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 MARCH 31, 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 APRIL 30, 1998: 114,453,314.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	DECEMBER 31, 1997	MARCH 31, 1998
Current assets:		
Cash and cash equivalents	$ 360,369	$ 544,309
Accounts and other receivables	172,378	192,985
Refundable income taxes	1,941	6,369
Receivable from affiliates	104	137
Inventories	204,718	184,601
Prepaid expenses	3,607	5,039
Deferred income taxes	7,541	5,220
Total current assets	750,658	938,660
Other assets:		
Marketable securities	273,616	286,943
Investment in and advances to joint ventures	192,239	193,549
Loan to affiliate	-	99,000
Other loans and notes receivable	82,556	82,432
Mining properties	30,363	15,487
Prepaid pension cost	24,111	24,469
Goodwill	256,539	256,365
Deferred income taxes	110	-
Other	26,267	25,742
Total other assets	885,801	983,987
Property and equipment:		
Land	17,100	15,531
Buildings	145,599	140,377
Equipment	506,402	472,232
Construction in progress	3,284	5,007
	672,385	633,147
Less accumulated depreciation	130,731	127,214
Net property and equipment	541,654	505,933
	$2,178,113	$2,428,580

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1997	MARCH 31, 1998
Current liabilities:		
Notes payable	$ 13,968	$ 33,233
Current long-term debt	76,854	23,142
Accounts payable	71,559	55,227
Accrued liabilities	114,721	120,366
Payable to affiliates	30,996	13,085
Income taxes	15,103	91,375
Deferred income taxes	891	600
Total current liabilities	324,092	337,028
Noncurrent liabilities:		
Long-term debt	1,008,087	861,545
Accrued pension cost	45,641	41,986
Accrued OPEB cost	51,273	46,650
Accrued environmental costs	128,246	127,512
Deferred income taxes	207,403	302,884
Other	28,180	47,223
Total noncurrent liabilities	1,468,830	1,427,800
Minority interest	257	76,790
Stockholders' equity:		
Common stock	1,253	1,254
Additional paid-in capital	38,355	42,112
Retained earnings	315,977	513,583
Adjustments:		
Marketable securities	127,731	130,358
Currency translation	(24,440)	(24,957)
Pension liabilities	(2,533)	(1,520)
Treasury stock	(71,409)	(73,868)
Total stockholders' equity	384,934	586,962
	$2,178,113	$2,428,580

Commitments and contingencies (Note 1)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1997	1998
Revenues and other income:		
Net sales	$265,305	$267,388
Gain on:		
Disposal of business unit	-	330,217
Reduction in interest in CompX	-	67,902
Other, net	16,701	20,628
	282,006	686,135
Costs and expenses:		
Cost of sales	204,767	187,579
Selling, general and administrative	77,652	49,177
Interest	30,659	25,450
	313,078	262,206
	(31,072)	423,929
Equity in losses of Waste Control Specialist	(2,758)	(3,171)
Income (loss) before income taxes	(33,830)	420,758
Provision for income taxes (benefit)	(10,698)	181,641
Minority interest in after-tax earnings	8	34,450
Income (loss) from continuing operations	(23,140)	204,667
Discontinued operations	15,671	-
Extraordinary item	-	(1,269)
Net income (loss)	$ (7,469)	$203,398

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1997	1998
Basic earnings per common share:		
Continuing operations	$ (.20)	$ 1.78
Discontinued operations	.13	-
Extraordinary item	-	(.01)

Net income (loss)	$ (.07)	$ 1.77

Diluted earnings per share:

Continuing operations	$ (.20)	$ 1.76
Discontinued operations	.13	-
Extraordinary item	-	(.01)
Net income (loss)	$ (.07)	$ 1.75
Cash dividends per share	$ .05	$ .05

Shares used in the calculation of earnings per share:		
Basic earnings per common share	114,792	115,135
Dilutive impact of stock options	-	969
Diluted earnings per share	114,792	116,104

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Net income (loss)	$(7,469)	$203,398
Other comprehensive income, net of tax:		
Marketable securities adjustment:		
Unrealized gains arising during the period	19,526	2,706
Less reclassification for gains included in net income	(86)	(79)
	19,440	2,627
Currency translation adjustment	(3,345)	(517)
Pension liabilities adjustment	-	1,013

Total other comprehensive income, net	16,095	3,123
Comprehensive income	$ 8,626	$206,521

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31, 1998

(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 1997	$1,253	$38,355	$315,977
Net income	-	-	203,398
Other comprehensive income, net	-	-	-
Dividends	-	-	(5,792)
Common stock reacquired	-	-	-
Other, net	1	3,757	-
Balance at March 31, 1998	$1,254	$42,112	$513,583

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31, 1998

(IN THOUSANDS)

