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, 1998 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: (972) 233-1700

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

YES X NO

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON JULY 31, 1998: 114,457,014.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	DECEMBER 31, 1997	JUNE 30, 1998
Current assets:		
Cash and cash equivalents	$ 360,369	$ 432,950
Accounts and other receivables	172,378	196,998
Refundable income taxes	1,941	6,382
Receivable from affiliates	104	9,258
Inventories	204,718	185,841
Prepaid expenses	3,607	5,973
Deferred income taxes	7,541	5,031
Total current assets	750,658	842,433
Other assets:		
Marketable securities	273,616	271,333
Investment in and advances to affiliates	192,239	365,461
Loans and notes receivable	82,556	82,432
Mining properties	30,363	14,612
Prepaid pension cost	24,111	24,072
Goodwill	256,539	253,768
Deferred income taxes	110	-
Other	26,267	24,670
Total other assets	885,801	1,036,348
Property and equipment:		
Land	17,100	15,380
Buildings	145,599	141,081
Equipment	506,402	474,768
Construction in progress	3,284	8,431
	672,385	639,660
Less accumulated depreciation	130,731	136,271
Net property and equipment	541,654	503,389

	$2,178,113	$2,382,170

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1997	JUNE 30, 1998
Current liabilities:		
Notes payable	$ 13,968	$ 33,680
Current long-term debt	76,854	192,119
Accounts payable	71,559	61,475
Accrued liabilities	114,721	132,101
Payable to affiliates	30,996	10,985
Income taxes	15,103	28,848
Deferred income taxes	891	607
Total current liabilities	324,092	459,815
Noncurrent liabilities:		
Long-term debt	1,008,087	672,948
Accrued pension cost	45,641	41,491
Accrued OPEB cost	51,273	45,079
Accrued environmental costs	128,246	112,998
Deferred income taxes	207,403	342,420
Other	28,180	43,491
Total noncurrent liabilities	1,468,830	1,258,427
Minority interest	257	92,116
Stockholders' equity:		
Common stock	1,253	1,254
Additional paid-in capital	38,355	42,268
Retained earnings	315,977	505,713
Accumulated other comprehensive income:		
Marketable securities	127,731	125,843
Currency translation	(24,440)	(26,487)
Pension liabilities	(2,533)	(1,520)
Treasury stock	(71,409)	(75,259)
Total stockholders' equity	384,934	571,812
	$2,178,113	$2,382,170

Commitments and contingencies (Note 1)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
Revenues and other income:				
Net sales	$280,221	$281,333	$545,526	$548,721
Gain on:				
Disposal of business unit	-	-	-	330,217
Reduction in interest in CompX	-	-	-	67,902
Other, net	23,276	29,570	39,977	50,198
	303,497	310,903	585,503	997,038
Costs and expenses:				
Cost of sales	212,264	196,131	417,031	383,710
Selling, general and administrative	52,034	74,745	129,686	123,922
Interest	30,614	23,434	61,273	48,884
	294,912	294,310	607,990	556,516
	8,585	16,593	(22,487)	440,522
Equity in losses of Waste Contro Specialists	(2,724)	(3,675)	(5,482)	(6,846)
Income (loss) before income taxes	5,861	12,918	(27,969)	433,676
Provision for income taxes (benefit)	3,205	2,736	(7,493)	184,377
Minority interest in after-tax earnings	20	12,225	28	46,675
Income (loss) from continuin operations	2,636	(2,043)	(20,504)	202,624
Discontinued operations	19,742	-	35,413	-
Extraordinary item	(394)	(54)	(394)	(1,323)
Net income (loss)	$ 21,984	$ (2,097)	$ 14,515	$201,301

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998

Basic earnings per share:				
Continuing operations	$ .02	$ .02	$ (.18)	$ 1.76
Discontinued operations	.17	-	.31	-
Extraordinary item	-	-	-	(.01)
Net income (loss)	$ .19	$ (.02)	$ .13	$ 1.75
Diluted earnings per share:				
Continuing operations	$ .02	$ (.02)	$ (.18)	$ 1.75
Discontinued operations	.17	-	.31	-
Extraordinary item	-	-	-	(.01)
Net income (loss)	$ .19	$ (.02)	$ .13	$ 1.74
Cash dividends per share	$ .05	$ .05	$ .10	$ .10
Shares used in the calculation of earnings per share:				
Basic earnings per share	115,012	114,951	114,902	115,043
Dilutive impact of stock options	858	-	-	967
Diluted earnings per share	115,870	114,951	114,902	116,010

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Net income	$14,515	$201,301
Other comprehensive income, net of tax:		
Marketable securities adjustment:		
Unrealized gains arising during the period	84,417	3,249
Less reclassification for gains included in net income	(108)	(5,137)

	84,309	(1,888)
Currency translation adjustment	(10,824)	(2,047)
Pension liabilities adjustment	-	1,013
Total other comprehensive income, net	73,485	(2,922)
Comprehensive income	$88,000	$198,379

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1998

(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 1997	$1,253	$38,355	$315,977
Net income	-	-	201,301
Other comprehensive income, net	-	-	-
Dividends	-	-	(11,565)
Common stock reacquired	-	-	-
Other, net	1	3,913	-
Balance at June 30, 1998	$1,254	$42,268	$505,713

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1998

(IN THOUSANDS)

	ACCUMULATED OTHER COMPREHENSIVE INCOME				TOTAL
	MARKETABLE SECURITIES	CURRENCY TRANSLATION	PENSION LIABILITIES	TREASURY STOCK	STOCKHOLDERS' EQUITY
Balance at December 31, 1997	$127,731	$(24,440)	$(2,533)	$(71,409)	$384,934
Net income	-	-	-	-	201,301
Other comprehensive income, net	(1,888)	(2,047)	1,013	-	(2,922)
Dividends	-	-	-	-	(11,565)
Common stock reacquired	-	-	-	(3,692)	(3,692)
Other, net	-	-	-	(158)	3,756

Balance at June 30, 1998	$125,843	$(26,487)	$(1,520)	$(75,259)	$571,812

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Cash flows from operating activities:		
Net income	$ 14,515	$ 201,301
Depreciation, depletion and amortization	31,482	29,027
Noncash interest expense	18,245	15,873
Gain on:		
Disposal of business unit	-	(330,217)
Reduction in interest in CompX	-	(67,902)
Change in accounting principle	30,000	-
Deferred income taxes	(13,403)	138,212
Minority interest	28	46,675
Other, net	(7,391)	(8,790)
Equity in:		
Waste Control Specialists	5,482	6,846
Discontinued operations	(35,413)	-
	43,545	31,025
Discontinued operations, net	(40,078)	-
Change in assets and liabilities:		
Accounts and notes receivable	(41,392)	(46,332)
Inventories	30,055	12
Accounts payable and accrued liabilities	(1,971)	3,521
Accounts with affiliates	9,879	(28,577)
Income taxes	8,189	16,563
Other, net	(4,500)	9,531
Net cash provided (used) by operating activities	3,727	(14,257)
Cash flows from investing activities:		
Capital expenditures	(18,750)	(12,130)
Purchases of:		
Tremont common stock	-	(172,587)
NL common stock	-	(7,955)
Marketable securities	(6,000)	(3,766)
Business unit	-	(33,234)
Investment in Waste Control Specialists	(3,000)	(10,000)
Proceeds from disposal of:		
Business unit	-	435,080
Marketable securities	-	6,875
Loans to affiliates:		
Loans	(42,100)	(119,250)
Collections	18,100	120,250
Other loans and notes receivable:		
Loans	(200,600)	-
Collections	112,411	-
Pre-close dividend from Amalgamated Sugar Company	11,518	-
Discontinued operations, net	88,662	-
Other, net	6,417	261

