SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 1994 COMMISSION FILE NUMBER 1-5467

VALHI, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	87-0110150
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5430 LBJ FREEWAY, SUITE 1700, DALLAS, TEXAS	75240-2697
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (214) 233-1700

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON JULY 31, 1994: 114,994,214.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	December 31, 1993	June 30, 1994
Current assets:		
Cash and cash equivalents	$ 22,189	$ 24,380
Marketable securities	28,518	23,549
Accounts and notes receivable	61,135	73,035
Receivable from affiliates	272	7,020
Inventories	276,125	155,469
Prepaid expenses	6,126	3,925
Deferred income taxes	75	42
Total current assets	394,440	287,420
Other assets:		
Marketable securities	108,800	112,132
Investment in affiliates	74,897	60,417
Timber and timberlands	51,868	53,611
Deferred income taxes	27,723	31,988
Other	42,887	39,099
Total other assets	306,175	297,247
Property and equipment:		
Land	18,822	20,639
Buildings	43,522	44,455
Equipment	341,868	351,559
Construction in progress	17,344	38,358
	421,556	455,011
Less accumulated depreciation	218,300	229,279
Net property and equipment	203,256	225,732
	$903,871	$810,399

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1993	June 30, 1994
Current liabilities:		
Notes payable	$117,753	$111,912
Current maturities of long-term debt	16,086	22,812
Accounts payable	163,338	57,660
Accrued liabilities	60,190	54,303
Payable to affiliates	43	2,796
Income taxes	4,916	3,645
Deferred income taxes	2,494	224
Total current liabilities	364,820	253,352
Noncurrent liabilities:		
Long-term debt	302,490	317,040
Deferred income taxes	1,732	2,473
Other	27,328	26,356
Total noncurrent liabilities	331,550	345,869
Stockholders' equity:		
Common stock	1,244	1,245
Additional paid-in capital	33,409	33,279
Retained earnings	222,810	220,489
Adjustments:		
Currency translation	(17,776)	(14,807)
Marketable securities	41,075	43,655
Pension liabilities	(1,619)	(1,535)
Common stock reacquired	(71,642)	(71,148)
Total stockholders' equity	207,501	211,178
	$903,871	$810,399

[FN]
Commitments and contingencies (Note 14)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three months ended June 30, 1993	1994	Six months ended June 30, 1993	1994
Revenues and other income:				
Net sales	$193,428	$210,781	$ 364,760	$399,746
Other, net	3,551	3,107	8,003	4,693
	196,979	213,888	372,763	404,439
Costs and expenses:				
Cost of sales	148,284	157,072	281,227	303,375
Selling, general and administrative	29,550	30,761	55,449	58,733
Interest	9,797	8,845	21,754	17,842
	187,631	196,678	358,430	379,950
Income of consolidated companies before income taxes	9,348	17,210	14,333	24,489
Equity in losses of affiliates	(19,169)	(13,345)	(114,718)	(20,916)
Income (loss) before income taxes	(9,821)	3,865	(100,385)	3,573

Provision for income taxes (benefit)	(2,752)	914	(33,017)	1,322
Net income (loss)	$ (7,069)	$ 2,951	$ (67,368)	$ 2,251
Net income (loss) per common share	$(.06)	$ .03	$(.59)	$ .02
Cash dividends per share	$ -	$ .02	$ .05	$ .04
Weighted average common shares outstanding	114,108	114,306	114,084	114,289

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1994

(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 1993	$1,244	$33,409	$222,810
Net income	-	-	2,251
Dividends	-	-	(4,572)
Adjustments, net	-	-	-
Other, net	1	(130)	-
Balance at June 30, 1994	$1,245	$33,279	$220,489

	CURRENCY TRANSLATION	ADJUSTMENTS MARKETABLE SECURITIES	PENSION LIABILITIES	COMMON STOCK REACQUIRED	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1993	$(17,776)	$41,075	$(1,619)	$(71,642)	$207,501
Net income	-	-	-	-	2,251
Dividends	-	-	-	-	(4,572)
Adjustments, net	2,969	2,580	84	-	5,633
Other, net	-	-	-	494	365
Balance at June 30, 1994	$(14,807)	$43,655	$(1,535)	$(71,148)	$211,178

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1993 AND 1994

(IN THOUSANDS)

	1993	1994
Cash flows from operating activities:		
Net income (loss)	$ (67,368)	$ 2,251

Adjustments:		
Depreciation, depletion and amortization	11,589	13,142
Noncash interest expense (original issue discount and deferred financing costs)	5,072	5,363
Deferred income tax benefit	(37,503)	(8,535)
Equity in losses of affiliates	114,718	20,916
Other, net	(1,013)	910
Change in assets and liabilities:		
Accounts and notes receivable	(11,309)	(12,606)
Inventories	114,709	120,656
Accounts payable and accrued liabilities	(123,249)	(111,984)
Accounts with affiliates	(2,503)	3,005
Other, net	517	(461)
Marketable trading securities:		
Sale proceeds	-	29,375
Purchases	-	(25,000)
Total adjustments	71,028	34,781
Net cash provided by operating activities	3,660	37,032
Cash flows from investing activities:		
Capital expenditures	(12,924)	(36,914)
Marketable securities:		
Sale proceeds	354,068	-
Purchases	(254,378)	-
Purchases of stock of affiliates	-	(624)
Loans to affiliates:		
Loans	(7,500)	(7,800)
Collections	7,500	800
Other, net	4,555	3,992
Net cash provided (used) by investing activities	91,321	(40,546)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 1993 AND 1994

(IN THOUSANDS)

	1993	1994
Cash flows from financing activities:		
Notes payable and long-term debt:		
Additions	$ 406,502	$ 206,779
Principal payments	(526,646)	(196,374)
Loans from affiliates:		
Loans	(3,800)	-
Repayments	3,800	-
Dividends paid	(5,704)	(4,572)
Other, net	35	166
Net cash provided (used) by financing activities	(125,813)	5,999
Cash and cash equivalents:		
Net increase (decrease) from:		
Operating, investing and financing activities	(30,832)	2,485
Currency translation	(26)	(294)
	(30,858)	2,191
Balance at beginning of period	44,538	22,189
Balance at end of period	$ 13,680	$ 24,380
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	$ 21,164	$ 11,379
Income taxes	7,827	8,269

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The consolidated balance sheet of Valhi, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1993 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1994 and the consolidated statements of operations, cash flows and stockholders' equity for the interim periods ended June 30, 1993 and 1994 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Certain information normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. The accompanying consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (the "1993 Annual Report").

