be no assurance that additional environmental matters will not arise in the future. More detailed descriptions of certain legal proceedings relating to environmental matters are set forth below.

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 are classified as a noncurrent liability.

At December 31, 2003 there are approximately 20 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 had 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.

In July 1991 the United States filed an action in the U.S. District Court for the Southern District of Illinois against the Company and others (*United States of America v. NL Industries, Inc., et al.*, Civ. No. 91-CV 00578) with respect to the Granite City, Illinois lead smelter formerly owned by the Company. The Company and the U.S. EPA have entered into a consent decree settling the Company's liability at the site for \$31.5 million, which includes penalties of \$1 million. In May 2003, the court entered the consent decree. Pursuant to the consent decree, in June 2003, the Company paid \$30.8 million to the United States and will pay up to an additional \$.7 million upon completion of an EPA audit of certain response costs.

The Company reached an agreement in 1999 with the other PRPs at a formerly owned lead smelter site in Pedricktown, New Jersey to settle the Company's liability for \$6 million, all of which had been. The settlement does not resolve issues regarding the Company's potential liability in the event site costs exceed \$21 million. The Company does not presently expect site costs to exceed such amount and has not provided accruals for such contingency.

In 2000 the Company reached an agreement with the other PRPs at the Baxter Springs subsite in Cherokee County, Kansas, to resolve the Company's liability. The Company and others formerly mined lead and zinc in the Baxter Springs subsite. Under the agreement, the Company agreed to pay a portion of the cleanup costs associated with the Baxter Springs subsite. The U.S. EPA estimated the total cleanup costs in the Baxter Springs subsite to be \$5.4 million. The cleanup has been completed within the previously disclosed estimates.

In 1996 the U.S. EPA ordered the Company to perform a removal action at a formerly owned facility in Chicago, Illinois. The Company has complied with

the order and has completed the on-site work at the facility. The Company is conducting an investigation regarding potential offsite contamination.

In 2000 the Company reached an agreement with the other PRPs at the Batavia Landfill Superfund Site in Batavia, New York to resolve the Company's liability. The Batavia Landfill is a former industrial waste disposal site. Under the agreement, the Company agreed to pay 40% of the future cleanup costs, which the U.S. EPA estimated to be approximately \$11 million in total. Under the settlement, the Company is not responsible for costs associated with the operation and maintenance of the remedy. In addition, the Company received approximately \$2 million from settling PRPs. The cleanup has been completed within previously disclosed estimates.

In January 2003, the Company received a General Notice of Liability from the U.S. EPA regarding the site of a formerly owned primary lead smelting facility located in Collinsville, Illinois. The U.S. EPA alleges the site contains elevated levels of lead. The Company and the U.S. EPA are negotiating the terms of a proposed administrative order to remediate the site.

In June 2003 the Company was served with a complaint 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)), a purported class action on behalf of two classes of persons living in the Picher/Cardin, Oklahoma area: (1) a medical monitoring class of persons who have lived in the area since 1994; and (2) a property owner class of residential, commercial and government property owners. Plaintiffs are nine individuals and, in their official capacities, the Mayor of Picher and the Chairman of the Picher/Cardin School Board. Plaintiffs allege causes of action in trespass and nuisance and seek a medical monitoring program, a relocation program, property damages and punitive damages. The Company has answered the complaint and has denied all of the plaintiffs' allegations.

In July 2003 the Company was served with complaints in six cases asserting personal injuries due to exposure to lead from mining waste on behalf of, respectively, two, four, two, three, four and two children in *Crawford, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-03-304); *Barr, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-03-305); *Brewer, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-03-306); *Kloer, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-03-307); *Rhoten, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-03-308; and *Nowlin, et al. v. ASARCO Incorporated, et al.* (Case No. CJ-2003-342) (all in the District Court in and for Ottawa County, State of Oklahoma). Each complaint alleges causes of action in negligence, strict liability, nuisance, and attractive nuisance; and each seeks \$20 million in compensatory and \$20 million in punitive damages. The Company has answered each complaint and has denied all of the plaintiffs' allegations.

In December 2003 the Company was served with a complaint in *The Quapaw Tribe of Oklahoma et al. v. ASARCO Incorporated et al.* (United States District Court, Northern District of Oklahoma, Case No. 03-CV-846H(J)). The complaint alleges public nuisance, private nuisance, trespass, unjust enrichment, strict liability and deceit by false representation against the Company and six other mining companies with respect to former operations in the Tar Creek mining district in Oklahoma. The complaint seeks class action status for former and current owners, and possessors of real property located within the Quapaw Reservation. Among other things, the complaint seeks actual and punitive damages from the defendants. The Company has moved to dismiss the complaint and intends to deny all allegations. The plaintiff has also notified the Company that it intends to file a separate lawsuit seeking natural resource

damages and injunctive relief under the Resource Conservation Recovery Act and CERCLA.

In February 2004 the Company was served in *Evans v. Asarco* (United States District Court, Northern District of Oklahoma, Case No. 04-CV-94EA(M)), a purported class action on behalf of two classes of persons living in the town of Quapaw, Oklahoma: (1) a medical monitoring class of persons who have lived in the area since 1994, and (2) a property owner class of residential, commercial and government property owners. Plaintiffs are four individuals, the mayor of the town of Quapaw, Oklahoma, and the School Board of Quapaw, Oklahoma. Plaintiffs allege causes of action in nuisance and seek a medical monitoring program, a relocation program, property damages, and punitive damages. The Company intends to deny all of the plaintiffs' allegations.

See Item 1. "Business - Regulatory and Environmental Matters and Note 18 to the Consolidated Financial Statements."

Insurance coverage claims. NL has settled insurance coverage claims concerning environmental claims with certain of the defendants in the environmental coverage litigation, including NL's principal former carriers. See Note 17 to the Consolidated Financial Statements. A portion of the proceeds from these settlements were placed in special purpose trusts as discussed below. NL also continues to negotiate with the remaining insurance carriers with respect to possible settlement of claims that are being asserted in the New Jersey environmental litigation, although there can be no assurance that settlement agreements can be reached with these other carriers. No further material settlements relating to litigation concerning environmental remediation coverage are expected.

At December 31, 2003, the Company had \$24 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. Such restricted balances declined by approximately \$35 million during 2003 due primarily to a \$30.8 million payment made by the Company related to the final settlement of the Company's previously-reported Granite City, Illinois lead smelter site.

The issue of whether insurance coverage for defense costs or indemnity or both will be found to exist for lead pigment litigation depends upon a variety of factors, and there can be no assurance that such insurance coverage will be available. NL has not considered any potential insurance recoveries for lead pigment or environmental litigation in determining related accruals.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NL's common stock is listed and traded on the New York and Pacific Stock Exchanges (symbol: NL). As of February 27, 2004, there were approximately 5,600 holders of record of NL common stock. The following table sets forth the high and low closing per share sales prices for NL common stock for the periods indicated, according to Bloomberg, and dividends paid during such periods. On February 27, 2004 the closing price of NL common stock according to the NYSE Composite Tape was \$15.03.

	<u>High</u>	<u>Low</u>	<u>Cash dividends paid</u>
<i>Year ended December 31, 2002</i>			
First Quarter	\$17.47	\$13.01	\$.20
Second Quarter	18.80	14.84	.20
Third Quarter	16.10	13.07	.20
Fourth Quarter	18.83	13.80	2.70
<i>Year ended December 31, 2003</i>			
First Quarter	\$18.23	14.51	\$.20
Second Quarter	17.85	15.80	.20
Third Quarter	18.25	16.14	.20
Fourth Quarter (prior to Kronos distribution)	18.22	16.35	-
Fourth Quarter (after Kronos distribution)	12.10	10.28	.20

On December 8, 2003, NL completed the distribution to its stockholders of one share of common stock of Kronos, previously a wholly-owned subsidiary of NL, for every two shares of NL common stock outstanding as of the close of business on November 17, 2003. NL distributed approximately 23.9 million shares of Kronos' common stock, representing approximately 48.8% of the outstanding stock of Kronos.

The Company paid four quarterly \$.20 per share cash dividends in 2003. On February 19, 2004, the Company's Board of Directors declared a regular quarterly dividend of \$.20 per share to stockholders of record as of March 11, 2004 to be paid in the form of shares of common stock of Kronos on March 29, 2004. The declaration and payment of future dividends is discretionary, and the amount, if any, will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Company's Board of Directors.