Net cash provided (used) by investing activities	(33,342)	203,544

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 390,000	$ 30,728
Principal payments	(221,682)	(234,249)
Deferred financing costs paid	(3,931)	(220)
Proceeds from issuance of CompX common stock	-	110,378
Repayment of loan from affiliate	(7,244)	-
Valhi dividends paid	(11,564)	(11,565)
Common stock reacquired	-	(3,692)
Discontinued operations, net	22,372	-
Other, net	2,580	814
Net cash provided (used) by financing activities	170,531	(107,806)
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	140,916	81,481
Currency translation	(1,979)	(1,270)
Business unit sold	-	(7,630)
Cash and equivalents at beginning of period	255,679	360,369
Cash and equivalents at end of period	$ 394,616	$ 432,950
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	$ 43,860	$ 33,469
Income taxes, net	33,098	64,944
Business unit acquired - net assets consolidated:		
Cash and cash equivalents	$ -	$ -
Goodwill	-	20,113
Other intangible assets	-	3,148
Other non-cash assets	-	17,782
Liabilities	-	(7,809)
Cash paid	$ -	$ 33,234

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, 1997 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1998 and the consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the interim periods ended June 30, 1997 and 1998 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, 1997 (the "1997 Annual Report").

The results of the Company's former building products and fast food operations are presented as discontinued operations. See Note 14. The extraordinary item, stated net of allocable income tax benefit and minority interest, relates to the prepayment of certain indebtedness at 58%-owned NL Industries.

Basic earnings per share of common stock is based upon the weighted average number of common shares actually outstanding during each period. Diluted earnings per share of common stock includes the impact of outstanding dilutive stock options.

In January 1998, the Company's board of directors authorized the Company to purchase up to 2 million shares of its common stock in open market or privately-negotiated transactions over an unspecified period of time. As of June 30, 1998, the Company had purchased approximately 383,000 shares for an aggregate of $3.7 million pursuant to such authorization. Other commitments and contingencies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Legal Proceedings" and the 1997 Annual Report.

Contran Corporation holds, directly or through subsidiaries, approximately 92% 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 sole trustee. Mr. Simmons, the Chairman of the Board and Chief Executive Officer of Valhi and Contran, may be deemed to control such companies.

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, no later than the first quarter of 2000. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives will be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative. The Company is currently studying this newly-issued accounting rule, and the impact of adopting SFAS No. 133, if any, has not yet been determined but will be dependent upon the extent to which the Company is a party to derivative contracts or hedging activities at the time of adoption.

NOTE 2 - BUSINESS SEGMENT INFORMATION:

OPERATIONS	PRINCIPAL ENTITIES	% OWNED AT JUNE 30, 1998
Chemicals	NL Industries, Inc.	58%
Component products	CompX International Inc.	62%
Waste management	Waste Control Specialists	64%
Titanium metals	Tremont Corporation	48%

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
		(IN MILLIONS)		
Net sales:				
Chemicals	$252.7	$241.6	$492.2	$476.9
Component products	27.5	39.7	53.3	71.8
	$280.2	$281.3	$545.5	$548.7
Operating income:				
Chemicals	$ 23.9	$ 42.0	$ 37.4	$ 79.4
Component products	6.9	9.1	13.2	13.4
	30.8	51.1	50.6	92.8
Gain on:				
Disposal of business unit	-	-	-	330.2
Reduction in interest in CompX	-	-	-	67.9
General corporate items:				
Securities transactions	.1	7.8	.2	7.9
Interest and dividend income	16.5	17.5		
Expenses, net	(8.2)	(36.3)	(43.1)	(44.1)
Interest expense	(30.6)	(23.5)	(61.3)	(48.9)
	8.6	16.6	(22.5)	440.5
Equity in losses of Waste Control Specialists	(2.8)	(3.6)	(5.5)	(6.8)
Income (loss) before income taxes	$ 5.8	$ 13.0	$(28.0)	$433.7

NL Industries. In January 1998, NL sold its specialty chemicals business unit conducted by its subsidiary Rheox, Inc. See Note 12. NL's remaining chemicals operations are conducted through its subsidiary Kronos, Inc. (titanium dioxide pigments or "TiO2"). In July 1998, NL reached an agreement to acquire certain operations of a TiO2 competitor, including the other 50% interest in NL's TiO2 manufacturing joint venture. Completion of the transaction is subject to certain conditions. See Note 5 and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CompX. The Company's component products subsidiary (CompX) is owned by Valcor, Inc., a wholly-owned subsidiary of Valhi. In March 1998, CompX completed an initial public offering of shares of its common stock which, along with the award of certain shares of its common stock in connection with the offering, reduced the Company's ownership interest in CompX to 62%. See Note 13. In March 1998, CompX completed the acquisition of a lock competitor for approximately $33 million cash consideration. Such acquisition was accounted for by the purchase method.

Waste Control Specialists. The Company has not consolidated its majority-owned subsidiary, Waste Control Specialists, because the Company is not deemed to control Waste Control Specialists. See the 1997 Annual Report. In April 1998, Valhi contributed $10 million to Waste Control Specialists' equity, thereby increasing its membership interest to 64%. Approximately $7 million of such contribution was used by Waste Control Specialists to reduce the outstanding balance of its revolving borrowings from the Company. The Company also holds an option to make an additional $10 million equity contribution to Waste Control Specialists which, if contributed, would increase its membership interest to approximately 69%. See Note 5.

Tremont. On June 19, 1998, Valhi purchased 2.9 million shares of Tremont

Corporation common stock from Contran and certain of Contran's subsidiaries at a cash price of $56 per share, or an aggregate of $165.1 million (before fees and expenses). Valhi also purchased, on open market transactions during the first six months of 1998, an additional 129,000 shares of Tremont at an aggregate cost of approximately $7 million. At June 30, 1998, the 3.1 million Tremont shares held by Valhi represent approximately 48% of Tremont's outstanding common shares at that date. Valhi accounts for its interest in Tremont by the equity method, and will commence recognizing equity in Tremont's earnings beginning in the third quarter of 1998. See Note 5. Tremont is primarily a holding company which owns approximately 30% of the outstanding common stock of Titanium Metals Corporation ("TIMET") and 18% of NL's common stock.