Contran Corporation holds, directly or through subsidiaries, approximately 90% of Valhi's outstanding common stock.

NOTE 2 - BUSINESS SEGMENT INFORMATION:

BUSINESS SEGMENT	PRINCIPAL ENTITIES
Consolidated operations (100%-owned)	
Refined sugar	The Amalgamated Sugar Company
Forest products	Medite Corporation
Hardware products	National Cabinet Lock, Inc.
Fast food	Sybra, Inc.
Unconsolidated operations	
Chemicals	NL Industries, Inc. (49%-owned)*
Titanium metals	Tremont Corporation (48%-owned)

[FN]
* Tremont holds an additional 18% of NL.

	Three months ended June 30,		Six months ended June 30,	
	1993	1994	1993	1994
	(In millions)			
Net sales:				
Refined sugar	$106.3	$112.3	$197.5	$216.5
Forest products	43.9	53.4	83.5	93.4
Hardware products	16.0	17.5	30.4	35.5
Fast food	27.3	27.6	53.4	54.3
	$193.5	$210.8	$364.8	$399.7
Operating income:				
Refined sugar	$ 8.1	$ 9.7	$ 14.2	$ 16.5
Forest products	7.4	11.6	12.8	16.7
Hardware products	3.9	5.0	7.0	10.1
Fast food	2.1	2.3	4.0	3.9
	21.5	28.6	38.0	47.2
Business unit disposition	-	-	.5	-
General corporate items:				
Securities earnings	1.4	1.0	4.0	1.1
General expenses and other, net	(3.8)	(3.6)	(6.4)	(6.0)
Interest expense	(9.8)	(8.8)	(21.8)	(17.8)

Income of consolidated companies before income taxes	9.3	17.2	14.3	24.5
Equity in losses of affiliates:				
NL Industries	(16.0)	(9.9)	(25.5)	(15.3)
Tremont	(3.1)	(3.4)	(5.2)	(5.6)
Provision for market value decline of NL common stock	-	-	(84.0)	-
	(19.1)	(13.3)	(114.7)	(20.9)
Income (loss) before income taxes	$ (9.8)	$ 3.9	$(100.4)	$ 3.6

	SIX MONTHS ENDED JUNE 30,			
	DEPRECIATION, DEPLETION AND AMORTIZATION		CAPITAL EXPENDITURES	
	1993	1994	1993	1994
	(IN MILLIONS)			
Refined sugar	$ 3.6	$ 4.8	$ 3.6	$10.9
Forest products	3.9	4.4	7.3	18.5
Hardware products	.9	.9	.9	2.0
Fast food	3.1	2.9	1.0	5.4
Corporate	.1	.1	.1	.1
	$11.6	$13.1	$12.9	$36.9

NOTE 3 - MARKETABLE SECURITIES:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Current assets (trading securities):		
U.S. Treasury securities	$ 28,518	$ -
Global bond investments	-	23,549
	$ 28,518	$ 23,549
Noncurrent assets (available-for-sale) - Dresser Industries common stock	$108,800	$112,132

The global bond investments consist of fixed income government securities denominated in various currencies and related currency forward and option contracts obtained to hedge exchange rate risk on the equivalent of approximately $16 million of bond principal amount. Realized and unrealized gains and losses on trading securities, including related global bond investment currency gains and losses, are reported as a component of securities transactions. At June 30, 1994, the cost of the Company's portfolio of trading securities approximated $25 million.

Valhi holds 5.5 million shares of Dresser common stock (cost $44 million) with a quoted market price of $20.50 at June 30, 1994, or an aggregate market value of $112 million. The Company's Dresser stock (held in escrow for the benefit of the Company's LYONs holders) is exchangeable for the LYONs at the option of the LYONs holder, and the carrying value of the Dresser stock is limited to the accreted LYONs obligation.

NOTE 4 - INVESTMENT IN AFFILIATES:

	December 31, 1993	June 30, 1994
	(IN THOUSANDS)	
NL Industries	$60,170	$50,370
Tremont	14,727	10,047
	$74,897	$60,417

At June 30, 1994, the Company held 24.9 million shares of NL common stock and 3.5 million shares of Tremont common stock. At June 30, 1994, the quoted per share market prices of NL and Tremont common stock were $8.50 and $7.75, respectively, or an aggregate quoted market value of $239 million. Summarized information relating to the results of operations, financial position and cash flows of NL and Tremont is presented in Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NOTE 5 - INVENTORIES:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Raw materials:		
Sugarbeets	$ 51,689	$ -
Forest products	14,704	11,632
Hardware products	1,034	967
Fast food	1,329	1,292
	68,756	13,891
In process products:		
Refined sugar and by-products	56,798	30,394
Forest products	1,450	2,074
Hardware products	3,179	3,719
	61,427	36,187
Finished products:		
Refined sugar and by-products	107,158	67,161
Forest products	1,260	900
Hardware products	1,901	2,283
	110,319	70,344
Supplies	35,623	35,047
	$276,125	$155,469

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Accounts payable:		
Sugarbeet purchases	$126,430	$23,979
Other	36,908	33,681
	$163,338	$57,660
Accrued liabilities:		
Sugar processing costs	$ 22,301	$10,875
Inventory replacement reserve *	-	3,989
Employee benefits	17,657	16,001
Interest	3,987	4,986
Other	16,245	18,452

	$ 60,190	$54,303

[FN]
* Effect of temporary reductions in LIFO inventory quantities expected to be replaced by year-end.

NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Notes payable - Amalgamated:		
U.S. Government loans	$ 75,518	$ 70,912
Bank credit agreement	42,235	41,000
	$117,753	$111,912
Long-term debt:		
Valhi LYONs	$108,800	$113,831
Valcor Senior Notes	100,000	100,000
Amalgamated bank term loan	15,000	21,000
Medite:		
U.S. bank credit agreement	61,000	75,000
Irish bank credit agreements	8,441	16,481
State of Oregon term loan	4,328	4,236
Other	267	244
	74,036	95,961
Sybra:		
Bank credit agreements	13,387	2,200
Capital lease obligations	7,133	6,665
Other	41	35
	20,561	8,900
National Cabinet Lock	179	160
	318,576	339,852
Less current maturities	16,086	22,812
	$302,490	$317,040

NOTE 8 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Receivable from affiliates:		
Demand loan to Contran	$ -	$7,000
Income taxes	44	-
Other	228	20
	$272	$7,020
Payable to affiliates:		
Income taxes	$ -	$2,680
Other	43	116
	$ 43	$2,796