Pursuant to its share repurchase programs, the Company purchased 1,059,000 shares of its common stock in the open market at an aggregate cost of \$15.5 million in 2001 and 1,384,000 shares of its common stock in the open market at an aggregate cost of \$21.3 million in 2002. No common stock was purchased pursuant to this share repurchase program in 2003. In October 2002, the Company's Board of Directors authorized a 1,500,000 share extension of the repurchase program. The available shares may be purchased over an unspecified period of time, and are to be held as treasury shares available for general corporate purposes. Approximately 1,323,000 additional shares are available for purchase under the Company's share repurchase program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Years ended December 31,				
	1999	2000	2001	2002	2003
	(In millions, except per share data)				
<i>STATEMENTS OF OPERATIONS DATA:</i>					
Net sales	\$ 908.4	\$ 922.3	\$ 835.1	\$ 875.2	\$1,008.2
Net income (1)	159.8	154.6	121.4	36.8	63.7
<i>EARNINGS PER SHARE DATA:</i>					
Basic	\$ 3.09	\$ 3.07	\$ 2.44	\$.76	\$ 1.33
Diluted	\$ 3.08	\$ 3.05	2.44	\$.76	\$ 1.33
Cash dividends per share	\$.14	\$.65	\$.80	\$ 3.30	\$.80
<i>BALANCE SHEET DATA (at year end):</i>					
Cash, cash equivalents, current and noncurrent restricted cash equivalents and current and noncurrent restricted marketable debt securities	\$ 151.8	\$ 207.6	\$ 199.0	\$ 130.4	\$ 99.8
Current assets	506.4	554.9	561.8	486.3	567.3
Total assets	1,056.2	1,120.8	1,151.1	1,111.5	1,264.1
Current liabilities	264.8	298.0	299.1	238.0	239.9
Long-term debt including current maturities	244.5	196.1	196.5	325.9	356.7
Stockholders' equity	271.1	344.5	386.9	265.3	200.9
<i>TiO₂ OPERATING STATISTICS:</i>					
Average selling price index (1983=100)	153	161	156	142	146
Sales volume*	427	436	402	455	462
Production volume*	411	441	412	442	476
Production capacity at beginning of year*	440	440	450	455	470
Production rate as a percentage of capacity	93%	Full	91%	96%	Full

* Metric tons in thousands

- (1) Net income in 1999 includes a \$57.7 million income tax benefit related to (i) a favorable resolution of Kronos' previously-reported tax contingency in Germany (\$29.1 million) and (ii) a net reduction in Kronos' deferred income tax asset valuation allowance due to a change in the estimate of Kronos' ability to utilize certain income tax attributes under the "more-likely-than-not" recognition criteria (\$28.6 million).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical accounting policies and estimates

The accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

the financial statements, and the reported amount of revenues and expenses during the reported period. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, inventory reserves, impairments of investments in marketable securities and investments accounted for by the equity method, the recoverability of other long-lived assets (including goodwill and other intangible assets), pension and other post-retirement benefit obligations and the underlying actuarial assumptions related thereto, the realization of deferred income tax assets and accruals for environmental remediation, litigation, income tax and other contingencies. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from previously-estimated amounts under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

- The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments and other factors. The Company takes into consideration the current financial condition of its customers, the age of the outstanding balance and the current economic environment when assessing the adequacy of the allowance. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. During 2001, 2002 and 2003, the net amount written off against the allowance for doubtful accounts as a percentage of the balance of the allowance for doubtful accounts as of the beginning of the year ranged from 11% to 23%.
- The Company provides reserves for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value using assumptions about future demand for its products and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. The Company also provides reserves for tools and supplies inventory based generally on both historical and expected future usage requirements.
- The Company owns investments in certain companies that are accounted for either as marketable securities carried at fair value or accounted for under the equity method. For all of such investments, the Company records an impairment charge when it believes an investment has experienced a decline in fair value below its cost basis (for marketable securities) or below its carrying value (for equity method investees) that is other than temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

At December 31, 2003, the carrying value of all of the Company's marketable securities exceeded the cost basis of each of such investments. With respect to the Company's investment in Valhi, which represented over 99% of the carrying value of all of the Company's marketable equity securities at December 31, 2003, the \$70.5 million carrying value of such investment exceeded its \$34.6 million cost basis by about 104%.

- The Company recognizes an impairment charge associated with its long-lived assets, including property and equipment, goodwill and other intangible assets, whenever it determines that recovery of such long-lived asset is not probable. Such determination is made in accordance with the applicable GAAP requirements associated with the long-lived asset, and is based upon, among other things, estimates of the amount of future net cash flows to be generated by the long-lived asset and estimates of the current fair value of the asset. Adverse changes in such estimates of future net cash flows or estimates of fair value could result in an inability to recover the carrying value of the long-lived asset, thereby possibly requiring an impairment charge to be recognized in the future.

Under applicable GAAP (SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), property and equipment is not assessed for impairment unless certain impairment indicators, as defined, are present. During 2003, no such impairment indicators, as defined, were present.

Under applicable GAAP (SFAS No. 142, *Goodwill and other Intangible Assets*), goodwill is required to be reviewed for impairment at least on an annual basis. Goodwill will also be reviewed for impairment at other times during each year when impairment indicators, as defined, are present. The Company's goodwill relates to an acquisition completed in January 2002. No goodwill impairments were deemed to exist as a result of the Company's annual impairment review completed during the third quarter of 2003.

- The Company maintains various defined benefit pension plans and postretirement benefits other than pensions ("OPEB"). The amount recognized as defined benefit pension and OPEB expense, and the reported amount of prepaid and accrued pension costs and accrued OPEB costs, are actuarially determined based on several assumptions, including discount rates, expected rates of returns on plan assets and expected health care trend rates. Variances from these actuarially assumed rates will result in increases or decreases, as applicable, in the recognized pension and OPEB obligations, pension and OPEB expense and funding requirements. These assumptions are more fully described below under "Assumptions on defined benefit pension plans and OPEB plans."
- The Company records a valuation allowance to reduce its deferred income tax assets to the amount that is believed to be realized under the "more-likely-than-not" recognition criteria. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, it is possible that in the future the Company may change its estimate of the amount of the deferred income tax assets that would "more-likely-than-not" be realized in the future, resulting in an adjustment to the deferred income tax asset valuation allowance that would either increase or decrease, as applicable, reported net income in the period such change in estimate was made.
- The Company records accruals for environmental, legal, income tax and other contingencies when estimated future expenditures associated with such contingencies become probable, and the amounts can be reasonably estimated. However, new information may become available, or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount required to be accrued for such matters (and therefore a decrease or increase in reported net income in the period of such change).

Executive summary

Relative changes in the Company's TiO₂ sales and operating income during the past three years are primarily due to (i) relative changes in TiO₂ sales and production volumes, (ii) relative changes in TiO₂ average selling prices and (iii) relative changes in foreign currency exchange rates. The relatively lower levels of sales and production volumes in 2001 as compared to 2002 and 2003 are due in part to the effects of a fire at one of the Company's production facilities, as discussed below.

Selling prices for TiO₂, the Company's principal product, were generally decreasing during all of 2001 and the first quarter of 2002, were generally flat during the second quarter of 2002, were generally increasing during the last half of 2002 and the first quarter of 2003, were generally flat during the second quarter of 2003 and were generally declining during the third and fourth quarters of 2003.

As described in Item 3. "Legal Proceedings" and Note 18 to the Consolidated Financial Statements, the Company is involved in various legal proceedings. Such proceedings include lead pigment litigation resulting from the Company's former operations, environmental matters and litigation associated with the Company's current and former operating facilities along with various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses.

Results of operations

NL conducts operations for TiO₂, its principal product, through its subsidiary, Kronos. Average TiO₂ selling prices in billing currencies (which exclude the effects of foreign currency translation) were generally decreasing during all of 2001 and the first quarter of 2002, were generally flat during the second quarter of 2002 and were generally increasing during the last half of 2002 and the first quarter of 2003. Average selling prices for TiO₂ were generally flat during the second quarter of 2003 and were generally decreasing throughout the remainder of 2003.

	<u>Years ended December 31,</u>			<u>% Change</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001-02</u>	<u>2002-03</u>
	(In \$ millions, except selling price data)				
Net sales	\$835.1	\$875.2	\$ 1,008.2	+ 5%	+15%
Cost of sales	<u>578.1</u>	<u>671.8</u>	<u>739.2</u>	+16%	+10%
Gross margin	257.0	203.4	269.0	-21%	+32%
Selling, general and administrative expense	(98.7)	(107.7)	(124.4)	+ 9%	+16%
Insurance recoveries, net	7.2	-	-		
Currency transaction gains (losses), net	1.2	(.5)	(7.7)		
Disposition of property and equipment	(.7)	(.6)	9.8		
Litigation settlement gains, net	11.7	5.2	.8		
Noncompete agreement income	4.0	4.0	.3		
Corporate expense	(25.8)	(37.9)	(57.4)		
Other	<u>1.4</u>	<u>.3</u>	<u>.5</u>		
Income from operations	<u>\$ 157.3</u>	<u>\$ 66.2</u>	<u>\$ 90.9</u>	-58%	+37%
TiO ₂ operating statistics:					
Percent change in average selling prices:					
Using actual foreign currency exchange rates				- 7%	+13%
Impact of changes in foreign currency exchange rates				<u>- 2%</u>	<u>-10%</u>
In billing currencies				<u>- 9%</u>	<u>+ 3%</u>
Sales volumes*	402	455	462	+13%	+ 2%
Production volumes*	412	442	476	+ 7%	+ 8%
Production rate as percent of capacity	91%	96%	Full		

* Thousands of metric tons

Year ended December 31, 2003 compared to year ended December 31, 2002

The Company's net sales increased \$133.0 million (15%) in 2003 compared to 2002 due to higher average selling prices along with higher sales volumes in 2003 and the positive effects of currency exchange rates, specifically the weaker U.S. dollar as compared to the euro and Canadian dollar. Excluding the effect of fluctuations in the value of the U.S. dollar relative to other currencies, the Company's average TiO₂ selling price in 2003 was 3% higher than 2002, primarily due to the European and export markets. When translated from billing currencies to U.S. dollars using actual foreign currency exchange rates prevailing during the respective periods, the Company's average TiO₂ selling prices in 2003 increased 13% compared to 2002. The Company's TiO₂ sales volumes in 2003 set a new record, increasing 2% from the previous record

achieved in 2002, with higher volumes in European and North American markets more than offsetting a decline in volumes to export markets. By volume, approximately one-half of NL's 2002 and 2003 TiO₂ sales volumes were attributable to markets in Europe, with 40% attributable to North America and the balance to export markets.