General. Each of NL (NYSE: NL), CompX (NYSE: CIX), Tremont (NYSE: TRE) and TIMET (NYSE: TIE) file periodic reports pursuant to the Securities Exchange Act of 1934, as amended. The aggregate pro forma impact of CompX's acquisition of a lock competitor and Valhi's acquisition of Tremont common stock, assuming such acquisitions occurred at the beginning of 1997, is not material.

NOTE 3 - MARKETABLE SECURITIES:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Noncurrent assets (available-for-sale):		
The Amalgamated Sugar Company LLC	$170,000	$170,000
Dresser Industries common stock	87,823	80,527
Other securities	15,793	20,806
	$273,616	$271,333

At June 30, 1998, Valhi held 2.7 million shares of Dresser common stock (aggregate cost of $22 million) with a quoted market price of $44.06 per share, or an aggregate market value of $119 million. Valhi's LYONs are exchangeable at any time, at the option of the LYON holder, for such Dresser shares, and the carrying value of the Dresser stock is limited to the accreted LYONs obligation. See Note 8. See the 1997 Annual Report for a discussion of the Company's investment in The Amalgamated Sugar Company LLC. The aggregate cost of other available-for-sale securities (primarily common stocks) is approximately $14 million at June 30, 1998.

NOTE 4 - INVENTORIES:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Raw materials:		
Chemicals	$ 45,844	$ 38,919
Component products	2,057	4,899
	47,901	43,818
In process products:		
Chemicals	8,018	7,233
Component products	5,193	6,276

	13,211	13,509
Finished products:		
Chemicals	108,292	91,208
Component products	3,775	4,464
	112,067	95,672
Supplies	31,539	32,842
	$204,718	$185,841

NOTE 5 - OTHER NONCURRENT ASSETS:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Investment in affiliates:		
TiO2 manufacturing joint venture	$170,830	$171,202
Tremont Corporation	-	172,587
Waste Control Specialists LLC	15,518	18,672
Other	1,891	-
	188,239	362,461
Loan to Waste Control Specialists LLC	4,000	3,000
	$192,239	$365,461
Loans and notes receivable:		
Snake River Sugar Company	$ 80,000	$ 80,000
Other	12,183	5,522
	92,183	85,522
Less current portion	9,627	3,090
Noncurrent portion	$ 82,556	$ 82,432
Other noncurrent assets:		
Deferred financing costs	$ 11,646	$ 8,536
Intangible assets	4,487	6,082
Other	10,134	10,052
	$ 26,267	$ 24,670

At June 30, 1998, Valhi held 3.1 million shares of Tremont Corporation common stock with a quoted market price of $56.19 per share, or an aggregate of $173 million. In April 1998, the maturity of the Company's $10 million revolving loan facility to Waste Control Specialists was extended one year to December 31, 1999.

NOTE 6 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Current receivable from affiliates:		
Income taxes receivable from Contran	$ -	$ 9,100
Other, net	104	158
	$ 104	$ 9,258
Current payable to affiliates:		
Income taxes payable to Contran	$19,472	$ -
Tremont Corporation	3,354	3,379
Louisiana Pigment Company	8,513	7,719
Other, net	(343)	(113)
	$30,996	$10,985

NOTE 7 - ACCRUED LIABILITIES:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Current:		
Employee benefits	$ 44,457	$ 37,443
Environmental costs	11,118	24,499
Interest	7,019	6,776
Plant closure costs	3,289	1,861
Deferred income	915	4,240
Other	47,923	57,282
	$114,721	$132,101
Noncurrent:		
Insurance claims and expenses	$ 13,674	$ 13,978
Employee benefits	11,490	10,435
Deferred income	1,480	15,753
Other	1,536	3,325
	$ 28,180	$ 43,491

NOTE 8 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Notes payable -		
Kronos - non-U.S. bank credit agreements (DM 25,000 and DM 60,500)	$ 13,968	$ 33,680
Long-term debt:		
Valhi: LYONs	$ 87,823	$ 80,527
Snake River Sugar Company	250,000	250,000
Valcor Senior Notes	2,431	2,431
NL Industries:		
Senior Secured Notes	250,000	244,000
Senior Secured Discount Notes	169,857	168,995
Deutsche mark bank credit facility (DM 288,322 and DM 207,322)	161,085	115,416
Rheox bank credit facility	117,500	-
Joint venture term loan	42,429	-
Other	3,282	2,067
Total NL Industries	744,153	530,478
Other	534	1,631
	1,084,941	865,067
Less current maturities	76,854	192,119
	$1,008,087	$672,948

NL currently intends to call its Senior Secured Discount Notes for redemption in October 1998, and accordingly such indebtedness has been classified as a current liability at June 30, 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NOTE 9 - PROVISION FOR INCOME TAXES (BENEFIT):

	SIX MONTHS ENDED JUNE 30, 1997	1998
	(IN MILLIONS)	
Continuing operations:		
Expected tax expense (benefit)	$ (9.8)	$151.8
Incremental tax and rate differences on equity in earnings of non-tax group companies	(12.2)	72.4
Change in NL's deferred income tax valuation allowance	12.8	(45.1)
State income taxes, net	1.4	7.9

Excess of tax basis over book basis of the common stock of foreign subsidiaries sold	-	(12.1)
No tax benefit on goodwill amortization	1.6	10.7
Non-U.S. tax rates	(.5)	(.1)
Other, net	(.8)	(1.1)
	$ (7.5)	$184.4

Comprehensive provision (benefit) for income taxes:		
Continuing operations	$ (7.5)	$184.4
Discontinued operations	13.9	-
Extraordinary item	(.2)	(1.4)
Other comprehensive income:		
Marketable securities	53.4	(.8)
Currency translation	(5.8)	(1.2)
Pension liabilities	-	.6
	$ 53.8	$181.6

NOTE 10 - OTHER INCOME:

	SIX MONTHS ENDED JUNE 30,	
	1997	1998
	(IN THOUSANDS)	
Securities earnings:		
Interest and dividends	$31,133	$34,722
Securities transactions	166	7,905
	31,299	42,627
Currency transactions, net	2,785	1,901
Noncompete agreement income	-	1,667
Other, net	5,893	4,003
	$39,977	$50,198

NOTE 11 - MINORITY INTEREST:

The components of minority interest in net assets and net earnings are presented in the following tables.

	DECEMBER 31, 1997	JUNE 30, 1998
	(IN THOUSANDS)	
Minority interest in net assets:		
NL Industries	$ -	$46,314
CompX	-	45,126

Subsidiaries of NL	257	589
Subsidiaries of CompX	-	87
	$ 257	$92,116

	SIX MONTHS ENDED JUNE 30,	
	1997	1998
	(IN THOUSANDS)	
Minority interest in net earnings (losses) - continuing operations:		
NL Industries	$ -	$43,891
CompX	-	2,843
Subsidiaries of NL	28	19
Subsidiaries of CompX	-	(78)
	$ 28	$46,675

NL Industries. At December 31, 1997, NL's separate financial statements reflected a stockholders' deficit of approximately $222 million and, accordingly, no minority interest in NL was reported in the Company's consolidated balance sheet at that date. Until such time as NL reported positive stockholders' equity, all undistributed income or loss and other undistributed changes in NL's reported stockholders' equity accrued to the Company for financial reporting purposes. Beginning in the first quarter of 1998, NL resumed reporting positive stockholders' equity, and consequently the Company resumed reporting minority interest in NL's net earnings and net assets in 1998.