NOTE 9 - OTHER NONCURRENT ASSETS:

	DECEMBER 31,	JUNE 30,

	1993	1994
	(IN THOUSANDS)	
Intangible assets:		
Goodwill	$ 5,500	$ 5,416
Franchise fees	7,257	6,719
Other	8,323	7,946
	21,080	20,081
Deferred financing costs	7,817	7,345
Prepaid pension cost	4,864	5,150
Property held for sale	3,853	4,037
Other	5,273	2,486
	$42,887	$39,099

NOTE 10 - OTHER NONCURRENT LIABILITIES:

	DECEMBER 31, 1993	JUNE 30, 1994
	(IN THOUSANDS)	
Accrued OPEB cost	$17,705	$17,956
Insurance claims and expenses	5,141	3,707
Other	4,482	4,693
	$27,328	$26,356

NOTE 11 - OTHER INCOME:

	SIX MONTHS ENDED JUNE 30, 1993	1994
	(IN THOUSANDS)	
Securities earnings:		
Interest and dividends	$3,018	$ 2,940
Securities transactions	1,023	(1,844)
	4,041	1,096
Business unit disposition	500	-
Other, net	3,462	3,597
	$8,003	$ 4,693

NOTE 12 - INCOME TAXES:

	SIX MONTHS ENDED JUNE 30, 1993	1994
	(IN MILLIONS)	
Provision for income taxes (benefit) allocable to income (loss) before income taxes:		
Expected tax expense (benefit)	$(34.1)	$ 1.3
Incremental U.S. tax on income of companies not included in the consolidated tax group	1.5	1.4
Non-U.S. tax rates	(.6)	(.8)
State income taxes, net	.7	.8
Other, net	(.5)	(1.4)
	$(33.0)	$ 1.3
Comprehensive provision for income taxes (benefit):		
Taxes currently payable	$ 4.5	$ 9.9
Deferred tax benefit	(36.2)	(5.7)
	$(31.7)	$ 4.2

Allocable to:		
Income (loss) before income taxes	$(33.0)	$ 1.3
Stockholders' equity, principally deferred taxes allocable to adjustment components	1.3	2.9
	$(31.7)	$ 4.2

The expected tax benefit for the 1993 period is computed at the previously-reported U.S. federal statutory rate of 34% because the retroactive increase to the current 35% rate was not enacted until August 1993.

NOTE 13 - INCOME (LOSS) PER SHARE OF COMMON STOCK:

Income (loss) per share is based on the weighted average number of common shares outstanding. Common stock equivalents are excluded from the computation because they are either antidilutive or the dilutive effect is not material.

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

At June 30, 1994, the estimated cost to complete capital projects in process approximated $36 million, most of which relates to sugar extraction equipment at Amalgamated and to an expansion of Medite's medium density

fiberboard plant in Ireland. Medite's Irish subsidiary has entered into certain currency forward contracts to hedge exchange rate risk on the equivalent of approximately $6 million of equipment purchase commitments. At June 30, 1994, the fair value of such currency contracts approximated the contract value.

Medite has entered into interest rate swap agreements to convert $26 million of its U.S. bank term loan from a floating to a fixed interest rate. At June 30, 1994, the estimated fair value of such swap agreements was $1.8 million, which represents the estimated payment Medite would receive if the swap agreements were terminated at that date.

For information concerning certain legal proceedings, income tax and other commitments and contingencies related to Valhi and consolidated subsidiaries and NL and Tremont, see (i) Item 2 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations," (ii) Part II, Item 1 -- "Legal Proceedings", (iii) Valhi's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 and (iv) the 1993 Annual Report, including certain information concerning NL's and Tremont's legal proceedings incorporated therein by reference.

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

RESULTS OF OPERATIONS:

GENERAL

Net income was $3.0 million for the second quarter of 1994, a $10 million improvement from the $7.1 million net loss in the 1993 quarter. For the first half of 1994, net income was $2.3 million, almost $70 million better than the $67.4 million net loss reported for the first half of 1993. Improved results attributable to the Company's interest in NL Industries was a major factor in the higher 1994 earnings. The Company's results of operations are discussed below.

REFINED SUGAR

	Three months ended June 30, 1993	1994	% Change	Six months ended June 30, 1993	1994	% Change
	(In millions)			(In millions)		
Net sales:						
Refined sugar	$ 97.5	$103.3	+ 6%	$177.7	$195.9	+10%
By-products and other	8.8	9.0	+ 3%	19.8	20.6	+ 4%

	$106.3	$112.3	+ 6%	$197.5	$216.5	+10%
Operating income	$ 8.1	$ 9.7	+21%	$ 14.2	$ 16.5	+16%
Operating income margin	7.6%	8.7%		7.2%	7.6%	
Percentage change in:						
Sugar sales volume			+ 6%			+11%
Average sugar sales price			+ 0%			- 1%

Average sugar selling prices during the first half of 1994 were comparable to the first half of last year and were up slightly from levels of late 1993. The U.S. government recently announced that there will be no marketing allotments for the crop year ending September 30, 1994, and sugar sales volume for the last half of 1994 is currently expected to approximate that of the last half of 1993. Sugar available for sale during the crop year beginning October 1, 1994 should be higher than last year due to a combination of the higher than normal level of sugar inventory to be carried over into the new crop year and a slightly larger crop to be harvested this fall.

Sugarbeet purchase cost is the largest cost component of producing refined sugar and the price Amalgamated pays for sugarbeets is, under the terms of its contracts with sugarbeet growers, a function of the average sugar selling price. As a result, changes in sugar selling prices impact costs as well as revenues. Amalgamated's cost of sales is determined under the last-in, first-out accounting method. Supplemental information comparing LIFO and FIFO sugar operating income and margins is presented below.

	Three months ended June 30, 1993 (In millions)	Three months ended June 30, 1994 (In millions)	% Change	Six months ended June 30, 1993 (In millions)	Six months ended June 30, 1994 (In millions)	% Change
Operating income:						
LIFO accounting method	$8.1	$9.7	+21%	$14.2	$16.5	+16%
FIFO accounting method	5.7	7.2	+28%	9.1	13.1	+44%
Operating income margin:						
LIFO accounting method	7.6%	8.7%		7.2%	7.6%	
FIFO accounting method	5.3%	6.5%		4.6%	6.1%	

The Company has tentatively agreed to sell its sugar business to a planned agricultural cooperative of its growers for $325 million cash. The transaction is subject to financing and other conditions and there can be no assurance that it will be consummated.