The Company's 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 the Company's average TiO₂ selling price 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 the Company's 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"). The Company discloses percentage changes in its average TiO₂ prices in billing currencies because the Company 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 13% increase in the Company's average TiO₂ selling prices during 2003 as compared to 2002 using actual foreign currency exchange rates prevailing during the respective periods (the GAAP measure) and the 3% percentage increase in the Company's average TiO₂ selling price in billing currencies (the non-GAAP measure) during such periods is due to the effect of changes in foreign currency exchange rates. The table above presents (i) the percentage change in the Company's 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 price 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).

The Company's cost of sales increased \$67.4 million (10%) in 2003 compared to 2002 due to the higher sales volumes. The Company's cost of sales, as a percentage of net sales, decreased from 77% in 2002 to 73% in 2003 due primarily to the effects of continued cost reduction efforts combined with the impact of higher production volumes and higher average selling prices. Operating rates were near full capacity during most of 2003, setting a new Company production record.

The Company's gross margins increased \$65.6 million (32%) from 2002 to 2003 due to the net effects of the aforementioned changes in sales and cost of sales during such periods.

As a percentage of net sales, selling general and administrative expenses remained consistent at 12%, increasing proportionately with the increased sales and production volume.

Certain of the sales generated by the Company's European and Canadian operations are denominated in the U.S. dollar, and such operations routinely hold U.S. dollar-denominated receivables. Primarily as a result of the weakening of the U.S. dollar as compared to the Canadian dollar and the euro throughout the year, the Company's results in 2003 included net currency transaction losses of \$7.7 million. Due to a more stable dollar in 2002, the Company recognized net currency transaction losses of approximately \$500,000.

The gain on disposal of property and equipment in 2003 related primarily to the disposal of certain real property not associated with the Company's TiO₂ operations, and aggregated \$10.3 million. The Company has certain other real property, including some subject to environmental remediation, which could be sold in the future for a profit. The litigation settlement gains relate to legal settlements with certain of the Company's former insurance carriers. The noncompete agreement income related to a covenant not to compete involving a formerly owned business unit, which became fully amortized in January 2003.

Corporate expenses for 2003 increased 51% to \$57.4 million as compared to 2002 primarily due to higher environmental remediation expense accruals (principally related to one formerly owned site for which the remediation process is expected to occur over the next several years).

Kronos has substantial operations and assets located outside the United States (primarily 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, principally the euro, other major European currencies and the Canadian dollar. 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 2003 by a net \$93 million compared to 2002. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted Kronos' foreign currency-denominated operating expenses. NL's operating costs that are not denominated in the U.S. dollar, when translated into U.S. dollars, were higher in 2003 compared to the same periods of 2002. Overall, currency exchange rate fluctuations resulted in a net decrease in Kronos' operating income in 2003 of approximately \$6 million as compared to 2002.

Year ended December 31, 2002 compared to year ended December 31, 2001

The Company's sales increased \$40.1 million (5%) in 2002 compared to 2001 due primarily to higher TiO₂ sales volumes, offset by lower average TiO₂ selling prices. The Company's record TiO₂ sales volumes in 2002 were 13% higher compared to 2001 primarily due to higher volumes in European and North American markets of 14% and 17%, respectively. By volume, approximately one-half of the Company's 2002 TiO₂ sales volumes were attributable to markets in Europe, with 39% attributable to North America and the balance to export markets. The lower TiO₂ sales volumes in 2001 were due in part to the effect of a fire at the Company's Leverkusen, Germany facility in March 2001 that disrupted operations. See Note 17 to the Consolidated Financial Statements. Excluding the effect of fluctuations in the value of the U.S. dollar relative to other currencies, the Company's average TiO₂ selling price in 2002 was 9% lower than 2001, with prices lower in all major regions. When translated from billing currencies to U.S. dollars using actual foreign currency exchange rates prevailing during the respective periods, the Company's average TiO₂ selling prices in 2002 decreased 7% compared to 2001.

The Company's cost of sales increased \$93.8 million (16%) in 2002 compared to 2001 due to higher sales volume, partially offset by lower unit costs, which resulted primarily from the higher production levels. The effects of lower TiO₂ sales and production volumes in 2001 were partially offset by receipt of the business interruption proceeds discussed above. The

Company's cost of sales, as a percentage of net sales, increased from 69% in 2001 to 77% in 2002 primarily due to the impact on net sales of the lower average selling prices partially offset by lower unit costs.

The Company's gross margin declined \$53.6 million (21%) in 2002 compared to 2001 as the effect of lower average TiO₂ selling prices more than offset the effect of higher TiO₂ sales and production volumes. The effect of the higher sales and production volumes was offset in part by the \$27.3 million of business interruption proceeds received in 2001, as discussed below.

The Company's record TiO₂ production volume in 2002 was 7% higher than 2001. Kronos' operating rates in 2001 were lower as compared to 2002 primarily due to lost production resulting from the Leverkusen fire.

The Company's income from operations in 2001 includes \$27.3 million of business interruption insurance proceeds as payment for losses (unallocated period costs and lost margin) caused by the Leverkusen fire. The effects of the lower TiO₂ sales and production volumes were offset in part by the business interruption insurance proceeds. Of such \$27.3 million of business interruption insurance proceeds, \$20.1 million was recorded as a reduction of cost of sales to offset unallocated period costs that resulted from lost production, and the remaining \$7.2 million, representing recovery of lost margin, is included in income from operations (as shown on the table above). The business interruption insurance proceeds distorted the income from operations margin percentage in 2001 as there are no sales associated with the \$7.2 million of lost margin recognized. See Note 17 to the Consolidated Financial Statements.

The Company also recognized insurance recoveries of \$29.1 million in 2001 for property damage and related cleanup and other extra expenses related to the Leverkusen fire, resulting in an insurance gain of \$17.5 million, as the insurance recoveries exceeded the carrying value of the property destroyed and the cleanup and other extra expenses incurred. Such insurance gain is not reported as a component of income from operations but is included in other income and expense, as discussed below. The Company does not expect to recognize any additional insurance recoveries related to the Leverkusen fire. See Note 17 to the Consolidated Financial Statements.

The Company's selling, general and administrative expenses ("SG&A expenses") increased \$9.0 million (9%) in 2002 as compared to 2001 primarily due to higher distribution expenses (\$600,000) associated with the higher sales volume in 2002 and higher administrative expenses of \$5.8 million, as well as the impact of relative changes in foreign currency exchange rates, which increased Kronos' expenses in 2002 compared to 2001. SG&A expenses were approximately 12% of sales in both 2001 and 2002.

As discussed above, Kronos has substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada) and consequently, the translated U.S. dollar value of Kronos' foreign sales and operating results are subject to currency exchange rate fluctuations that 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 2002 by a net \$21 million compared to 2001. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted Kronos' foreign currency-denominated operating expenses. NL's operating costs that are not denominated in the U.S. dollar, when translated into U.S. dollars, were higher in 2003 compared to the same periods of 2002. Overall, currency exchange rate fluctuations on Kronos' operating income comparisons was not significant in 2002 as compared to 2001.

Outlook

Kronos expects its TiO₂ production volumes in 2004 will approximate its 2003 production volumes, and sales volumes are expected to be slightly higher in 2004 as compared to 2003. Kronos' average TiO₂ selling price, which declined during the second half of 2003, is expected to continue to decline during the first quarter of 2004. Kronos is hopeful that its average selling prices will cease to decline sometime during the first half of 2004 and will rise thereafter. Nevertheless, Kronos expects its average TiO₂ selling prices, in billing currencies, will be lower in 2004 as compared to 2003. Overall, Kronos expects its operating income in 2004 will be lower than 2003. Kronos' expectations as to the future prospects of Kronos and the TiO₂ 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 Kronos' expectations, the Company's results of operations could be unfavorably affected.

Other income (expense)

The following table sets forth certain information regarding other income and expense items.

	<u>Years ended December 31,</u>			<u>Change</u>	
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001-02</u>	<u>2002-03</u>
	<u>(In \$ millions)</u>				
Currency transaction gains	\$ -	\$ 6.3	\$ -	\$ 6.3	\$ (6.3)
Insurance recoveries, net	17.5	-	-	(17.5)	-
Trade interest income	2.3	1.7	.8	(.6)	(.9)
Other interest and dividend income	8.9	5.7	3.2	(3.2)	(2.5)
Securities gains (losses), net	(1.1)	(.1)	2.4	1.0	2.5
Interest expense	(27.6)	(29.8)	(33.0)	(2.2)	(3.2)
	<u>\$ -</u>	<u>\$ (16.2)</u>	<u>\$ (26.6)</u>	<u>\$ (16.2)</u>	<u>\$ (10.4)</u>

Interest income, including noncash interest income on restricted cash balances and restricted marketable debt securities, fluctuates in part based upon the amount of funds invested and yields thereon. Aggregate interest and dividend income declined \$3.4 million in 2003 compared to 2002 and \$3.8 million in 2002 compared with 2001 primarily due to lower average yields on invested funds. Average funds invested in 2001 were higher compared with the subsequent years primarily due to the decrease in the balance of restricted cash and marketable debt securities over the past three years as such funds were used to pay for certain environmental remediation expenditures of the Company. See Note 18 to the Consolidated Financial Statements. The Company expects interest income will be lower in 2004 than 2003 due to lower average yields and lower average levels of funds available for investment.