	ADJUSTMENTS				TOTAL
	MARKETABLE SECURITIES	CURRENCY	PENSION	TREASURY	STOCKHOLDERS'
Balance at December 31, 1997	$127,731	$(24,440)	$(2,533)	$(71,409)	$384,934
Net income	-	-	-	-	203,398
Other comprehensive income, net	2,627	(517)	1,013	-	3,123
Dividends	-	-	-	-	(5,792)
Common stock reacquired	-	-	-	(2,301)	(2,301)
Other, net	-	-	-	(158)	3,600
Balance at March 31, 199	$130,358	$(24,957)	$(1,520)	$(73,868)	$586,962

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Cash flows from operating activities:		
Net income (loss)	$ (7,469)	$ 203,398
Depreciation, depletion and amortization	15,937	14,385
Noncash interest expense	8,929	7,931
Gain on:		
Disposal of business unit	-	(330,217)
Reduction in interest in CompX	-	(67,902)
Change in accounting principle	30,000	-
Deferred income taxes	(12,226)	95,402
Minority interest	8	34,450
Other, net	(2,794)	(2,285)
Equity in:		
Waste Control Specialists	2,758	3,171
Discontinued operations	(15,671)	-
	19,472	(41,667)
Discontinued operations, net	(36,534)	-
Change in assets and liabilities:		
Accounts and notes receivable	(33,211)	(37,047)
Inventories	28,464	1,315
Accounts payable and accrued liabilities	(292)	(96)
Income taxes	5,787	71,290
Other, net	5,560	5,222
Net cash used by operating activities		(983)
	(10,754)	
Cash flows from investing activities:		
Capital expenditures	(9,646)	(4,027)
Purchase of:		
NL common stock	-	(7,955)
Marketable securities	-	(9,200)
Business unit	-	(33,053)
Investment in Waste Control Specialists	(3,000)	-
Proceeds from disposal of business unit	-	435,080
Loans to affiliates:		
Loans	(28,250)	(114,550)
Collections	14,250	9,550
Other loans and notes receivable:		
Loans	(200,600)	-
Collections	12,586	-
Pre-close dividend from Amalgamated Sugar Company	11,518	-
Discontinued operations, net	33,998	-
Other, net	2,443	94
Net cash provided (used) by investin activities		
	(166,701)	275,939

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(IN THOUSANDS)

	1997	1998
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 390,000	$ 30,491
Principal payments	(189,414)	(216,111)
Deferred financing costs paid	(3,434)	(220)
Proceeds from issuance of CompX common stock	-	110,378
Repayment of loan from affiliate	(7,244)	-
Valhi dividends paid	(5,778)	(5,792)
Common stock reacquired	-	(2,301)
Discontinued operations, net	(5)	-
Other, net	1,755	664
Net cash provided (used) by financing activities	185,880	(82,891)
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	8,425	192,065
Currency translation	(1,622)	(495)
Business unit sold	-	(7,630)
Cash and equivalents at beginning of period	255,679	360,369
Cash and equivalents at end of period	$ 262,482	$544,309
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	$ 11,449	$ 10,957
Income taxes, net	26,862	29,807
Business unit acquired - net assets consolidated:		
Cash and cash equivalents	$	
Goodwill	-	19,947
Other intangible assets	-	3,133
Other non-cash assets	-	17,782
Liabilities	-	(7,809)
Cash paid	$ -	$ 33,053

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 March 31, 1998 and the consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the interim periods ended March 31, 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 extraordinary item, stated net of allocable income tax benefit and minority interest, relates to the prepayment of certain indebtedness at 58%-owned NL Industries. See Notes 8 and 12.

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 March 31, 1998, the Company had purchased approximately 240,000 shares for an aggregate of $2.3 million pursuant to such authorization. Other commitments and contingencies are discussed in Notes 7 and 12, "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 93% 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.

NOTE 2 - BUSINESS SEGMENT INFORMATION:

OPERATIONS	PRINCIPAL ENTITIES	% OWNED AT MARCH 31, 1998
Chemicals	NL Industries, Inc.	58%
Component products	CompX International Inc.	62%
Waste management	Waste Control Specialists	58%

	THREE MONTHS ENDED MARCH 31,	
	1997	1998
	(IN MILLIONS)	
Net sales:		
Chemicals	$239.5	$235.3
Component products	25.8	32.1
	$265.3	$267.4

Operating income:		
Chemicals	$ 13.5	$ 37.4
Component products	6.3	4.3
	19.8	41.7
Gain on:		
Disposal of business unit	-	330.2
Reduction in interest in CompX	-	67.9
General corporate items:		
Securities earnings	14.7	17.3
Expenses, net	(34.9)	(7.8)
Interest expense	(30.7)	(25.4)
	(31.1)	423.9
Equity in losses of Waste Control Specialists	(2.7)	(3.2)
Income (loss) before income taxes	$(33.8)	$420.7