FOREST PRODUCTS

	Three months ended June 30, 1993 (In millions)	Three months ended June 30, 1994 (In millions)	% Change	Six months ended June 30, 1993 (In millions)	Six months ended June 30, 1994 (In millions)	% Change
Net sales:						
Medium density fiberboard	$27.9	$32.3	+16%	$53.2	$63.5	+ 19%
Solid wood products	16.4	21.3	+30%	31.3	30.5	- 3%
Eliminations	(.4)	(.2)		(1.0)	(.6)	
	$43.9	$53.4	+22%	$83.5	$93.4	+ 12%
Operating income:						
Medium density fiberboard	$ 3.8	$ 7.3	+91%	$ 5.6	$13.0	+133%
Solid wood products	3.6	4.3	+21%	7.2	3.7	- 48%
	$ 7.4	$11.6	+57%	$12.8	$16.7	+ 31%
Operating income margins:						
MDF	13.7%	22.7%		10.5%	20.5%	
Solid wood	21.5%	20.1%		22.9%	12.2%	
Total	16.8%	21.7%		15.3%	17.9%	

Medium density fiberboard. Higher volumes and prices both contributed to the significant improvements in MDF earnings and margins, with average first half selling prices up 14%. Sales of higher-priced specialty MDF products continued to increase and represented 29% of MDF sales dollars in the first half of 1994, up from 24% during the 1993 period.

Medite's primary strategic focus is to continue its expansion in the growing market for MDF, including further penetration of higher-margin specialty MDF markets. Medite's MDF plants are operating at a very high rate of capacity. The expanded Irish plant, which will increase Medite's total MDF capacity by about 25%, is expected to be operational by early 1995.

Solid wood products. Medite actively manages its timber resources and varies its manufacture of wood products such as lumber and veneer, and emphasizes or de-emphasizes the direct sale of logs, depending upon market conditions. Solid wood sales and earnings fluctuations were in large part a result of market-based volume decisions made by the Company, including (i) varying the volume of logs offered for sale (comparatively reduced during the first quarter and increased in the second quarter of 1994) and (ii) the curtailment of veneer and lumber production during a portion of the second quarter of 1994. Earnings in early 1993 were aided by higher volumes related to reductions in certain inventories following the closure of Medite's plywood operations in January 1993.

HARDWARE PRODUCTS

	Three months ended June 30,			Six months ended June 30,		
	1993	1994	% Change	1993	1994	% Change
	(In millions)			(In millions)		
Net sales	$16.0	$17.5	+10%	$30.4	$35.5	+17%
Operating income	3.9	5.0	+28%	7.0	10.1	+45%
Operating income margin	24.5%	28.6%		23.0%	28.4%	

Sales, operating income and margins all improved as volumes increased in each of the three major product lines (locks, drawer slides and computer keyboard support arms). National Cabinet Lock's major plants are operating at a high rate of current capacity.

FAST FOOD

	Three months ended June 30,			Six months ended June 30,		
	1993	1994	% Change	1993	1994	% Change
	(In millions)			(In millions)		
Net sales	$27.3	$27.6	+1%	$53.4	$54.3	+2%
Operating income	2.1	2.3	+8%	4.0	3.9	-2%
Operating income margin	7.9%	8.4%		7.5%	7.2%	
Arby's restaurants operated:						
At end of period	159	158		159	158	
Average during the period	160	157		160	157	

Fast food results improved during the second quarter (and were comparable to the first half of last year) despite fewer stores being operated. Comparable store sales have increased slightly during 1994 and new store sales have more than offset sales of stores closed. Year-to-date earnings comparisons were hampered by adverse winter weather during the first quarter of 1994.

OTHER

Business unit disposition. As previously reported, the gain in 1993 related to a change in estimate of the loss accrued in 1992 related to the closure of Medite's plywood operations.

General corporate items. Lower securities earnings in 1994 resulted primarily from a first quarter 1994 decline in the market value of fixed-income investments. General and other expenses were comparable as higher legal-related expenses offset lower environmental-related charges.

Interest expense. The previously-reported redemptions of Valhi's 121/2% Senior Subordinated Notes during 1993, funded in part using proceeds of lower-cost borrowings, was a principal reason for the 18% decline in year-to-date interest expense.

Approximately $137 million of subsidiary indebtedness bears interest at fixed rates averaging 9.2%. The average interest rate on floating rate subsidiary borrowings outstanding at June 30, 1994 was 5.3%. Periodic interest payments are not required on Valhi's 9.25% deferred coupon LYONs.

Provision for income taxes. See Note 12 to the Consolidated Financial Statements. Income tax rates vary by jurisdiction (country and/or state), and relative changes in the geographic source of the Company's pre-tax earnings can result in fluctuations in the Company's consolidated effective income tax rate.

UNCONSOLIDATED COMPANIES - NL AND TREMONT

The Company's equity in earnings (losses) of NL and Tremont is different than its percentage ownership in their separately-reported results due to amortization of accounting basis differences that generally reduce earnings, or increase losses, as reported by Valhi. The Company's loss attributable to affiliates in the 1993 six-month period also included an $84 million first quarter charge for an "other than temporary" decline in the market value of NL common stock. Under current accounting rules, a market value writedown of an investment accounted for by the equity method cannot be reversed if the market value of the stock subsequently recovers. At June 30, 1994, the Company's per share net carrying value of NL was $2.03 (market price - $8.50) and of Tremont was $2.84 (market price - $7.75).

The information included below related to NL and Tremont has been summarized from the separate reports filed with the Securities and Exchange Commission by NL (File No. 1-640) and Tremont (File No. 1-10126), which reports contain more detailed information concerning such companies, including financial statements and contingencies.

NL Industries. NL's chemical operations are conducted in two business segments, titanium dioxide pigments ("TiO2") conducted by Kronos and specialty chemicals conducted by Rheox. NL's return to profitability, and the timing thereof, are dependent in large part upon improved pricing for TiO2, NL's principal product. NL's results improved significantly during the first half of 1994, as discussed below, and it expects the impact of its recently announced TiO2 price increases will further improve operating income during the last half of the year.