CompX. In March 1998, CompX completed an initial public offering of shares of its common stock which, along with the award of certain shares of its common stock in connection with the offering, reduced the Company's ownership interest in CompX from 100% to 62%. See Note 13. Following CompX's public offering, the Company commenced reporting minority interest in CompX's net earnings and net assets.

NOTE 12 - DISPOSAL OF BUSINESS UNIT:

In January 1998, NL sold its specialty chemicals business unit conducted by Rheox for $465 million cash consideration (before fees and expenses), including $20 million attributable to a five-year agreement by NL not to compete in the rheological products business. The Company reported a $330.2 million pre-tax gain on the disposal of this business unit in the first quarter of 1998. The Company's results and operations for the first six months of 1997 include net sales of $73.5 million and operating income of $21.5 million related to this business unit (1998 prior to the sale - $12.7 million and $2.7 million, respectively).

NOTE 13 - REDUCTION IN INTEREST IN COMPX:

In March 1998, CompX completed an initial public offering of shares of its common stock for net proceeds to CompX of approximately $110.4 million. Such net proceeds are available for CompX's general corporate purposes. CompX used $75 million of such net proceeds to repay outstanding borrowings under its new bank credit facility, of which $50 million was incurred in connection with the repayment of certain intercompany indebtedness owed by CompX to Valcor and $25 million which was incurred in connection with CompX's acquisition of a lock competitor. As a result of the public offering of shares of CompX common stock and CompX's award of certain shares of its common stock in connection with the offering, the Company's ownership interest in CompX was reduced to 62%. The Company reported a $67.9 million pre-tax gain on the Company's reduction in interest in CompX in the first quarter of 1998. Deferred income taxes were provided on this gain on reduction in interest in CompX.

NOTE 14 - DISCONTINUED OPERATIONS:

The components of discontinued operations for the first six months of 1997 are presented in the following table.

	AMOUNT
	(IN THOUSANDS)
Medite Corporation (building products)	$15,667
Sybra, Inc. (fast food)	19,746
	$35,413

Condensed income statement and cash flow data for Medite and Sybra for the first six months of 1997 is presented below.

	MEDITE	SYBRA
	(IN MILLIONS)	
Income statement data:		
Operations:		
Net sales	$ 20.5	$37.9
Operating income	$ 2.8	$ 1.7
Interest expense and other, net	(.2)	(.6)
Pre-tax income	2.6	1.1
Income tax expense	1.0	.5
	1.6	.6
Net gain on disposal:		
Pre-tax gain	22.3	23.2
Income tax expense	8.2	4.1
	14.1	19.1
	$ 15.7	$19.7
Cash flow data:		
Cash flows from operating activities	$(39.0)	$(1.1)
Cash flows from investing activities:		
Capital expenditures	(.4)	(1.8)
Proceeds from disposal of assets	35.1	55.3
Other, net	-	.4
	34.7	53.9

Cash flows from financing activities:		
Indebtedness, net	-	22.4
	$ (4.3)	$75.2

NOTE 15 - RELATED PARTY TRANSACTIONS:

In June 1998, Contran used a portion of the proceeds from the sale of the shares of Tremont common stock to Valhi discussed in Note 2 to repay in full approximately $105 million of principal and accrued interest that it owed to Valhi under the previously-reported $120 million revolving line of credit between Valhi and Contran, and the facility was canceled.

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

RESULTS OF OPERATIONS:

The Company reported income from continuing operations in the first six months of 1998 of $202.6 million, or $1.75 per diluted share, compared to a loss from continuing operations of $20.5 million, or $.18 per diluted share, in the first six months of 1997. Valhi reported a loss from continuing operations of $2.1 million, or $.02 per diluted share, in the second quarter of 1998 compared to income of $2.6 million, or $.02 per diluted share, in the second quarter of 1997. The loss in the second quarter of 1998 includes an aggregate charge of $32 million ($21 million, or $.18 per diluted share, net of income taxes) related to the June 1998 cash payments made by Valhi as part of the settlement of two shareholder derivative lawsuits in which Valhi was a defendant.

The 1998 first six months results also include (i) a first quarter $330 million pre-tax gain ($152 million, or $1.31 per diluted share, net of income taxes and minority interest) related to the sale of NL's specialty chemicals business unit, (ii) a first quarter $68 million pre-tax gain ($44 million, or $.38 per diluted share, net of income taxes) related to the Company's reduction in interest in CompX and (iii) pre-tax securities transactions gains, principally in the second quarter, of approximately $8 million ($5 million, or $.04 per diluted share, net of income taxes). See Notes 12 and 13. The 1997 first six months results include a first quarter $30 million pre-tax charge ($19.5 million, or $.17 per diluted share, net of income taxes) related to adoption of a new accounting standard regarding accounting for environmental remediation liabilities at NL.

The statements in this Quarterly Report on Form 10-Q relating to matters that are not historical facts, including, but not limited to, statements found in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual future results to differ materially from those expressed in such forward-looking statements include, but are not limited to, future supply and demand for the Company's products (including cyclicality thereof), general economic conditions, competitive products and substitute products, customer and competitor strategies, the impact of pricing and production decisions, potential difficulties in integrating completed acquisitions, successful completion of pending acquisitions, environmental matters, government regulations and possible changes therein, the ultimate resolution of pending litigation and possible future litigation, possible disruptions of normal business activity from Year 2000 issues and other risks and uncertainties as discussed in this Quarterly Report and the 1997 Annual Report.

CHEMICALS

As discussed above, in January 1998 NL sold its specialty chemicals business unit conducted by Rheox.

	THREE MONTHS ENDED JUNE 30,		%	SIX MONTHS ENDED JUNE 30,		%
	1997	1998	CHANGE	1997	1998	CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales:						
Kronos	$214.3	$241.6	+13%	$418.7	$464.2	+11%
Rheox	38.4	-		73.5	12.7	
	$252.7	$241.6	-4%	$492.2	$476.9	-3%
Operating income:						
Kronos	$ 12.1	$ 42.0	+246%	$ 15.9	$ 76.7	+381%
Rheox	11.8	-		21.5	2.7	
	$ 23.9	$ 42.0	+76%	$ 37.4	$ 79.4	+112%

Kronos' TiO2 sales and operating income increased in 1998 compared to 1997 due primarily to higher average TiO2 selling prices and improved production volumes. Kronos' average TiO2 selling prices have generally been increasing since early 1997, and Kronos' average TiO2 selling prices in the second quarter of 1998 were 18% higher than the second quarter of 1997 and 3% higher than the first quarter of 1998. TiO2 selling prices at the end of the second quarter were 1% higher than the average for the quarter. TiO2 sales volumes in the second quarter of 1998 approximated the record second quarter of 1997 levels, with higher volumes in Europe offsetting lower volumes in Asia. Year-to-date TiO2 sales volumes in 1998 were 1% higher than the first six months of 1997. NL believes demand for TiO2 will remain healthy in the near-term and expects industry conditions will continue to improve. NL expects its TiO2 operating income and margins in the last half of 1998 will continue to exceed prior-year levels due primarily to expected higher average TiO2 selling prices. Calendar 1998 TiO2 sales volumes are expected to approximate calendar 1997 volumes.