Securities gains (losses), net in 2003 included a \$2.3 million noncash securities gain related to the exchange of the Company's holdings of Tremont Corporation common stock for shares of Valhi, Inc. common stock as a result of a series of merger transactions completed in February 2003. See Note 5 to the Consolidated Financial Statements. Securities gains (losses), net in 2001 related to a \$1.1 million noncash securities loss related to an other-than-temporary decline in value of certain available-for-sale securities held by the Company.

In June 2002 Kronos International, Inc. ("KII"), an indirect wholly-owned subsidiary of the Company, sold €285 million of its 8.875% Senior

Secured Notes (the "Notes") due 2009. KII used the net proceeds of the Notes offering to repay certain intercompany indebtedness owed to the Company, a portion of which the Company used to redeem at par all of its outstanding 11.75% Senior Secured Notes due 2003, plus accrued interest. As a result of the refinancing, the Company recognized a foreign currency transaction gain of \$6.3 million in 2002 related to the extinguishment of certain intercompany indebtedness. See Note 11 to the Consolidated Financial Statements.

The insurance recoveries, net of \$17.5 million in 2001 related to insurance proceeds received from property damage resulting from the Leverkusen fire. The insurance proceeds received exceeded the carrying value of the property destroyed and cleanup costs incurred. See Note 17 to the Consolidated Financial Statements.

Interest expense in 2003 increased \$3.2 million compared to 2002 primarily due to higher levels of outstanding debt and associated currency effects, partially offset by lower interest rates. Interest expense in 2002 increased \$2.2 million compared with 2001 primarily due to \$2.0 million of additional second-quarter 2002 interest expense related to the early extinguishment of the Company's 11.75% Senior Secured Notes. See Note 11 to the Consolidated Financial Statements. Assuming no significant change in interest rates, interest expense in 2004 is expected to be higher compared with 2003 due to higher average levels of outstanding indebtedness, partially offset by lower average interest rates.

Provision for income taxes. The principal reasons for the difference between the Company's effective income tax rates and the U.S. federal statutory income tax rates are explained in Note 14 to the Consolidated Financial Statements. Income tax rates vary by jurisdiction (country and/or state), and relative changes in the geographic mix of the Company's pre-tax earnings can result in fluctuations in the effective income tax rate.

During 2003, NL reduced its deferred income tax asset valuation allowance by approximately \$7.2 million, primarily as a result of utilization of certain income tax attributes for which the benefit had not previously been recognized. In addition, the Company recognized a \$38.0 million income tax benefit related to the net refund of certain prior year German income taxes.

During 2002, NL reduced its deferred income tax asset valuation allowance by approximately \$3.4 million, primarily as a result of utilization of certain income tax attributes for which the benefit had not previously been recognized. The provision for income taxes in 2002 also includes a \$2.3 million deferred income tax benefit related to certain changes in the Belgian tax law.

During 2001, NL reduced its deferred income tax asset valuation allowance by \$24.7 million. Of such reduction, \$23.2 million related to a change in estimate of NL's ability to utilize certain German income tax attributes following the completion of a restructuring of its German operations, the benefit of which had not previously been recognized under the "more-likely-than-not" recognition criteria. In addition, NL also utilized certain tax attributes during 2001 for which the benefit had also not previously been recognized.

At December 31, 2003, the Company had the equivalent of approximately \$438 million of German income tax loss carryforwards with no expiration date. However, NL has provided a deferred tax valuation allowance against substantially all of these income tax loss carryforwards because NL currently believes they do not meet the "more-likely-than-not" recognition criteria. The Company periodically evaluates the "more-likely-than-not" recognition criteria with respect to such tax loss carryforwards, and it is possible that in the future the Company may conclude such carryforwards do meet the recognition

criteria, at which time the Company would reverse all or a portion of such deferred tax valuation allowance.

In January 2004, the German federal government enacted new tax law amendments that limit the annual utilization of income tax loss carryforward effective January 1, 2004. The new law may significantly affect Kronos' future income tax expense and cash tax payments.

Minority interest. 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 its stockholders. Because of such distribution, the Company expects to report a higher amount of minority interest in earnings in 2004 as compared to 2003. See Notes 12 and 13 to the Consolidated Financial Statements.

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

Related party transactions. The Company is a party to certain transactions with related parties. See Note 16 to the Consolidated Financial Statements.

Accounting principles newly adopted in 2003. See Note 20 to the Consolidated Financial Statements.

Accounting principles not yet adopted. See Note 22 to the Consolidated Financial Statements.

Assumptions on defined benefit pension plans and OPEB plans

Defined benefit pension plans. The Company maintains various defined benefit pension plans in the U.S., Europe and Canada. See Note 15 to the Consolidated Financial Statements.

The Company accounts for its defined benefit pension plans using SFAS No. 87, "Employer's Accounting for Pensions." Under SFAS No. 87, defined benefit pension plan expense and prepaid and accrued pension costs are each recognized based on certain actuarial assumptions, principally the assumed discount rate, the assumed long-term rate of return on plan assets and the assumed increase in future compensation levels. The Company recognized consolidated defined benefit pension plan expense of \$4.6 million in 2001, \$7.0 million in 2002 and \$8.9 million in 2003. The amount of funding requirements for these defined benefit pension plans is generally based upon applicable regulations (such as ERISA in the U.S.), and will generally differ from pension expense recognized under SFAS No. 87 for financial reporting purposes. Contributions made by NL to all of its plans aggregated \$7.6 million in 2001, \$9.3 million in 2002 and \$14.1 million in 2003.

The discount rates the Company utilizes for determining defined benefit pension expense and the related pension obligations are based on current interest rates earned on long-term bonds that receive one of the two highest ratings given by recognized rating agencies in the applicable country where the defined benefit pension benefits are being paid. In addition, the Company

receives advice about appropriate discount rates from the Company's third-party actuaries, who may in some cases utilize their own market indices. The discount rates are adjusted as of each valuation date (September 30th) to reflect then-current interest rates on such long-term bonds. Such discount rates are used to determine the actuarial present value of the pension obligations as of December 31st of that year, and such discount rates are also used to determine the interest component of defined benefit pension expense for the following year.

At December 31, 2003, approximately 15%, 54%, 11% and 15% of the projected benefit obligation related to NL plans in the U.S., Germany, Canada and Norway, respectively. The Company uses several different discount rate assumptions in determining its consolidated defined benefit pension plan obligations and expense because the Company maintains defined benefit pension plans in several different countries in North America and Europe and the interest rate environment differs from country to country.

The Company used the following discount rates for its defined benefit pension plans:

	Discount rates used for:		
	Obligations at December 31, 2001 and expense in 2002	Obligations at December 31, 2002 and expense in 2003	Obligations at December 31, 2003 and expense in 2004
U.S.	7.3%	6.5%	5.9%
Germany	5.8%	5.5%	5.3%
Canada	7.3%	7.0%	6.3%
Norway	6.0%	6.0%	5.5%

The assumed long-term rate of return on plan assets represents the estimated average rate of earnings expected to be earned on the funds invested or to be invested in the plans' assets provided to fund the benefit payments inherent in the projected benefit obligations. Unlike the discount rate, which is adjusted each year based on changes in current long-term interest rates, the assumed long-term rate of return on plan assets will not necessarily change based upon the actual, short-term performance of the plan assets in any given year. Defined benefit pension expense each year is based upon the assumed long-term rate of return on plan assets for each plan and the actual fair value of the plan assets as of the beginning of the year. Differences between the expected return on plan assets for a given year and the actual return are deferred and amortized over future periods based either upon the expected average remaining service life of the active plan participants (for plans for which benefits are still being earned by active employees) or the average remaining life expectancy of the inactive participants (for plans for which benefits are not still being earned by active employees).

At December 31, 2003, approximately 18%, 48%, 10% and 18% of the plan assets related to plan assets for NL's plans in the U.S., Germany, Canada and Norway, respectively. The Company uses several different long-term rates of return on plan asset assumptions in determining its consolidated defined benefit pension plan expense because the Company maintains defined benefit pension plans in several different countries in North America and Europe, the plan assets in different countries are invested in a different mix of investments and the long-term rates of return for different investments differ from country to country.

In determining the expected long-term rate of return on plan asset assumptions, the Company considers the long-term asset mix (e.g. equity vs.

fixed income) for the assets for each of its plans and the expected long-term rates of return for such asset components. In addition, the Company receives advice about appropriate long-term rates of return from the Company's third-party actuaries. Such assumed asset mixes are summarized below:

- During 2003, the Company's plan assets in the U.S. are invested in the Combined Master Retirement Trust ("CMRT"), a collective investment trust established by Valhi to permit the collective investment by certain master trusts which fund certain employee benefits plans sponsored by Contran and certain of its affiliates. Harold Simmons is the sole trustee of the CMRT. The CMRT's long-term investment objective is to provide a rate of return exceeding a composite of broad market equity and fixed income indices (including the S&P 500 and certain Russell indices) utilizing both third-party investment managers as well as investments directed by Mr. Simmons. During the 16-year history of the CMRT, through December 31, 2003, the average annual rate of return has been 12.4%. Prior to 2003, the Company's U.S. plan assets were invested with a combination and equity and fixed income managers.
- In Germany, the composition of NL's plan assets is established to satisfy the requirements of the German insurance commissioner. The current plan asset allocation at December 31, 2003 was 25% to equity managers and 75% to fixed income managers.
- In Canada, NL currently has a plan asset target allocation of 65% to equity managers and 35% to fixed income managers, with an expected long-term rate of return for such investments to average approximately 125 basis points above the applicable equity or fixed income index. The current plan asset allocation at December 31, 2003 was 57% to equity managers and 43% to fixed income managers.
- In Norway, NL currently has a plan asset target allocation of 14% to equity managers and 86% to fixed income managers, with an expected long-term rate of return for such investments of approximately 8% and 6%, respectively. The current plan asset allocation at December 31, 2003 was 15% to equity managers and 85% to fixed income managers.