	Three months ended June 30,			Six months ended June 30,		
	1993	1994	Change	1993	1994	Change
	(In millions, except percentages)					
Net sales:						
Kronos	$193.2	$206.4	+ 7%	$365.3	$380.7	+ 4%
Rheox	28.2	30.7	+ 9%	54.6	58.3	+ 7%
	$221.4	$237.1	+ 7%	$419.9	$439.0	+ 5%
Operating income:						
Kronos	$ 7.6	$ 17.6	+135%	$ 24.7	$ 33.1	+34%
Rheox	7.6	8.6	+ 12%	13.6	15.5	+14%

	15.2	26.2	+ 73%	38.3	48.6	+27%
General corporate items:						
Securities earnings	1.2	.7		4.2	.9	
Expenses, net	(13.4)	(17.7)		(22.0)	(18.5)	
Interest expense	(26.5)	(21.1)		(52.8)	(42.1)	
	(23.5)	(11.9)	$11.6	(32.3)	(11.1)	$21.2
Income tax expense	(4.3)	(3.4)		(8.9)	(10.3)	
Minority interest	(.2)	(.2)		(.3)	(.5)	
Net loss	$(28.0)	$(15.5)	$12.5	$(41.5)	$(21.9)	$19.6
Valhi's equity in NL's losses, including amortization of basis differences (*)	$(16.0)	$ (9.9)	$ 6.1	$(25.5)	$(15.3)	$10.2

[FN]
(*) Excludes market value impairment provision in the first quarter of 1993. See Note 2 to the Consolidated Financial Statements.

Kronos' operating income increased due to higher TiO2 sales volumes, slightly lower per unit operating costs and technology fee income. Primarily as a result of improved pricing in Europe, Kronos' average TiO2 selling prices in the first half of 1994 approximated both first half and full year 1993 averages. Rheox's operating results improved primarily as a result of higher sales volume and lower operating costs.

Year-to-date corporate expenses, net were lower as a $20 million gain related to the first quarter 1994 settlement of NL's lawsuit against Lockheed Corporation was partially offset by increased provisions for environmental remediation and other costs. Interest expense declined due to lower debt and lower interest rates on Deutsche mark denominated debt, partially offset by the higher interest rates on NL's Senior Notes issued in October 1993.

NL's operations are conducted on a worldwide basis. In both 1993 and 1994, NL's income tax expense was impacted by losses in certain countries for which no current refund is available and for which NL believes recognition of a deferred tax asset is not currently appropriate.

Tremont Corporation. Tremont's titanium metals operations are conducted through its 75%-owned TIMET subsidiary. Tremont also holds approximately 18% of NL's outstanding common stock and reports its interest in NL by the equity method. As a result, Tremont's overall results are significantly impacted by NL's results. Tremont has reported significant losses in the past two years and expects to report a net loss in 1994. As previously reported, the titanium metals business has been adversely affected by, among other things, excess worldwide production capacity and changes in market conditions, including weak demand in aerospace markets and availability of relatively inexpensive products from Russia. TIMET's focus continues to be on improving manufacturing processes, reducing overall costs, developing new markets and evaluating strategic opportunities, including acquisitions and joint ventures, as part of its efforts to return to profitability.

	Three months ended June 30,			Six months ended June 30,		
	1993	1994	Change	1993	1994	Change
	(In millions, except percentages)					
Net sales	$ 39.7	$ 37.5	-5%	$ 79.3	$ 78.4	-1%
Operating income (loss)	$ .3	$ (2.2)	$ (2.5)	$ (1.3)	$ (4.0)	$ (2.7)
General corporate items, net	5.1	(1.7)		4.8	(2.1)	
Interest expense	(1.3)	(1.3)		(2.0)	(2.5)	
	4.1	(5.2)	(9.3)	1.5	(8.6)	(10.1)
Equity in loss of NL:						
Equity in NL's loss	(5.7)	(3.6)		(9.1)	(5.5)	
Provision for market value impairment	-	-		(29.0)	-	
	(5.7)	(3.6)	2.1	(38.1)	(5.5)	32.6
Loss before income taxes	(1.6)	(8.8)		(36.6)	(14.1)	
Income tax benefit (expense)	(.4)	-		.4	(.2)	

Minority interest	-	1.0		-	1.8	
Loss from continuing operations	(2.0)	(7.8)	(5.8)	(36.2)	(12.5)	23.7
Other, net	.2	-		.3	(.8)	
Net loss	$ (1.8)	$ (7.8)	$ (6.0)	$(35.9)	$(13.3)	$ 22.6
Valhi's equity in Tremont's losses, including amortization of basis differences (*)	$ (3.1)	$ (3.4)	$ (.3)	$ (5.2)	$ (5.6)	$ (.4)

[FN]
* Excludes Valhi's $14 million share of Tremont's first quarter 1993 market value impairment provision, which equity is reported as a component of Valhi's $84 million impairment charge related to NL. See Note 2 to the Consolidated Financial Statements.

TIMET's 1994 sales were slightly lower than in the comparable 1993 periods as changes in product mix toward higher priced industrial products partially offset the impact of lower average prices and a 5% decline in year-to-date volume. The majority of TIMET's sales continue to be to aerospace markets, where volume remains depressed. Higher production costs, in part due to certain mechanical difficulties at the Henderson, Nevada plant, also contributed to the increased operating losses.

The previously-reported strike at TIMET's Nevada plant ended in July 1994, with the union accepting TIMET's last contract proposal. TIMET and union employees at its Toronto, Ohio plant were unable to reach an agreement before the existing contract expired July 31, 1994 and approximately 325 union employees commenced a work stoppage. TIMET is continuing production in Ohio through use of salaried personnel, contract labor and outside processors. At this time, TIMET is unable to estimate the impact the strike may have on its future operating results and liquidity.

General corporate items, net in the 1993 periods include a $5.5 million gain from the sale of Tremont's interest in a gold mining venture. In both 1993 and 1994, Tremont's income tax provision was impacted by losses, including amounts related to NL, for which no benefit is currently available and for which Tremont believes recognition of a deferred tax asset is not currently appropriate.

LIQUIDITY AND CAPITAL RESOURCES:

CONSOLIDATED CASH FLOWS

Operating activities. Changes in working capital levels result primarily from the timing of production, sales and purchases, including, among other things, significant seasonal fluctuations related to Amalgamated's refined sugar operations as discussed below. Net changes in assets and liabilities accounted for approximately $20 million of the comparative increase in operating cash flow. Valhi's LYONs do not require current cash debt service, resulting in cash interest payments being lower than aggregate interest expense.

Investing and financing activities. The higher levels of capital expenditures in 1994 relate principally to capacity projects, including productivity-enhancing equipment at Amalgamated, Medite's Irish MDF plant expansion and Sybra's new restaurants. The Company's total capital expenditures for the last half of the year are estimated at approximately $24 million, including $11 million to substantially complete Medite's Irish MDF plant expansion. Such capital expenditures are expected to be financed primarily from operations or existing credit facilities.