A significant amount of NL's sales generated from its non-U.S. operations are denominated in currencies other than the U.S. dollar, primarily major European currencies and the Canadian dollar. Consequently, the translated U.S. dollar value of NL's foreign sales and operating results are subject to currency exchange rate fluctuations which may favorably or adversely impact reported earnings and affect the comparability of period to period operating results. In addition, a portion of NL's sales generated from its non-U.S. operations are denominated in the U.S. dollar, and exchange rate fluctuations do not impact the reported amount of such net sales. Certain raw materials, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are denominated primarily in the local currencies. Fluctuations in the value of the U.S. dollar relative to other currencies decreased NL's sales in the first six months of 1998 by $22 million compared to

the first six months of 1997. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted NL's foreign currency-denominated operating expenses, and the net impact of currency exchange rate fluctuations on NL's operating income comparisons was not significant.

Amortization of the Company's purchase accounting adjustments made in conjunction with the acquisitions of its interest in NL result in additional depreciation, depletion and amortization expense beyond amounts separately-reported by NL. Such additional non-cash expenses reduce chemicals operating income, as reported by Valhi, by approximately $21 million annually as compared to amounts separately reported by NL (approximately $19 million related to TiO2 and approximately $2 million related to the disposed specialty chemicals business unit).

In July 1998, NL reached an agreement to acquire certain TiO2 operations of Tioxide Group Limited, a subsidiary of Imperial Chemical Industries PLC ("ICI"). Under the agreement, NL would acquire Tioxide's North American TiO2 operations and one of its European TiO2 facilities for an aggregate of $335 million cash. The operations to be acquired from Tioxide include (i) the other 50% interest in the Louisiana TiO2 manufacturing joint venture (see Note 5), which has aggregate production capacity of approximately 120,000 metric tons per year, (ii) a 75,000 metric ton sulfate-process TiO2 facility in the United Kingdom, (iii) a 52,000 metric ton TiO2 finishing facility in Canada, (iv) Tioxide's North American marketing and distribution business and (v) approximately $50 million in working capital. NL will also pay an additional $30 million fee in return for the cancellation of certain chloride-process TiO2 technology rights which NL had previously licensed to Tioxide in 1993 in connection with the formation of the Louisiana TiO2 manufacturing joint venture. The transaction is subject to, among other things, obtaining certain regulatory clearances and completion of ICI's sale of Tioxide's other TiO2 businesses to E.I. du Pont de Nemours & Co. Funds for the purchase will be provided by NL's cash on hand and aggregate borrowings of $250 million in new bank financing which NL expects to obtain. NL currently expects to complete the transaction by the end of 1998. Following completion of the acquisition and DuPont's purchase of Tioxide's other TiO2 businesses, NL expects to become the world's third largest producer of TiO2, increasing its annual TiO2 production capacity by approximately 135,000 metric tons.

COMPONENT PRODUCTS

	THREE MONTHS ENDED JUNE 30,		%	SIX MONTHS ENDED JUNE 30,		%
	1997	1998	CHANGE	1997	1998	CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales	$27.5	$39.7	+45%	$53.3	$71.8	+35%
Operating income	6.9	9.1	+32%	13.2	13.4	+2%

Component products net sales increased in 1998 compared to 1997 due primarily to higher sales volumes in all three major product lines (ergonomic computer support systems, precision ball bearing slides and locking systems). The higher sales volumes of locks resulted primarily from the March 1998 acquisition of a lock competitor. Component products operating income for the first six months of 1998 includes a first quarter $3.3 million non-cash charge related to the award of certain shares of CompX's common stock in connection with the completion of its initial public offering in March 1998. Excluding such charge, operating income increased in 1998 due primarily to the higher volumes, offset in part by lower margins attributable to sales from the business unit acquired in March 1998. Fluctuations in the value of the U.S. dollar relative to the Canadian dollar accounted for about 10% of the increase in components products operations income in each of the 1998 periods.

EQUITY AFFILIATES

Waste Control Specialists. Waste Control Specialists reported a loss of $6.8 million during the first six months of 1998 compared to a loss of $5.5 million during the first six months of 1997. Waste Control Specialists reported net sales of $3.4 million in the first six months of 1998 compared to $1.2 million in the first six months of 1997. Operating losses in both periods include expenditures in connection with the pursuit of permits covering the processing, treatment, storage and disposal of low-level and mixed radioactive waste.

Tremont Corporation. In late June 1998 the Company acquired 2.9 million shares of Tremont Corporation common stock held by Contran and certain of

Contran's subsidiaries. See Notes 2 and 5. Such shares, along with an additional 129,000 Tremont common shares purchased by Valhi through open market transactions during the first six months of 1998, represents approximately 48%

of Tremont's outstanding common stock at June 30, 1998. Valhi accounts for its interest in Tremont by the equity method, and will commence reporting equity in Tremont's earnings beginning in the third quarter of 1998. Equity in Tremont's earnings will differ from the amount that would be expected by applying the Company's 48%-ownership percentage to Tremont's separately-reported earnings because of amortization of purchase accounting adjustments made in conjunction with the Company's acquisitions of its interest in Tremont. At the Company's current 48% interest in Tremont, such non-cash amortization reduces earnings attributable to Tremont as reported by the Company by approximately $3 million per year.

OTHER

Gains on disposal of business unit and reduction in interest in CompX. See Notes 12 and 13, respectively. The pre-tax gain on disposal of NL's specialty chemicals business unit differs from the amount separately-reported by NL due to the write-off of a portion of the Company's purchase accounting adjustments related to the net assets sold, including an allocated portion of goodwill associated with the Company's investment in NL.

General corporate items. General corporate interest and dividend income increased in 1998 compared to 1997 due primarily to a higher level of funds available for investment. Securities transactions in both 1997 and 1998 relate to the disposition of a portion of the shares of Dresser Industries common stock held by the Company when certain holders of the Company's LYONs debt obligations exercised their right to exchange their LYONs for such Dresser shares. Any additional exchanges in 1998 or beyond would similarly result in additional securities transaction gains. General corporate interest and dividend income in the last six months of 1998 is expected to be lower than the first six months of 1998 due principally to the interest-generating funds used by the Company to acquire its interest in Tremont in June 1998 as well as a lower level of distributions expected to be received from The Amalgamated Sugar Company LLC.