The Company regularly reviews its actual asset allocation for each of its plans, and will periodically rebalance the investments in each plan to more accurately reflect the targeted allocation when considered appropriate.

The Company's assumed long-term rates of return on plan assets for 2001, 2002 and 2003 were as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
U.S.	8.5%	8.5%	10.0%
Germany	7.3%	6.8%	6.5%
Canada	7.8%	7.0%	7.0%
Norway	7.0%	7.0%	6.0%

The Company currently expects to utilize the same long-term rate of return on plan asset assumptions in 2004 as it used in 2003 for purposes of determining the 2004 defined benefit pension plan expense.

To the extent that a plan's particular pension benefit formula calculates the pension benefit in whole or in part based upon future compensation levels, the projected benefit obligations and the pension expense will be based in part upon expected increases in future compensation levels. For all of the Company's plans for which the benefit formula is so calculated, the Company generally bases the assumed expected increase in future compensation levels upon average long-term inflation rates for the applicable country.

In addition to the actuarial assumptions discussed above, because NL maintains defined benefit pension plans outside the U.S., the amount of recognized defined benefit pension expense and the amount of prepaid and accrued pension costs will vary based upon relative changes in foreign currency exchange rates.

Based on the actuarial assumptions described above and NL's current expectation for what actual average foreign currency exchange rates will be during 2004, NL expects its defined benefit pension expense will approximate \$13 million in 2004. In comparison, NL expects to be required to make approximately \$9 million of contributions to such plans during 2004.

As noted above, defined benefit pension expense and the amount recognized as prepaid and accrued pension costs are based upon the actuarial assumptions discussed above. The Company believes all of the actuarial assumptions used are reasonable and appropriate. If NL had lowered the assumed discount rate by 25 basis points for all of its plans as of December 31, 2003, NL's aggregate projected benefit obligations would have increased by approximately \$12.8 million at that date, and NL's defined benefit pension expense would be expected to increase by approximately \$1.7 million during 2004. Similarly, if NL lowered the assumed long-term rate of return on plan assets by 25 basis points for all of its plans, NL's defined benefit pension expense would be expected to increase by approximately \$700,000 during 2004.

OPEB plans. Certain subsidiaries of the Company in the U.S. and Canada currently provide certain health care and life insurance benefits for eligible retired employees. See Note 15 to the Consolidated Financial Statements. The Company accounts for such OPEB costs under SFAS No. 106, *Employers Accounting for Postretirement Benefits other than Pensions*. Under SFAS No. 106, OPEB expense and accrued OPEB costs are based on certain actuarial assumptions, principally the assumed discount rate and the assumed rate of increases in future health care costs. The Company recognized consolidated OPEB expense (income) of (\$191,000) in 2001, \$80,000 in 2002 and \$329,000 in 2003. Similar to defined benefit pension benefits, the amount of funding will differ from the expense recognized for financial reporting purposes, and contributions to the plans to cover benefit payments aggregated \$.5 million in 2001, \$3.5 million in 2002 and \$3.8 million in 2003.

The assumed discount rates the Company utilizes for determining OPEB expense and the related accrued OPEB obligations are generally based on the same discount rates the Company utilizes for its U.S. and Canadian defined benefit pension plans.

In estimating the health care cost trend rate, the Company considers its actual health care cost experience, future benefit structures, industry trends and advice from its third-party actuaries. During each of the past three years, the Company has assumed that the relative increase in health care costs will generally trend downward over the next several years, reflecting, among other things, assumed increases in efficiency in the health care system and industry-wide cost containment initiatives. For example, at December 31, 2003, the expected rate of increase in future health care costs ranges from 10% in 2004, declining to 5.5% in 2009 and thereafter.

Based on the actuarial assumptions described above and NL's current expectation for what actual average foreign currency exchange rates will be during 2004, the Company expects its consolidated OPEB expense will approximate \$1.4 million in 2004. In comparison, the Company expects the employer contribution portion of costs to approximate \$4.1 million during 2004.

As noted above, OPEB expense and the amount recognized as accrued OPEB costs are based upon the actuarial assumptions discussed above. The Company

believes all of the actuarial assumptions used are reasonable and appropriate. If the Company had lowered the assumed discount rate by 25 basis points for all of its OPEB plans as of December 31, 2003, the Company's aggregate projected benefit obligations would have increased by approximately \$700,000 at that date, and the Company's OPEB expense would be expected to increase by less than \$50,000 during 2004. Similarly, if the assumed future health care cost trend rate had been increased by 100 basis points, the Company's accumulated OPEB obligations would have increased by approximately \$2.1 million at December 31, 2003, and OPEB expense would have increased by \$200,000 in 2003.

Foreign operations

NL has substantial operations located outside the United States (principally Europe and Canada) for which the functional currency is not the U.S. dollar. As a result, the reported amount of NL's assets and liabilities related to its non-U.S. operations, and therefore the Company's consolidated net assets, will fluctuate based upon changes in currency exchange rates. As of January 1, 2001, the functional currency of NL's German, Belgian, Dutch and French operations had been converted to the euro from their respective national currencies. At December 31, 2003, NL had substantial net assets denominated in the euro, Canadian dollar, Norwegian kroner and United Kingdom pound sterling.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

The Company's consolidated cash flows for each of the past three years are presented below:

	<u>Years ended December 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(In millions)		
Operating activities	\$ 129.7	\$ 98.3	\$ 90.5
Investing activities	(57.2)	(27.2)	(19.2)
Financing activities	<u>(75.5)</u>	<u>(132.5)</u>	<u>(66.3)</u>
Net cash provided (used) by operating, investing and financing activities	<u>\$ (3.0)</u>	<u>\$ (61.4)</u>	<u>\$ 5.0</u>

Operating activities. Certain items included in the determination of net income do not represent current inflows or outflows of cash. For example, insurance recoveries, net of \$17.5 million in 2001, are excluded from the determination of operating cash flow. These insurance proceeds are shown in the statement of cash flows under investing activities to partially offset the cash outflow impact of capital expenditures related to the Leverkusen sulfate plant reconstruction. Certain other items included in the determination of net income have an impact on cash flows from operating activities, but the impact of such items on cash will differ from their impact on net income. For example, the amount of income or expense recorded for pension and OPEB assets and obligations (which depend upon a number of factors, including actuarial assumptions used to value obligations) will generally differ from the outflows of cash for such benefits. See Note 15 to the Company's Consolidated Financial Statements.

The TiO₂ industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. Cash flow from operations is considered the primary source of liquidity for the Company. Changes in TiO₂ pricing, production volume and

customer demand, among other things, could significantly affect the liquidity of the Company.

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 decreased from \$98.3 million in 2002 to \$90.5 million in 2003. This \$7.8 million decrease was due primarily to the effect of (i) higher net income of \$26.9 million, (ii) higher depreciation expense of \$6.9 million, (iii) \$10.5 million of higher gains on disposition of property and equipment in 2003 as compared to 2002, (iv) lower net distributions from the TiO₂ manufacturing joint venture of \$875,000 in 2003 compared to \$8.0 million in 2002, (v) a lower amount of net cash generated from relative changes in the Company's inventories, receivables, payables and accruals and accounts with affiliates of \$32.2 million in 2003 as compared to 2002 and (vi) lower cash paid for income taxes of \$14.2 million. Relative changes in accounts receivable are affected by, among other things, the timing of sales and the collection of the resulting receivable. 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 volume and sales volume. 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.

Cash flows from operating activities decreased from \$129.7 million in 2001 to \$98.3 million in 2002. This \$31.4 million decrease was due primarily to the net effect of (i) lower net income of \$84.6 million, (ii) higher depreciation expense of \$3.6 million, (iii) litigation settlement gains of \$10.3 million in 2001 as compared to nil in 2002, (iv) insurance recoveries, net of \$17.5 million in 2001 as compared to nil in 2002, (v) lower distributions from the manufacturing joint venture of \$3.4 million in 2002 and (vi) a higher amount of net cash generated from relative changes in the Company's inventories, receivables, payables and accruals and accounts with affiliates of \$26.7 million in 2002 as compared to 2001. Relative changes in accounts receivable are affected by, among other things, the timing of sales and the collection of the resulting receivable.

Investing activities. The Company's capital expenditures were \$53.7 million, \$32.6 million and \$35.4 million in 2001, 2002 and 2003, respectively. Capital expenditures in 2001 and 2002 included an aggregate of \$22.3 million and \$3.1 million, respectively, for the rebuilding of the Company's Leverkusen, Germany sulfate plant. In 2001 the Company received \$23.4 million of insurance proceeds for property damage resulting from the Leverkusen fire and paid \$3.2 million of expenses related to repairs and clean-up costs. Substantially all of the Company's capital expenditures relate to Kronos' operations.

The Company's capital expenditures during the past three years include an aggregate of approximately \$15.4 million (\$5.4 million in 2003) for the Company's ongoing environmental protection and compliance programs. The Company's estimated 2004 capital expenditures are \$38.0 million and include approximately \$5 million in the area of environmental protection and compliance.