Net sales of securities and net repayments of debt in the 1993 six-month period relate principally to Valhi's redemption of $100 million principal amount of 121/2% Notes in February 1993.

At June 30, 1994, unused revolving credit available to the Company's subsidiaries aggregated $62 million. In addition, (i) Medite has term loan availability to finance 75% of the remaining cost of its Irish medium density fiberboard plant expansion and (ii) Amalgamated has $17 million of term loan availability to complete certain capital projects. Sybra's $20 million revolving bank credit agreement was recently extended one year to July 1996.

CONSOLIDATED COMPANIES

Refined Sugar. Amalgamated's cash requirements are seasonal in that a major portion of the total payments for sugarbeets is made, and the costs of processing the sugarbeets are incurred, in the fall and winter of each year. Accordingly, Amalgamated's operating activities use significant amounts of cash in the first and fourth calendar quarters and provide significant cash flow in the second and third quarters of each year. To meet its seasonal cash needs, Amalgamated obtains short-term borrowings pursuant to the Government's sugar price support loan program and bank credit facilities. Borrowings under the Government loan program are secured by refined sugar inventory and are otherwise nonrecourse to Amalgamated. At June 30, 1994, refined sugar inventory with a LIFO carrying value of approximately $54 million (15.89 cents per pound) was the sole collateral for $71 million nonrecourse Government loans.

Forest Products. As discussed above, the in-process expansion of the Medite Irish MDF plant will increase plant capacity by approximately 75% and increase its worldwide MDF production capacity approximately 25%.

In the solid wood portion of Medite's business, new Riparian Rights Laws in Oregon restricting timber harvest in certain areas become effective September 1, 1994. These new laws are currently expected to impact between 15 million and 20 million board feet of company-owned merchantable timber. This amounts to less than 3% of Medite's fee timber, and only a relatively small portion of the effected timber is expected to be permanently lost to harvest.

Hardware Products. The Company continues to explore ways to expand this high-margin business segment.

Fast Food. Sybra opened three new Arby's restaurants during the first half of 1994, opened one new store in July and expects to open three more restaurants later this year. Sybra continually evaluates the profitability of its individual restaurants, and in this regard closed five stores early in 1994 and may close two or three additional stores later in the year.

The terms of Sybra's Consolidated Development Agreement with Arby's, Inc. were amended in May 1994. Under the revised agreement, Sybra retains its exclusive development rights in the Dallas/Fort Worth area, Sybra and Arby's now have joint development rights in the Tampa area, and Sybra's required new store opening schedule was modified. The new schedule requires Sybra to open four stores during the last half of 1994, eight more in 1995 and an additional 13 stores by various dates through 1997. Sybra currently anticipates that its expansion program will meet or exceed this schedule.

General corporate. Valhi's operations are conducted through its wholly-owned subsidiaries (Amalgamated and Valcor) and through NL and Tremont, publicly-held affiliates which Valhi may be deemed to control. Valcor is an intermediate parent company with operations conducted through its wholly-owned subsidiaries (Medite, National Cabinet Lock and Sybra). Accordingly, Valhi's and Valcor's long-term ability to meet their respective corporate obligations is dependent in large measure on the receipt of dividends or other distributions from their respective subsidiaries, the realization of their investments through the sale of interests in such entities and investment income. Various credit agreements to which subsidiaries are parties contain customary limitations on the payment of dividends, typically a percentage of net income or cash flow; however, such restrictions have not significantly impacted the Company's ability to service parent company level obligations. Valhi has not guaranteed any indebtedness of its subsidiaries or of NL or Tremont, and Valcor has not guaranteed any indebtedness of its subsidiaries.

Valhi owns 5.5 million shares of Dresser common stock, which shares are held in escrow for the benefit of holders of the LYONs. Valhi receives the quarterly dividends on the escrowed shares, currently $.17 per share. The LYONs are exchangeable, at the option of the holder, for the Dresser shares owned by

Valhi. Exchanges of LYONs for Dresser stock would result in the Company reporting income related to the disposition of the Dresser stock for both financial reporting and income tax purposes, although no cash proceeds would be generated by such exchanges.

The Company has tentatively agreed to sell Amalgamated's sugar business, for $325 million cash, to a planned agricultural cooperative comprised of sugarbeet growers in Amalgamated's area of operation. The proposed transaction is subject to significant conditions, including financing, grower commitments and execution of a definitive purchase agreement, and no assurance can be given that the transaction will be consummated. The net proceeds from the proposed sale, if completed, would be available for general corporate purposes, including expansion of Valhi's other businesses.

The Company routinely compares its liquidity requirements and alternative uses of capital against the estimated future cash flows to be received from its subsidiaries and affiliates, and the estimated sales value of those units. As a result of this process, the Company has in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, modify its dividend policy, consider the sale of interests in subsidiaries or affiliates, business units, marketable securities or other assets, or take a combination of such steps or other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies. From time to time, the Company also evaluates the restructuring of ownership interests among its subsidiaries and related companies. The Company routinely evaluates acquisitions of interests in, or combinations with, companies, including related companies, perceived by management to be undervalued in the marketplace. These companies may or may not be engaged in businesses related to the Company's current businesses. The Company intends to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing the indebtedness of the Company, its subsidiaries and related companies.

UNCONSOLIDATED COMPANIES - NL AND TREMONT

Summarized balance sheet, cash flow and other information of NL and Tremont is presented below.