Net general corporate expenses in the first quarter of 1997 include NL's $30 million pre-tax charge related to adoption of a new accounting standard regarding environmental remediation liabilities, and in the second quarter of 1998 include an aggregate $32 million pre-tax charge related to the June 1998 settlements of two shareholder derivative lawsuits in which Valhi was the defendant. Such charges are included in selling, general and administrative expenses. NL's $20 million of proceeds from the disposal of its specialty chemicals business unit related to its agreement not to compete in the rheological products business will be recognized as a component of general corporate income (expense) ratably over the five-year non-compete period, including $1.7 million recognized in the first six months of 1998. See Note 10. Under the terms of NL's proposed purchase of certain TiO_2 operations from ICI, NL expects to pay a $30 million fee in return for the cancellation of certain chloride-process TiO_2 technology rights that NL had previously licensed to Tioxide in 1993. Such fee will be recorded as a general corporate expense upon the successful completion of the transaction.

Interest expense. Interest expense decreased in 1998 compared to 1997 due primarily to a lower average level of outstanding indebtedness (primarily Valhi's LYONs, Valcor Senior Notes and indebtedness related to NL's specialty chemicals business unit which was prepaid in January 1998).

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 9. 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. Also, certain subsidiaries, including NL and, beginning in March 1998, CompX, are not members of the consolidated U.S. tax group, and the Company provides incremental income taxes on such earnings. In addition, in the first six months of 1998 NL reduced its deferred income tax valuation allowance by approximately $45 million primarily as a result of utilization of certain tax attributes for which the benefit had not been previously recognized under the "more-likely-than-not" recognition criteria.

Minority interest, discontinued operations and extraordinary item. See Notes 11, 14 and 1, respectively. The Company expects to report an extraordinary loss in the fourth quarter of 1998 upon NL's redemption of its Senior Secured Discount Notes at a price of 106% of their principal amount.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flows from operating activities. Trends in cash flows from operating annual activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in the Company's earnings. Changes in assets and liabilities generally result from the timing of production, sales, purchases and income tax payments.

Cash flows from investing and financing activities. NL's and CompX's aggregate annual capital expenditures for 1998 are expected to approximate the $37 million spent in 1997. Capital expenditures in 1998 are expected to be financed primarily from operations or existing cash resources and credit facilities.

During the first six months of 1998, (i) Valhi purchased 3.1 million shares of Tremont Corporation for an aggregate cost of $173 million, (ii) Valhi contributed an additional $10 million to Waste Control Specialists' equity, (iii) Valhi purchased $8 million of additional shares of NL common stock and $4 million of certain marketable securities and (iv) CompX purchased a lock competitor for $33 million. In addition, in January 1998 NL sold its specialty chemicals business unit conducted by Rheox for $465 million cash consideration (before fees and expenses), including $20 million attributable to a five-year agreement by NL not to compete in the rheological products business.

Net repayments of indebtedness in the first six months of 1998 include the prepayment and termination of the Rheox bank credit facility and the joint venture term loan and NL's purchase of approximately $11 million accreted value of its Senior Secured Discount Notes in market transactions and approximately $6 million principal amount of its Senior Secured Notes pursuant to the tender offer discussed below. In accordance with the terms of the DM credit facility, NL also prepaid DM 81 million ($44 million when paid) of the DM term loan, of which DM 49 million fully satisfied the September 1998 scheduled term loan payment and DM 32 million reduced the March 1999 scheduled term loan payment. A portion of the funds for such prepayment of the DM credit facility was provided by a DM 35 million ($19 million when borrowed) increase in outstanding borrowings under NL's short-term non-U.S. credit facilities. In the second quarter of 1998, NL repaid DM 20 million ($11 million when paid) of the outstanding balance of the DM revolving credit facility. In July 1998, NL purchased an additional $4 million accreted value of its Senior Secured Discount Notes in market transactions.

At June 30, 1998, unused credit available under existing credit facilities approximated $190 million, which was comprised of $100 million available to CompX under its new revolving senior credit facility discussed below, $75 million available to NL under non-U.S. credit facilities and $15 million available to Valhi.

In March 1998, CompX completed an initial public offering of shares of its common stock for net proceeds to CompX of approximately $110.4 million. Such net proceeds are available for CompX's general corporate purposes. CompX used $75 million of such net proceeds to repay outstanding borrowings under its new bank credit facility, $50 million of which were incurred to repay certain intercompany indebtedness owed by CompX to Valcor and $25 million of which was used to fund the acquisition of the lock competitor.

In January 1998, the Company's board of directors authorized the Company to purchase up to 2 million shares of its common stock in open market or privately-negotiated transactions over an unspecified period of time. As of June 30, 1998, the Company had purchased approximately 383,000 shares for an aggregate of $3.7 million pursuant to such authorization.

CHEMICALS - NL INDUSTRIES

Pricing within the TiO_2 industry is cyclical, and changes in industry economic conditions can significantly impact NL's earnings and operating cash flows. Average TiO_2 selling prices began a downward trend in the last half of 1995, and continued to decline through the first quarter of 1997. NL's average TiO_2 prices began to increase during the second quarter of 1997 and continued to increase throughout the remainder of 1997 and the first six months of 1998.

In January 1998, NL sold its specialty chemicals business unit conducted by

Rheox for $465 million cash consideration (before fees and expenses), including $20 million attributable to a five-year agreement by NL not to compete in the rheological products business. A portion of the $380 million net-of-tax proceeds have been used by NL to prepay certain indebtedness. The remaining net proceeds are available for NL's general corporate purposes, subject to compliance with the terms of the indentures governing its publicly-traded debt.

Under the terms of the indentures governing NL's publicly-traded debt, NL is required to make an offer to purchase a pro rata portion of such notes, at par value for the 11.75% Senior Secured Notes and at accreted value for the 13% Senior Secured Discount Notes, to the extent that a specified amount of the net proceeds from the disposal of its specialty chemicals business unit are not used to either permanently paydown certain indebtedness of NL or its subsidiaries or invest in additional productive assets (including additional TiO2 production capacity), both as defined in the indentures, within nine months of the disposition. While NL was not yet required to execute a tender offer related to the disposal of its specialty chemicals business unit, in May 1998 NL initiated a tender offer to purchase on a pro-rata basis up to $181.6 million aggregate principal amount of Senior Secured Notes and accreted value of Senior Secured Discount Notes, at par or accreted value, respectively, in satisfaction of the covenant contained in the indentures. Pursuant to its terms, the tender offer expired in June 1998, and NL purchased approximately $6 million principal amount of Senior Secured Notes, and a nominal amount of Senior Secured Discount Notes, which had been properly tendered.

NL's Senior Secured Discount Notes can first be redeemed, at the option of NL, in October 1998 at a price of 106% of their principal amount. NL currently intends to redeem such indebtedness in October 1998. NL expects to obtain an aggregate of $250 million in new bank financing to complete its purchase of certain of Tioxide's TiO2 operations discussed above.

Certain of NL's U.S. and non-U.S. tax returns are being examined and tax authorities have or may propose tax deficiencies. NL has previously reached an agreement with the German tax authorities, and paid certain tax deficiencies of approximately DM 44 million ($28 million when paid), including interest, which resolved certain significant tax contingencies for years through 1990. During 1997, NL reached a tentative agreement with the German tax authorities regarding the years 1991 through 1994, and NL expects to pay DM 9 million ($5 million at June 30, 1998) during the second half of 1998 in settlement of certain tax issues. Certain other significant German tax contingencies remain outstanding for the years 1990 through 1996 and will continue to be litigated. With respect to these contingencies, NL has received certain tax assessments aggregating DM 119 million ($66 million), including non-income tax related items and interest, for the years through 1996. NL expects to receive tax assessments for an additional DM 20 million ($11 million), including non-income tax related items and interest, for 1991 through 1994. No payments of tax or interest deficiencies related to these assessments are expected to be required until the litigation is resolved.