At December 31, 2002 and 2003, the Company had entered into a revolving credit facility with Tremont pursuant to which Tremont could borrow up to \$15 million from the Company through December 31, 2004. Such loan facility replaced a similar loan facility entered into between EMS and Tremont. During 2001, the Company lent a net \$12.65 million to Tremont, which amount Tremont fully repaid in 2002. At December 31, 2003, Tremont had no borrowings from the Company under the facility. See Note 16 to the Consolidated Financial Statements.

In 2001, EMS extended a \$25 million revolving credit facility to the Harold C. Simmons Family Trust No. 2 (the "Family Trust"), one of the trusts described in Notes 1 and 16 to the Consolidated Financial Statements. The loan was approved by special committees of the Company's and EMS' Boards of Directors. During 2001, EMS lent \$20 million to the Family Trust, and during 2002 and 2003 the Family Trust repaid \$2 million and \$4 million, respectively. At December 31, 2003, \$14 million was outstanding and \$11 million was available for additional borrowing by the Family Trust. The loan was classified as noncurrent at December 31, 2003, as the Company does not expect to demand repayment within one year.

In November 2001 \$7.9 million of restricted cash related to certain letters of credit supporting certain insurance related contracts was released.

In January 2002 the Company acquired all of the stock and limited liability company units of EWI RE, Inc. and EWI RE, Ltd. (collectively "EWI"), respectively, for an aggregate of \$9.2 million in cash, including capitalized acquisition costs of \$.2 million. See Note 2 to the Consolidated Financial Statements.

The Company disposed of certain real property and other assets for approximately \$12.8 million during the year ended December 31, 2003.

Financing activities. In March 2003, KII's operating subsidiaries in Germany, Belgium and Norway borrowed €15 million (\$16.1 million when borrowed), in April 2003, repaid NOK 80 million (\$11.0 million when repaid) and in the third quarter of 2003, repaid €30.0 million (\$33.9 million when repaid) under its three-year €80 million secured revolving credit facility ("European Credit Facility"). See Note 11 to the Consolidated Financial Statements.

In March 2002 the Company redeemed \$25 million principal amount of its 11.75% Senior Secured Notes using available cash on hand, and in June 2002 the Company redeemed the remaining \$169 million principal amount of such 11.75% Senior Secured Notes using a portion of the proceeds from the June 2002 issuance of the €285 million principal amount of the KII 8.875% Senior Secured Notes (\$280 million when issued). Also in June 2002, KII's operating subsidiaries in Germany, Belgium and Norway borrowed €13 million (\$13 million) and NOK 200 million (\$26 million) which, along with available cash, was used to repay and terminate KII's short term notes payable (\$53.2 million when repaid). In 2002, the Company repaid a net euro-equivalent 12.7 million (\$12.4 million when repaid) and 1.7 million (\$1.6 million when repaid), respectively, of the European Credit Facility.

In September 2002 the Company's U.S. operating subsidiaries entered into a three-year \$50 million asset-based revolving credit facility ("U.S. Credit Facility"). As of December 31, 2003, no borrowings were outstanding under the U.S. Credit Facility and borrowing availability was approximately \$39 million. See Note 11 to the Consolidated Financial Statements.

Deferred financing costs of \$10.7 million for the Notes, the European Credit Facility and the U.S. Credit Facility are being amortized over the life

of the respective agreements and are included in other noncurrent assets as of December 31, 2003.

In 2001 the Company repaid €7.6 million (\$6.5 million when paid) and €16.4 million (\$14.9 million when paid), respectively, of its euro-denominated short-term debt with excess cash flow from operations.

Other than operating lease commitments disclosed in Note 18 to the Consolidated Financial Statements, the Company is not party to any material off-balance sheet financing arrangements.

Cash dividends paid during 2001, 2002 and 2003 totaled \$39.8 million, \$158.0 million (including an additional \$2.50 per share cash dividend paid in December 2002 aggregating \$119.2 million) and \$38.2 million, respectively. On February 19, 2004, the Company's Board of Directors declared a regular quarterly dividend of \$.20 per share to be paid in the form of shares of common stock of Kronos to stockholders of record as of March 11, 2004 to be paid on March 29, 2004.

Pursuant to its share repurchase program, the Company purchased 1,059,000 shares of its common stock at an aggregate cost of \$15.5 million in 2001 and 1,384,000 shares of its common stock in the open market at an aggregate cost of \$21.3 million in 2002. The Company made no repurchases of common stock during 2003. In October 2002 the Company's Board of Directors authorized a 1,500,000 share extension of the repurchase program. The available shares may be purchased over an unspecified period of time, and are to be held as treasury shares available for general corporate purposes. Approximately 1,323,000 additional shares are available for purchase under the Company's share repurchase program at December 31, 2003.

Cash, cash equivalents, restricted cash and restricted marketable debt securities and borrowing availability. At December 31, 2003, Kronos and its subsidiaries had (i) current cash and cash equivalents aggregating \$55.9 million (\$41 million held by non-U.S. subsidiaries), (ii) current restricted cash equivalents of \$1.3 million and (iii) noncurrent restricted marketable debt securities of \$2.6 million. At December 31, 2003, certain of Kronos's subsidiaries had approximately \$139 million available for borrowing with approximately \$100 million available under non-U.S. credit facilities (including approximately \$97 million under the European Credit Facility) and approximately \$39 million available under the U.S. Credit Facility (based on Borrowing Availability). At December 31, 2003, KII had approximately \$70 million available for payment of dividends and other restricted payments as defined in the Notes indenture. At December 31, 2003, the Company had complied with all financial covenants governing its debt agreements.

At December 31, 2003, NL, exclusive of Kronos and its subsidiaries had (i) current cash and cash equivalents aggregating \$11.9 million, (ii) current restricted cash equivalents of \$17.7 million, (iii) current restricted marketable debt securities of \$6.1 million and (iv) noncurrent restricted marketable debt securities of \$4.3 million.

Based upon the Company's expectations for the TiO₂ industry and anticipated demands on the Company's cash resources as discussed herein, the Company expects to have sufficient liquidity to meet its near-term obligations including operations, capital expenditures, debt service and current dividend policy. To the extent that actual developments differ from the Company's expectations, the Company's liquidity could be adversely affected.

Legal proceedings and environmental matters. See Note 18 to the Consolidated Financial Statements for certain legal proceedings and environmental matters with respect to the Company.

Foreign operations. As discussed above, the Company has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amount of the Company's assets and liabilities related to its non-U.S. operations, and therefore the Company's consolidated net assets, will fluctuate based upon changes in currency exchange rates. As of January 1, 2001, the functional currency of the Company's German, Belgian, Dutch and French operations have been converted to the euro from their respective national currencies. At December 31, 2003, the Company had substantial net assets denominated in the euro, Canadian dollar, Norwegian kroner and United Kingdom pound sterling.

Other. The Company 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, the Company in the past has sought, and in the future may seek, to reduce, refinance, repurchase or restructure indebtedness; raise additional capital; issue additional securities; 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, the Company may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals or other industries, as well as the acquisition of interests in related companies. In the event of any acquisition or joint venture transaction, the Company may consider using available cash, issuing equity securities or increasing its indebtedness to the extent permitted by the agreements governing the Company's existing debt. See Note 11 to the Consolidated Financial Statements.

Summary of debt and other contractual commitments

As more fully described in the notes to the Consolidated Financial Statements, the Company is a party to various debt, lease and other agreements which contractually and unconditionally commit the Company to pay certain amounts in the future. See Notes 11, 18 and 20 to the Consolidated Financial Statements. The following table summarizes such contractual commitments of the Company and its consolidated subsidiaries that are unconditional both in terms of timing and amount by the type and date of payment.

<u>Contractual commitment</u>	<u>Unconditional payment due date</u>				<u>Total</u>
	<u>2004</u>	<u>2005/2006</u>	<u>2007/2008</u>	<u>2009 and after</u>	
	(In millions)				
Third-party indebtedness	\$.3	\$.3	\$ -	\$ 356.1	\$ 356.7
Operating leases	3.3	3.7	2.5	19.9	29.4
Fixed asset acquisitions	9.6	-	-	-	9.6
Long-term supply contracts for the purchase of TiO ₂ feedstock	146.1	265.8	135.0	-	546.9
Asset retirement obligations and other	-	-	-	5.8	5.8
	<u>\$ 159.3</u>	<u>\$ 269.8</u>	<u>\$ 137.5</u>	<u>\$ 381.8</u>	<u>\$ 948.4</u>

The above table does not reflect any amounts that the Company might pay to fund its defined benefit pension plans and OPEB plans, as the timing and amount of any such future fundings are unknown and dependent on, among other things, the future performance of defined benefit pension plan assets, interest rate assumptions and actual future retiree medical costs. Such defined benefit pension plans and OPEB plans are discussed above in greater detail.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General. The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates and equity security prices. In the past, the Company has periodically entered into interest rate swaps or other types of contracts in order to manage a portion of its interest rate market risk. Otherwise, the Company does not generally enter into forward or option contracts to manage such market risks, nor does the Company enter into any such contract or other type of derivative instrument for trading or speculative purposes. Other than as described below, the Company was not a party to any material forward or derivative option contract related to foreign exchange rates, interest rates or equity security prices at December 31, 2002 and 2003. See Notes 1 and 19 to the Consolidated Financial Statements.