	NL INDUSTRIES		TREMONT CORPORATION	
	DEC. 31, 1993	JUNE 30, 1994	DEC. 31, 1993	JUNE 30, 1994
	(IN MILLIONS)			
Cash, equivalents and securities	$ 147.6	$ 161.4	$ 20.3	$ 14.6
Inventories	194.2	179.1	52.6	50.0
Receivables and other current assets	125.7	184.7	41.1	44.0
Noncurrent securities	18.4	19.4	7.7	7.3
Investment in NL	-	-	22.3	18.6
Investment in joint ventures	190.8	188.5	13.6	15.1
Other noncurrent assets	151.2	82.1	18.3	16.6
Property and equipment, net	378.6	399.6	147.3	145.3
	$1,206.5	$1,214.8	$323.2	$311.5
Current liabilities	$ 232.5	$ 242.4	$ 66.0	$ 52.2
Long-term debt	835.2	797.5	43.5	54.0
Accrued OPEB cost	68.3	66.8	51.7	51.6
Accrued pension cost	72.6	76.4	.2	.6
Deferred income taxes	139.0	193.0	-	-
Other noncurrent liabilities	121.3	130.0	16.2	21.0
Minority interest	2.4	2.7	27.2	25.3
Stockholders' equity (deficit):				
Capital and retained earnings	(143.4)	(164.0)	126.7	113.8
Adjustments, principally currency translation	(121.4)	(130.0)	(8.3)	(7.0)
	(264.8)	(294.0)	118.4	106.8
	$1,206.5	$1,214.8	$323.2	$311.5

	SIX MONTHS ENDED JUNE 30,			
	NL		TREMONT	
	1993	1994	1993	1994
	(IN MILLIONS)			
Net cash provided (used) by:				
Operating activities	$(34.9)	$111.6	$ 3.4	$ (7.3)
Investing activities:				
Capital expenditures	(20.0)	(16.6)	(12.0)	(2.6)
Other, net	57.3	3.0	6.0	.3
Financing activities:				
Net borrowings (repayments)	(16.3)	(72.9)	(2.7)	5.4
Other	-	(.9)	.1	.4
	$(13.9)	$ 24.2	$ (5.2)	$ (3.8)
Cash, equivalents and securities at end of period	$119.1	$161.4	$ 8.6	$ 14.6
Cash paid for:				
Interest, net of amount capitalized	$ 53.5	$ 35.1	$ -	$ 2.9
Income taxes (received)	4.8	(95.1)	(2.8)	.1

NL and Tremont periodically evaluate their respective liquidity requirements, capital needs and availability of resources in view of, among other things, debt service requirements, capital expenditure requirements and estimated future operating cash flows. As a result of this process, such companies may seek to raise additional capital, restructure ownership interests, refinance or restructure indebtedness, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to increase their respective liquidity and capital resources. Such activities have in the past and may in the future involve related companies.

NL Industries. The TiO_2 industry is cyclical. In the past few years, during the down cycle since the previous peak in TiO_2 selling prices in early 1990, NL's operations have used significant amounts of cash. Receipt of the tentative German income tax refunds during the second quarter of 1994, discussed below, significantly increased NL's cash flow from operating activities for the first half of 1994 and was a significant factor in NL's improved liquidity. Excluding the effects of the tentative tax refunds, NL's operations used cash but at a significantly lower rate than last year. NL has taken and continues to take measures to manage its near-term and long-term liquidity requirements, including cost reduction efforts, tightening of controls over working capital and the previously-reported formation of a TiO_2 manufacturing joint venture and refinancing of certain debt in 1993. NL currently expects to have sufficient liquidity to meet its obligations including operations, capital expenditures and debt service.

Certain of NL's U.S. and non-U.S. income tax returns, including Germany, are being examined and tax authorities have or may propose tax deficiencies. During the second quarter of 1994, the German tax authorities withdrew certain tax assessment reports and remitted tax refunds aggregating DM 185 million ($112 million), including interest, on a tentative basis. NL applied DM 143 million of the tentative tax refund to reduce outstanding borrowings under its DM revolving bank credit facility. Examination of NL's German income tax returns continues. NL understands the German tax authorities intend to remit additional tentative tax refunds aggregating DM 35 million and issue new assessment reports proposing tax deficiencies. NL expects to apply the additional tentative tax refunds to reduce outstanding borrowings under its DM revolving bank credit facility. NL has granted a DM 100 million ($63 million) lien on its Nordenham, Germany TiO_2 plant until any future assessment reports proposing tax deficiencies are resolved. The timing of receipt of any additional tentative tax refunds and the timing and amount of new assessments proposing tax

deficiencies remains uncertain. NL believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations.

NL has been named as a defendant, potentially responsible party, or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites currently or formerly owned, operated or used by NL, many of which disposal sites or facilities are on the U.S. Environmental Protection Agency's Superfund National Priorities List or similar state lists. NL believes it has provided adequate accruals ($87 million at June 30, 1994) for reasonably estimable costs of such matters, and has estimated that the upper end of the range of reasonably possible costs to NL for sites for which it is possible to estimate costs is approximately $136 million. NL is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints. Based on, among other things, the results of such litigation to date, NL believes that the pending lead pigment litigation is without merit and has not accrued any amounts for the pending lead pigment litigation. NL currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on NL's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed at the state, local and federal levels that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and effectively overturn court decisions in which NL and other pigment manufacturers have been successful.

Tremont Corporation. Tremont, with its 75% equity interest in TIMET and 18% equity interest in NL, is principally a holding company. NL discontinued dividends in 1992 and provisions of TIMET's bank credit agreement do not currently permit dividend payments. At June 30, 1994, Tremont had parent-level cash, equivalents and marketable securities of approximately $11 million and believes it will have sufficient liquidity to meet its existing near-term parent company obligations. At June 30, 1994, Tremont's per share net carrying value of its investment in NL was $2.05 (market price - $8.50).

During the past few years, TIMET's combined operations, capital expenditures and debt service have consumed significant amounts of cash, including approximately $10 million used by such items in the first half of 1994. At June 30, 1994, TIMET had approximately $4 million of cash and $11 million of borrowing availability under its bank credit agreement. Borrowings under this agreement are collateralized by substantially all of TIMET's assets and the agreement, among other things, limits TIMET's additional indebtedness.

TIMET has taken and continues to take measures to manage its near-term and long-term liquidity requirements including, among other things, the previously-reported refinancing of certain debt in April 1994, continued cost reduction efforts, deferral and reduction of capital expenditures, sale of certain assets, deferral of certain payments and other efforts to reduce the level of working capital. Although TIMET has taken steps to reduce inventories, such measures have not yet resulted in significantly lower inventory levels due to work stoppages and certain mechanical difficulties. TIMET is continuing modifications at its Nevada plant to bring its processing reliability to acceptable levels. It is also continuing production at its Ohio plant during the current union work stoppage through the use of salaried personnel, contract labor and outside processors. TIMET believes these measures, if successful, will provide it with the liquidity to meet its near-term obligations. However, the continued consumption of cash would have a further adverse effect on TIMET's liquidity and financial condition and TIMET is unable to estimate, at this time, the impact the Ohio strike may have on its future operations and cash flow. Neither Tremont nor TIMET's other 25% shareholder (Union Titanium Sponge Corporation or "UTSC") have guaranteed any TIMET debt nor are they obligated to provide additional funds to TIMET. Tremont has, however, agreed to purchase

from UTSC, under certain conditions, TIMET's debt owed to UTSC ($6 million at June 30, 1994).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to the 1993 Annual Report and the March 31, 1994 Form 10-Q for descriptions of certain legal proceedings.