A 1997 German tax court proceeding involving a tax issue substantially the same as that involved in NL's primary remaining German tax contingency was decided in favor of the taxpayer. The German tax authorities have appealed the decision to the German Supreme Court; NL believes that the decision by the German Supreme Court will be rendered within two years and will become a legal precedent which will likely determine the outcome of NL's primary dispute with the German tax authorities which aggregates DM 121 million ($67 million). Although NL believes that it will ultimately prevail in the litigation, NL has granted a DM 94 million ($52 million) lien on its Nordenham, Germany TiO2 plant in favor of the City of Leverkusen, and a DM 5 million lien in favor of the German tax authorities.

During 1997, NL received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million ($7 million at June 30, 1998) relating to 1994. NL has appealed this assessment and expects to litigate this issue. Although NL believes it will ultimately prevail, NL has granted a NOK 51 million lien on its Norwegian TiO2 plant in favor of the Norwegian tax authorities.

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

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, mining locations and facilities currently or previously owned, operated or used by NL, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. On a quarterly basis, NL evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. NL believes it has provided adequate accruals ($133 million at June 30, 1998) for reasonably estimable costs of such matters, but NL's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs and the allocation of such costs among PRPs. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to NL for sites for which it is possible to estimate costs is approximately $165 million. NL's estimates of such liabilities have not been discounted to present value, and NL has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. NL is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. NL has not accrued any amounts for the pending lead pigment and lead-based paint litigation. There is no assurance that NL will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, based on, among other things, the results of such litigation to date, NL believes that the pending lead pigment and lead-based paint litigation is without merit. Liability that may result, if any,

cannot reasonably be estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which NL 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. NL currently believes the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on its 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.

NL periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its capital resources, debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, NL has in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, issue additional securities, modify its dividend policy, restructure ownership interests, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, NL may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals industry. In the event of any such transaction, NL may consider using its available cash, issuing its equity securities or refinancing or increasing its indebtedness to the extent permitted by the agreements governing NL's existing debt. In this regard, the Indentures governing NL's publicly-traded debt contain provisions which limit the ability of NL and its subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

COMPONENT PRODUCTS - COMPX INTERNATIONAL

In February 1998, CompX entered into a new $100 million revolving senior credit facility (nil outstanding at June 30, 1998) and used a portion of the net proceeds to repay a $50 million demand note to Valcor which CompX had distributed to Valcor in December 1997. The new credit facility is unsecured and is due in 2003. Borrowings are available for CompX's general corporate purposes, including potential acquisitions. The new credit facility contains provisions which, among other things, require the maintenance of minimum levels of net worth, require the maintenance of certain financial ratios, limit dividends and additional indebtedness and contain other provisions and restrictive covenants customary in lending transactions of this type. In March

1998, CompX completed the acquisition of a lock competitor for approximately $33 million cash consideration, using available cash on hand and $25 million of borrowings under the new credit facility.

Also, in March 1998, CompX completed an initial public offering of shares of its common stock. The net proceeds to CompX were approximately $110.4 million. Of such net proceeds, $75 million was used to completely repay the outstanding balance of CompX's new $100 million credit facility discussed above. CompX believes that the net proceeds to CompX from the offering, after repayment of borrowings under the new credit facility, together with cash generated from operations and borrowing availability under the new credit facility will be sufficient to meet CompX's liquidity needs for working capital, capital expenditures, debt service and future acquisitions for the foreseeable future.

TREMONT CORPORATION

Tremont is primarily a holding company which owns approximately 30% of TIMET and 18% of NL. At June 30, 1998, Tremont reported total assets and stockholders' equity of approximately $271 million and $190 million, respectively. Tremont's total assets at such date consist principally of its investments in TIMET ($133 million) and NL ($67 million), which Tremont accounts for by the equity method, and $27 million in cash and cash equivalents. At June 30, 1998, the market value of the 9.5 million shares of TIMET and the 9.1 million shares of NL held by Tremont was approximately $210 million and $181 million, respectively. Tremont also owns the right to acquire 1.5 million additional TIMET shares from a third-party for $12 million, and such TIMET shares have a June 30, 1998 market value of $33 million.

In 1997, Tremont's board of directors authorized Tremont to purchase up to 2 million shares of its common stock in open market or privately-negotiated transactions over an unspecified period of time. As of June 30, 1998, Tremont had acquired 1.2 million shares under such authorization. To the extent Tremont acquires additional shares of its common stock, the Company's ownership interest in Tremont would increase as a result of the fewer number of Tremont shares outstanding.

Based upon certain technical provisions of the Investment Company Act of 1940 (the "1940 Act"), Tremont might arguably be deemed to be an "investment company" under the 1940 Act, despite the fact that Tremont does not now engage, nor has it engaged or intended to engage, in the business of investing, reinvesting, owning, holding or trading of securities. Tremont has sought an order from the Securities and Exchange Commission that Tremont is primarily engaged, through TIMET and NL, in a non-investment company business and, in the interim, has taken the steps necessary to give itself the benefits of a temporary exemption under the 1940 Act.

Tremont periodically evaluates its liquidity requirements, capital needs and availability of resources in view of, among other things, its alternative uses of capital, its debt service requirements, the cost of debt and equity capital and estimated future operating cash flows. As a result of this process, Tremont has in the past and may in the future seek to raise additional capital, modify its dividend policy, restructure ownership interests of subsidiaries and affiliates, incur indebtedness, purchase shares of its common stock, consider the sale of interests in subsidiaries, affiliates, marketable securities or other assets, or take a combination of such steps or other steps to increase or manage liquidity and capital resources. In the normal course of business, Tremont may investigate, evaluate, discuss and engage in acquisition, joint venture and other business combination opportunities. In the event of any future acquisition or joint venture opportunities, Tremont may consider using available cash, issuing equity securities or incurring indebtedness.

GENERAL CORPORATE - VALHI

Valhi's operations are conducted primarily through subsidiaries and affiliates (NL Industries, CompX, Tremont and Waste Control Specialists). Accordingly, Valhi's long-term ability to meet its parent company level corporate obligations is dependent in large measure on the receipt of dividends or other distributions from its subsidiaries. NL, which paid dividends in the first three quarters of 1996, suspended its dividend in the fourth quarter of 1996. Suspension of NL's dividend did not materially adversely impact Valhi's financial position or liquidity. In May 1998, NL resumed regular quarterly dividends at a rate of $.03 per NL share starting in the second quarter of 1998. At that rate, and based on the 29.8 million NL shares held by Valhi at June 30, 1998, Valhi would receive aggregate annual dividends from NL of approximately $3.6 million. Tremont currently pays a quarterly dividend of $.07 per share, and Valhi will begin to receive quarterly dividends from Tremont in the third quarter of 1998. At that rate, and based upon the 3.1 million Tremont shares owned by Valhi at June 30, 1998, Valhi would receive aggregate annual dividends from Tremont of approximately $862,000. Various credit agreements to which certain subsidiaries or affiliates 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 Valhi's ability to service its parent company level obligations. Valhi has not guaranteed any indebtedness of its subsidiaries or affiliates. At June 30, 1998, Valhi had $29 million of parent level cash and cash equivalents, including $6 million held by Valcor which could be distributed to Valhi.