Interest rates. The Company is exposed to market risk from changes in interest rates, primarily related to indebtedness. At December 31, 2003, all of the Company's aggregate indebtedness was comprised of fixed-rate instruments (2002 - 92% of fixed-rate instruments and 8% of variable rate borrowings). The large percentage of fixed-rate debt instruments minimizes earnings volatility which would result from changes in interest rates. The following table presents principal amounts and weighted average interest rates for the Company's aggregate outstanding indebtedness at December 31, 2003. At December 31, 2002 and 2003, all outstanding fixed-rate indebtedness was denominated in U.S. dollars or the euro, and the outstanding variable rate borrowings were denominated in U.S. dollars, the euro or the Norwegian kroner. Information shown below for such foreign currency denominated indebtedness is presented in its U.S. dollar equivalent at December 31, 2003 using exchange rates of 1.25 U.S. dollars per euro. Certain Norwegian kroner denominated capital leases totaling \$700,000 in 2003 have been excluded from the table below.

<u>Indebtedness</u>	<u>Amount</u>		<u>Interest rate</u>	<u>Maturity date</u>
	<u>Carrying value</u>	<u>Fair value</u>		
	(In millions)			
Fixed-rate indebtedness:				
Euro-denominated KII				
Senior Secured Notes	<u>\$ 356.1</u>	<u>\$ 356.1</u>	8.9%	2009

At December 31, 2002, fixed rate indebtedness aggregated \$296.9 million (fair value - \$299.9 million) with a weighted-average interest rate of 8.9%; and variable rate indebtedness at such date aggregated \$27.1 million, which approximates fair value, with a weighted-average interest rate of 6.5%. All of such fixed rate indebtedness was denominated in euros. Such variable rate indebtedness was denominated in the euro (58% of the total) or the Norwegian kroner (42%).

Foreign currency exchange rates. The Company is exposed to market risk arising from changes in foreign currency exchange rates as a result of manufacturing and selling its products worldwide. Earnings are primarily affected by fluctuations in the value of the U.S. dollar relative to the euro, the Canadian dollar, the Norwegian kroner and the United Kingdom pound sterling.

As described above, at December 31, 2003, NL had the equivalent of \$356.1 million of outstanding euro-denominated indebtedness (2002 - the equivalent of

\$312.5 million of euro-denominated indebtedness and \$11.5 million of Norwegian kroner-denominated indebtedness). The potential increase in the U.S. dollar equivalent of the principal amount outstanding resulting from a hypothetical 10% adverse change in exchange rates at such date would be approximately \$35.6 million at December 31, 2003 (2002 - \$32.4 million).

At December 31, 2003, the Company had entered into a short-term currency forward contract maturing on January 2, 2004 to exchange an aggregate of €40 million into U.S. dollars at an exchange rate of U.S. \$1.25 per euro. Such contract was entered into in conjunction with the January 2004 payment of an intercompany dividend from one of the Company's European subsidiaries. At December 31, 2004, the actual exchange rate was U.S. \$1.25 per euro. The estimated fair value of such foreign currency forward contract was not material at December 31, 2003.

Marketable equity and debt security prices. The Company is exposed to market risk due to changes in prices of the marketable securities, which are owned. The fair value of such debt and equity securities at December 31, 2002 and 2003 was \$40.9 million and \$70.5 million, respectively. The potential change in the aggregate fair value of these investments, assuming a 10% change in prices, would be \$4.1 million at December 31, 2002 and \$7.1 million at December 31, 2003. The fair value of restricted marketable debt securities at December 31, 2002 and 2003 was \$18.9 million and \$13.0 million, respectively. The potential change in the aggregate fair value of these investments assuming a 10% change in prices would be \$1.9 million and \$1.3 million, respectively.

Other. The Company believes there may be a certain amount of incompleteness in the sensitivity analyses presented above. For example, the hypothetical effect of changes in interest rates discussed above ignores the potential effect on other variables which affect the Company's results of operations and cash flows, such as demand for the Company's products, sales volumes and selling prices and operating expenses. Contrary to the above assumptions, changes in interest rates rarely result in simultaneous parallel shifts along the yield curve. Accordingly, the amounts presented above are not necessarily an accurate reflection of the potential losses the Company would incur assuming the hypothetical changes in market prices were actually to occur.

The above discussion and estimated sensitivity analysis amounts include forward-looking statements of market risk which assume hypothetical changes in market prices. Actual future market conditions will likely differ materially from such assumptions. Accordingly, such forward-looking statements should not be considered to be projections by the Company of future events, gains or losses.

Non-GAAP Financial Measures. In an effort to provide investors with additional information regarding the Company's results as determined by GAAP, Kronos has disclosed certain non-GAAP information which the Company believes provides useful information to investors. As discussed above, the Company discloses percentage changes in its average TiO₂ prices in billing currencies, which excludes the effects of foreign currency translation. Such disclosure of the percentage change in Kronos' average TiO₂ selling price in billing currencies is considered a "non-GAAP" financial measure under regulations of the SEC. The disclosure of the percentage change in the Company's average TiO₂ selling prices using actual foreign currency exchange rates prevailing during the respective periods is considered the most directly comparable GAAP measure. The Company discloses percentage changes in its average TiO₂ prices in billing currencies because the Company 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 that would be used actual exchange rates prevailing during the respective periods.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in a separate section of this Annual Report. See "Index of Financial Statements and Schedules" (page F-1).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 President and Chief Executive Officer, and Gregory M. Swalwell, the Company's Vice President, Chief Financial Officer and Treasurer, have evaluated the Company's disclosure controls and procedures as of December 31, 2003. 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 accounting principles generally accepted in the United States of America ("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 December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's system of internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report (the "NL Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the NL Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the NL Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the NL Proxy Statement. See also Note 16 to the Consolidated Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Information required by the Item is incorporated by reference to the NL Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) and (d) Financial Statements and Schedules

The Registrant

The consolidated financial statements and schedules of the Registrant listed on the accompanying Index of Financial Statements and Schedules (see page F-1) are filed as part of this Annual Report.

(b) Reports on Form 8-K

Reports on Form 8-K filed for the quarter ended December 31, 2003.

December 23, 2003 - Reported items 2 and 7.

(c) Exhibits

Included as exhibits are the items listed in the Exhibit Index. NL will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover the costs to NL of furnishing the exhibits. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, any instrument defining the rights of holders of long-term debt issues and other agreements related to indebtedness

which do not exceed 10% of consolidated total assets as of December 31, 2003 will be furnished to the Commission upon request.

The Company will also furnish, without charge, a copy of its Code of Business Conduct and Ethics, as adopted by the board of directors on February 19, 2004, 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.

<u>Item No.</u>	<u>Exhibit Index</u>
2.1	Form of Distribution Agreement between NL Industries, Inc. and Kronos Worldwide, Inc. - incorporated by reference to Exhibit 2.1 to the Kronos Worldwide, Inc. Registration Statement on Form 10 (File No. 001-31763).
3.1	By-Laws, as amended on June 28, 1990 - incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
3.2	Amendment to the Amended and Restated By-Laws, as of June 28, 1990, executed December 8, 2003.
3.3	Certificate of Amended and Restated Certificate of Incorporation dated June 28, 1990 - incorporated by reference to Exhibit 1 to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held on June 28, 1990.
4.1	Indenture governing the 8.875% Senior Secured Notes due 2009, dated June 28, 2002, between Kronos International, Inc. and The Bank of New York, as Trustee - incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.2	Form of certificate of 8.875% Senior Secured Notes due 2009 of Kronos International, Inc. (included as Exhibit A to Exhibit 4.1) - incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.3	Form of certificate of 8.875% Senior Secured Notes due 2009 of Kronos International, Inc. (included as Exhibit B to Exhibit 4.1) - incorporated by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.4	Purchase Agreement, dated June 19, 2002, among Kronos International, Inc., Deutsche Bank AG London, Dresdner Bank AG London Branch and Commerzbank Aktiengesellschaft, London Branch - incorporated by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.5	Collateral Agency Agreement, dated June 28, 2002, among The Bank of New York, U.S. Bank, N.A. and Kronos International, Inc. - incorporated by reference to Exhibit 4.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.6	Security Over Shares Agreement, dated June 28, 2002, between Kronos International, Inc. and The Bank of New York - incorporated

by reference to Exhibit 4.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

- 4.7 Pledge of Shares (shares in Kronos Denmark ApS), dated June 28, 2002, between Kronos International, Inc. and U.S. Bank, N.A. - incorporated by reference to Exhibit 4.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 4.8 Pledge Agreement (shares in Société Industrielle du Titane S.A.), dated June 28, 2002, between Kronos International, Inc. and U.S. Bank, N.A. - incorporated by reference to Exhibit 4.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 4.9 Partnership Interest Pledge Agreement (relating to fixed capital contribution in Kronos Titan GmbH & Co.), dated June 28, 2002, between Kronos International, Inc. and U.S. Bank, N.A. - incorporated by reference to Exhibit 4.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 4.10 Deposit Agreement, dated June 28, 2002, among NL Industries, Inc. and JP Morgan Chase Bank, as trustee - incorporated by reference to Exhibit 4.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 4.11 Satisfaction and Discharge of Indenture, Release, Assignment and Transfer, dated June 28, 2002, made by JP Morgan Chase Bank pursuant to the Indenture for NL Industries, Inc.'s 11 3/4% Senior Secured Notes due 2003 - incorporated by reference to Exhibit 4.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 10.1 €80,000,000 Facility Agreement, dated June 25, 2002, among Kronos Titan GmbH & Co. OHG, Kronos Europe S.A./N.V., Kronos Titan A/S and Titania A/S, as borrowers, Kronos Titan GmbH & Co. OHG, Kronos Europe S.A./N.V. and Kronos Norge AS, as guarantors, Kronos Denmark ApS, as security provider, Deutsche Bank AG, as mandated lead arranger, Deutsche Bank Luxembourg S.A., as agent and security agent, and KBC Bank NV, as fronting bank, and the financial institutions listed in Schedule 1 thereto, as lenders - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 10.2 Lease Contract dated June 21, 1952, between Farbenfabriken Bayer Aktiengesellschaft and Titangesellschaft mit beschränkter Haftung (German language version and English translation thereof) - incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1985.
- 10.3 Contract on Supplies and Services among Bayer AG, Kronos Titan-GmbH and Kronos International, Inc. dated June 30, 1995 (English translation from German language document) - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.4** Richards Bay Slag Sales Agreement dated May 1, 1995 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.