Valhi and consolidated subsidiaries

Discovery is proceeding in the previously-reported matter of Alan Russell Kahn v. Tremont Corporation, et al.

In the previously-reported matter Holland, et al v. Valhi, Inc., et al. (No. 87-C-9686), the United States Court of Appeals for the Tenth Circuit has denied the plaintiffs' and defendants' motions requesting the full Court to rehear the matter previously ruled upon by a Panel of the Court. The Company believes it has adequately accrued for the estimated effect of the ultimate resolution of this matter, as well as for a similar previously-reported pending matter, American Federation of Grain Millers International, et al. v. Valhi, Inc. et al. (No. 29-NC-1298).

NL Industries

Information called for by this Item regarding NL's legal proceedings is incorporated herein by reference to Part II, Item 1 -- "Legal Proceedings" of NL's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, attached hereto as Exhibit 99.1.

Tremont Corporation

Information called for by this Item regarding Tremont's legal proceedings is incorporated herein by reference to Part II, Item 1 -- "Legal Proceedings" of Tremont's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, attached hereto as Exhibit 99.2.

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

Valhi's 1994 Annual Meeting of Stockholders was held on May 12, 1994. Arthur H. Bilger, Norman S. Edelcup, Robert J. Frame, Glenn R. Simmons, Harold C. Simmons, Michael A. Snetzer and J. Walter Tucker, Jr. were reelected as directors, each receiving votes "For" their election of approximately 96.7% of the 115.0 million common shares eligible to vote at the Annual Meeting. In addition, an amendment to the Valhi, Inc. 1987 Stock Option - Stock Appreciation Rights Plan was approved by approximately 96.3% of such eligible common shares.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

10.1 - Letter amendment dated May 26, 1994 to the Consolidated Development Agreement dated August 31, 1992 between Arby's, Inc. and Sybra, Inc. - incorporated by reference to Exhibit 10.1 of Valcor's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (File No. 33-63044).

99.1 - Part II, Item 1 of NL's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (File No. 1-640).

99.2 - Part II, Item 1 of Tremont's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (File No. 1-10126).

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 1994 and the month of July 1994:

April 11, 1994 - Reported Items 5 and 7.
April 27, 1994 - Reported Items 5 and 7.
May 12, 1994 - Reported Items 5 and 7.
May 17, 1994 - Reported Items 5 and 7.

July 1, 1994 - Reported Items 5 and 7.
July 6, 1994 - Reported Items 5 and 7.
July 20, 1994 - Reported Items 5 and 7.
July 28, 1994 - Reported Items 5 and 7.

SIGNATURES

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

VALHI, INC.
(Registrant)

Date August 5, 1994

By /s/ William C. Timm
William C. Timm
Vice President - Finance and Treasurer
(Principal Financial Officer)

Date August 5, 1994

By /s/ J. Thomas Montgomery, Jr.
J. Thomas Montgomery, Jr.
Vice President and Controller
(Principal Accounting Officer)

SIGNATURES

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

VALHI, INC.
(Registrant)

Date August 5, 1994

By
William C. Timm
Vice President - Finance and Treasurer
(Principal Financial Officer)

Date August 5, 1994

By
J. Thomas Montgomery, Jr.
Vice President and Controller
(Principal Accounting Officer)

Exhibit 99.1 - Part II, Item 1 of NL's Quarterly Report on Form 10-Q for the Quarter ended June 30, 1994 (File No. 1-640).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1993 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 for descriptions of certain previously-reported legal proceedings.

Coren, et al. v. Cardoza v. Sherwin-Williams, et al. and Pacheco, et al. v. Ortiz v. The Sherwin-Williams Company, et al. In May 1994, joint stipulations of dismissal without prejudice were filed by the third-party plaintiff and the third-party defendants (including the Company) in each of these previously-reported cases.

Barros v. Pires v. Sherwin-Williams Co., et al. In May 1994, the third-party plaintiffs withdrew their motion for reconsideration or reversal of the court's previous decision dismissing the third-party defendants, including the Company.

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. In May 1994, the trial court granted the defendants' motion to dismiss the plaintiffs' restitution and indemnification claims. The plaintiffs filed a notice of appeal.

Skipworth v. Sherwin-Williams Co., et al. In June 1994, the plaintiffs appealed the trial court's decision dismissing the plaintiffs' case with prejudice.

NL Industries, Inc. v. Commercial Union Insurance Cos., et al. In July 1994, the court entered judgment on the previously-reported order requiring Commercial Union to pay previously-incurred Company costs in defending two lead pigment cases. The defendant's time to appeal has not yet expired.

Wagner, et al. v. Anzon and NL Industries, Inc. Defendants' motion for summary judgment was denied; trial remains set for September 1994.

United States of America v. Peter Gull and NL Industries, Inc. In June 1994, both the Company and the U.S. Environmental Protection Agency (the "U.S. EPA") appealed the previously-reported judgment.

Pedricktown. In July 1994, the U.S. EPA selected a remediation plan for the remaining clean-up of operable unit one which the U.S. EPA estimates will cost $18.7 million to complete. No agreement regarding the allocation of such costs among the potentially responsible parties has been reached.

Dallas Smelter. The Texas Natural Resource Commission has filed a report and petition against the Company and Mainland Land and Equipment ("Mainland") seeking approximately $.2 million in penalties and implementation of a site investigation plan in connection with the Company's former smelter in Dallas, Texas. The report and petition alleges that the Company and Mainland are responsible for the discharge of pollutants and for the failure to undertake actions to abate and remove the discharge of pollutants. The Company has filed an answer denying the allegations and has requested a hearing.

Day, et al. v. NLO, Inc., et al. In July 1994, the parties reached a settlement agreement pursuant to which the Department of Energy would pay all costs of the settlement, the plaintiffs' case would be dismissed, and the

Company and NLO would be released and dismissed. The settlement is subject to final court approval.

Exhibit 99.2 - Part II, Item 1 of Tremont's Quarterly Report on Form 10-Q for the Quarter ended June 30, 1994 (File No. 1-10126).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1993 Annual Report and the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1994 for descriptions of certain legal proceedings.

Tremont and consolidated subsidiaries

Discovery is proceeding in the previously-reported matter of Alan Russell Kahn v. Tremont Corporation, et al.