Valhi's LYONs do not require current cash debt service. At June 30, 1998, Valhi held 2.7 million shares of Dresser common stock, which shares are held in escrow for the benefit of holders of the LYONs. The LYONs are exchangeable at any time, at the option of the holder, for the Dresser shares owned by Valhi. Exchanges of LYONs for Dresser stock 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 are generated by such exchanges. Valhi's potential cash income tax liability that would have been triggered at June 30, 1998, assuming exchanges of all of the outstanding LYONs for Dresser stock at such date, was approximately $23 million. Valhi continues to receive regular quarterly Dresser dividends (currently $.19 per share) on the escrowed shares. At June 30, 1998, the LYONs had an accreted value equivalent to approximately $29.90 per Dresser share, and the market price of the Dresser common stock was $44.06 per share (Dresser's August 7, 1998 market price - $32.88 per share).

In April 1998, Valhi contributed $10 million to Waste Control Specialists' equity, thereby increasing its membership interest to 64%. Approximately $7 million of such equity contribution was used by Waste Control Specialists to reduce the outstanding balance of its revolving borrowings from the Company. Also in April 1998, the maturity of the Company's $10 million revolving loan to Waste Control Specialists was extended one year to December 31, 1999.

Valhi currently expects that the aggregate distributions it will receive from The Amalgamated Sugar Company LLC in calendar 1998, which are dependent in part upon the future operations of the LLC, will be less than Valhi's 1998 debt service requirements under its $250 million loans from Snake River. Certain covenants contained in Snake River's third-party senior debt limit the amount of debt service payments (principal and interest) which Snake River can remit to Valhi under Valhi's $80 million loan to Snake River, and such loan is subordinated to Snake River's third-party senior debt. Due primarily to these covenants, Snake River has not made any principal or interest payments on the $80 million loan in the first six months of 1998, and the Company does not currently expect that Snake River will be able to remit any principal or interest payments during the remainder of the year. However, such noncollection is not expected to have a material adverse effect on the Company's liquidity, and the Company believes both the accrued and unpaid interest as well as the $80 million principal amount outstanding at June 30, 1998 will ultimately be collected.

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 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, repurchase indebtedness in the market or otherwise, modify its dividend policy, consider the sale of interests in subsidiaries, 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.

The Company and related entities routinely evaluate 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. From time to time, the Company and related entities also evaluate the restructuring of ownership interests among their respective subsidiaries and related companies. In this regard, the Indentures governing the publicly-traded debt of NL contain provisions which limit the ability of NL and its subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to the 1997 Annual Report and prior 1998 periodic reports for descriptions of certain legal proceedings.

In June 1998, Valhi transferred $24.3 million cash to Tremont Corporation upon the effectiveness of the previously-reported settlement agreement with respect to Kahn v. Tremont Corporation, et al., as approved by the Delaware Court of Chancery. Pursuant to the settlement agreement, Tremont paid $5.5 million to reimburse plaintiffs' attorneys for fees and expenses.

In June 1998, Valhi transferred $14.4 million cash to NL upon the effectiveness of the previously-reported settlement agreement with respect to Seinfeld v. Simmons, et al., as approved by the Chancery Division of the New Jersey Superior Court. Pursuant to the settlement agreement, NL will pay $3.2 million to reimburse plaintiffs' attorneys for fees and expenses.

Upon appeal by the U.S. Department of Energy, in May 1998 the U.S. Court of Appeals for the Fifth Circuit ordered the U.S. District Court for the Northern District of Texas to dismiss the previously-reported Waste Control Specialists LLC v. United States Department of Energy, et al. Waste Control Specialists requested an en banc rehearing before the full Court of Appeals, the request was denied in June 1998 and the case has been dismissed.

Brenner, et al. v. American Cyanamid, et al. (No. 12596-93). In June 1998, defendants moved for partial summary judgment dismissing plaintiffs' market share and alternative liability claims.

Parker v. NL Industries, et al. (No. 97085060 CC915). In July 1998, the court granted NL's motion for summary judgment on all remaining claims. Plaintiffs have appealed.

Granite City site. NL has been informed that the U.S. EPA has reached an agreement in principle with the other PRPs settling their liabilities with respect to the site for approximately 50% of the site costs. NL is negotiating with the U.S. EPA to settle its liability.

Pedricktown site. In June 1998, NL entered into a consent decree with the U.S. EPA and other PRPs to perform the remedial action phase at operable unit one. In addition, NL reached an agreement in principal with certain PRPs with respect to liability at the site to settle this matter within previously-accrued amounts.

State of Illinois v. NL Industries, et al. (No. 88-CH-11618). In June 1998, the Illinois appellate court affirmed the ruling of the trial court dismissing the case. The State has petitioned the Supreme Court of Illinois to review the case.

United States v. Peter Gull and NL Industries, Inc. (No. 91-4098). In June 1998, NL concluded the previously-reported agreement settling this matter within previously-accrued amounts.

DeLeon v. Exide Corp. and NL Industries, Inc. (No. DV98-02669-B). In May 1998, NL answered the complaint, denying liability.

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

Valhi's 1998 Annual Meeting of Stockholders was held on May 7, 1998. Norman S. Edelcup, Kenneth R. Ferris, Glenn R. Simmons, Harold C. Simmons and J. Walter Tucker, Jr. were elected as directors, each receiving votes "For" their election from over 96% of the 114.5 million common shares eligible to vote at the Annual Meeting.

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

(a) Exhibits

10.1 -Stock Purchase Agreement dated June 19, 1998 by and between Contran Corporation, Valhi Group, Inc. and National City Lines, Inc., as the Sellers, and Valhi, Inc., as the Purchaser - incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 19, 1998.

27.1 -Financial Data Schedule for the six-month period ended June 30, 1998.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 1998.

April 23, 1998	- Reported Items 5 and 7.
May 7, 1998	- Reported Items 5 and 7.
June 9, 1998	- Reported Items 5 and 7.
June 19, 1998	- Reported Items 5 and 7.
June 19, 1998	- Reported Items 2 and 7.
June 30, 1998	- 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 12, 1998 By /s/ Bobby D. O'Brien

Bobby D. O'Brien
(Vice President,
Principal Financial Officer)

Date August 12, 1998 By /s/ Gregory M. Swalwell

Gregory M. Swalwell
(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 12, 1998 By

Bobby D. O'Brien
(Vice President,
Principal Financial Officer)

Date August 12, 1998 By

Gregory M. Swalwell
(Controller,
Principal Accounting Officer)

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALHI, INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
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