- 10.5** Amendment to Richards Bay Slag Sales Agreement dated May 1, 1999 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999.
- 10.6** Amendment to Richards Bay Slag Sales Agreement dated June 1, 2001 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
- 10.7** Amendment to Richards Bay Slag Sales Agreement dated December 20, 2002 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.8* Amendment to Richards Bay Slag Sales Agreement dated October 31, 2003 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.17 to Kronos Worldwide, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003.
- 10.9 Agreement between Sachtleben Chemie GmbH and Kronos Titan-GmbH effective December 30, 1986 - incorporated by reference to Exhibit 10.1 of KII's Quarterly Report on Form 10-Q (File No. 333-100047) for the quarter ended September 30, 2002.
- 10.10 Supplementary Agreement to the Agreement of December 30, 1986 between Sachtleben Chemie GmbH and Kronos Titan-GmbH dated May 3, 1996 - incorporated by reference to Exhibit 10.2 of KII's Quarterly Report on Form 10-Q (File No. 333-100047) for the quarter ended September 30, 2002.
- 10.11 Second Supplementary Agreement to the Contract dated December 30, 1986 between Sachtleben Chemie GmbH and Kronos Titan-GmbH dated January 8, 2002 - incorporated by reference to Exhibit 10.3 of KII's Quarterly Report on Form 10-Q (File No. 333-100047) for the quarter ended September 30, 2002.
- 10.12 Formation Agreement dated as of October 18, 1993 among Tioxide Americas Inc., Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.13 Joint Venture Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.14 Kronos Offtake Agreement dated as of October 18, 1993 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.15 Amendment No. 1 to Kronos Offtake Agreement dated as of December 20, 1995 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.22 to the

Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.

- 10.16 Tioxide Americas Offtake Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.17 Amendment No. 1 to Tioxide Americas Offtake Agreement dated as of December 20, 1995 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
- 10.18 TCI/KCI Output Purchase Agreement dated as of October 18, 1993 between Tioxide Canada Inc. and Kronos Canada, Inc. - incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.19 TAI/KLA Output Purchase Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.20 Master Technology Exchange Agreement dated as of October 18, 1993 among Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Tioxide Group Limited and Tioxide Group Services Limited - incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.21 Parents' Undertaking dated as of October 18, 1993 between ICI American Holdings Inc. and Kronos, Inc. - incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.22 Allocation Agreement dated as of October 18, 1993 between Tioxide Americas Inc., ICI American Holdings, Inc., Kronos, Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
- 10.23 Form of Director's Indemnity Agreement between NL and the independent members of the Board of Directors of NL - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987.
- 10.24* 1989 Long Term Performance Incentive Plan of NL Industries, Inc. - incorporated by reference to Exhibit B to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 8, 1996.
- 10.25* NL Industries, Inc. Variable Compensation Plan - incorporated by reference to Exhibit B to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 9, 2001.

- 10.26* NL Industries, Inc. 1992 Non-Employee Director Stock Option Plan, as adopted by the Board of Directors on February 13, 1992 - incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held April 30, 1992.
- 10.27* NL Industries, Inc. 1998 Long-Term Incentive Plan - incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 6, 1998.
- 10.28* Form of Kronos Worldwide, Inc. Long-Term Incentive Plan - incorporated by reference to Exhibit 10.4 to the Kronos Worldwide, Inc. Registration Statement on Form 10 (File No. 001-31763).
- 10.29* Amended and Restated Supplemental Executive Retirement Plan for Executives and Officers of NL Industries, Inc. effective as of May 1, 2001 - incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
- 10.30 Insurance Sharing Agreement, effective January 1, 1990, by and between the Registrant, NL Insurance, Ltd. (an indirect subsidiary of Tremont Corporation) and Baroid Corporation - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10.31* Agreement to Defer Bonus Payment dated January 10, 2002 between the Registrant and Lawrence A. Wigdor and related trust agreements - incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
- 10.32* Agreement to Defer Bonus Payment dated February 20, 1998 between the Registrant and J. Landis Martin and related trust agreement - incorporated by reference to Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.
- 10.33 Amended Tax Agreement between Valhi, Inc. and NL Industries, Inc. effective as of December 1, 2003 - incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as of December 8, 2003.
- 10.34 Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 2003 - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
- 10.35 Intercorporate Services Agreement by and between Titanium Metals Corporation and the Registrant effective as of January 1, 2003 - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
- 10.36 Revolving Loan Note dated May 4, 2001 with Harold C. Simmons Family Trust No. 2 and EMS Financial, Inc. - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- 10.37 Security Agreement dated May 4, 2001 by and between Harold C. Simmons Family Trust No. 2 and EMS Financial, Inc. - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

- 10.38 Revolving Loan Note Agreement dated October 22, 2002 with Tremont Corporation as Maker and NL Industries, Inc. as Payee - incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
- 10.39 Security Agreement dated October 22, 2002 by and between Tremont Corporation and NL Industries, Inc. - incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
- 10.40 Purchase Agreement dated January 4, 2002 by and among Kronos, Inc. as the Purchaser, and Big Bend Holdings LLC and Contran Insurance Holdings, Inc., as Sellers regarding the sale and purchase of EWI RE, Inc. and EWI RE, Ltd. - incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
- 10.41* Stock Option Purchase Agreement dated November 20, 2002 between the Registrant (Purchaser) and J. Landis Martin (Seller) - incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.42* Stock Option Purchase Agreement dated November 20, 2002 between the Registrant (Purchaser) and Dr. Lawrence A. Wigdor (Seller) - incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.43* Stock Option Purchase Agreement dated November 20, 2002 between the Registrant (Purchaser) and David B. Garten (Seller) - incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.44* Stock Option Purchase Agreement dated November 20, 2002 between the Registrant (Purchaser) and Robert D. Hardy (Seller) - incorporated by reference to Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.45 Form of Tax Agreement between Valhi, Inc. and Kronos Worldwide, Inc - incorporated by reference to Exhibit 10.1 to the Kronos Worldwide, Inc. Registration Statement on Form 10 (File No. 001-31763).
- 10.46 Form of Intercorporate Services Agreement between Contran Corporation and Kronos Worldwide, Inc. - incorporated by reference to Exhibit 10.2 to the Kronos Worldwide, Inc. Registration Statements on Form 10 (File No. 001-31763).
- 10.47 Amendment dated August 11, 2003 to the Contract on Supplies and Services among Bayer AG, Kronos Titan-GmbH & Co. OHG and Kronos International (English translation of German language document) - incorporated by reference to Exhibit 10.32 to the Kronos Worldwide, Inc. Registration Statement on Form 10 (File No. 001-31763).
- 10.48 Insurance sharing agreement dated October 30, 2003 by and among CompX International Inc., Contran Corporation, Keystone Consolidated Industries, Inc., Kronos Worldwide, Inc., Titanium Metals Corp., Valhi, Inc. and the Registrant.

- 10.49* Consulting Agreement dated July 23, 2003 between J. Landis Martin and NL Industries, Inc.
- 10.50* Summary of Consulting Arrangement beginning August 1, 2003 between Lawrence A. Wigdor and Kronos Worldwide, Inc.
- 10.51* Separation Agreement dated September 3, 2003, as amended, between David B. Garten and NL Industries, Inc.
- 10.52* Separation Agreement dated July 16, 2003 between NL Industries, Inc. and Robert D. Hardy
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Accountants.
- 31.1 Certification
- 31.2 Certification
- 32.1 Certification
- 99.1 Annual Report of NL Industries, Inc. Retirement Savings Plan to be filed under Form 10-K/A to the Registrant's Annual Report on Form 10-K within 180 days after December 31, 2003.

All documents in the Exhibit Index above that have been incorporated by reference were previously filed by the Registrant under SEC File Number 1-640.

* Management contract, compensatory plan or arrangement.

** Portions of the exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By: /s/ Harold C. Simmons
Harold C. Simmons
March 8, 2004
(Chairman of the Board and
Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

/s/ Harold C. Simmons
Harold C. Simmons, March 8, 2004
(Chairman of the Board and Chief
Executive Officer)

/s/ Steven L. Watson
Steven L. Watson, March 8, 2004
(Director)

/s/ Thomas P. Stafford
Thomas P. Stafford, March 8, 2004
(Director)

/s/ Glenn R. Simmons
Glenn R. Simmons, March 8, 2004
(Director)

/s/ C. H. Moore, Jr.
C. H. Moore, Jr., March 8, 2004
(Director)

/s/ Gregory M. Swalwell
Gregory M. Swalwell, March 8, 2004
(Vice President, Chief Financial
Officer, Principal Financial Officer)

/s/ Terry N. Worrell
Terry N. Worrell, March 8, 2004
(Director)

NL Industries, Inc.

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