	THREE MONTHS ENDED MARCH 31,			
	DEPRECIATION, DEPLETION AND AMORTIZATION		CAPITAL EXPENDITURES	
	1997	1998	1997	1998
	(IN MILLIONS)			
Chemicals	$15.0	$13.3	$8.9	$2.4
Component products	.8	1.0	.5	1.6
Other	.1	.1	.2	-
	$15.9	$14.4	$9.6	$4.0

NL's chemicals operations are conducted through its subsidiaries Kronos, Inc. (titanium dioxide pigments or "TiO2") and Rheox, Inc. (specialty chemicals). In January 1998, NL sold its specialty chemicals business unit conducted by Rheox. See Note 12. 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. Both NL (NYSE: NL) and CompX (NYSE: CIX) file periodic reports pursuant to the Securities Exchange Act of 1934, as amended. The Company has not consolidated its majority-owned subsidiary, Waste Control Specialists, because the Company is not deemed to control Waste Control Specialists. 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. 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 6. The results of the Company's former building products and fast food operations are presented as discontinued operations. See Note 14. In March 1998, CompX completed the acquisition of a lock competitor for approximately $33 million cash consideration.

NOTE 3 - MARKETABLE SECURITIES:

	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)	
Noncurrent assets (available-for-sale):		
The Amalgamated Sugar Company LLC	$170,000	$170,000
Dresser Industries common stock	87,823	89,641
Other securities	15,793	27,302
	$273,616	$286,943

At March 31, 1998, Valhi held 3.1 million shares of Dresser common stock (aggregate cost of $25 million) with a quoted market price of $48.06 per share, or an aggregate market value of $148 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 $20 million at March 31, 1998.

NOTE 4 - INVENTORIES:

	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)	
Raw materials:		
Chemicals	$ 45,844	$ 40,416
Component products	2,057	5,465
	47,901	45,881
In process products:		
Chemicals	8,018	7,375
Component products	5,193	6,188
	13,211	13,563
Finished products:		
Chemicals	108,292	90,502
Component products	3,775	4,151
	112,067	94,653
Supplies	31,539	30,504
	$204,718	$184,601

NOTE 5 - ACCRUED LIABILITIES:

DECEMBER 31, MARCH 31,

	1997	1998
	(IN THOUSANDS)	
Current:		
Employee benefits	$ 44,457	$ 38,572
Environmental costs	11,118	10,881
Plant closure costs	3,289	2,836
Interest	7,019	13,919
Deferred income	915	4,502
Miscellaneous taxes	571	1,084
Other	47,352	48,572
	$114,721	$120,366
Noncurrent:		
Insurance claims and expenses	$ 13,674	$ 13,944
Employee benefits	11,490	11,330
Deferred income	1,480	16,783
Other	1,536	5,166
	$ 28,180	$ 47,223

NOTE 6 - OTHER NONCURRENT ASSETS:

	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)	
Investment in joint ventures:		
TiO2 manufacturing joint venture	$170,830	$171,202
Waste Control Specialists LLC	15,518	12,347
Other	1,891	-
	188,239	183,549
Loan to Waste Control Specialists LLC	4,000	10,000
	$192,239	$193,549
Loans and notes receivable:		
Snake River Sugar Company	$ 80,000	$ 80,000
Other	12,183	12,272
	92,183	92,272
Less current portion	9,627	9,840
Noncurrent portion	$ 82,556	$ 82,432
Deferred financing costs	$ 11,646	$ 9,475
Intangible assets	4,487	6,688
Other	10,134	9,579

	$ 26,267	$ 25,742

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.

NOTE 7 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)	
Current receivable from affiliates	$ 104	$ 137
Noncurrent loan to Contran Corporation	$ -	$99,000
Current payable to affiliates:		
Income taxes payable to Contran	$19,472	$ 2,618
Tremont Corporation	3,354	3,364
Louisiana Pigment Company	8,513	7,371
Other, net	(343)	(268)
	$30,996	$13,085

In February 1998, Valhi entered into a $120 million revolving credit facility with Contran ($99 million outstanding at March 31, 1998). Borrowings by Contran bear interest at the prime rate (8.5% at March 31, 1998) and are collateralized by substantially all of Contran's assets, including 8 million Valhi shares held by Contran and shares in certain other Contran subsidiaries which, in the aggregate, hold a controlling interest in Valhi. The facility matures no later than August 10, 1998. Approximately $25 million of such borrowings repaid certain demand loans owed by Contran to Valhi which was collateralized by Contran's borrowing availability under a third-party credit facility. Such third-party credit facility was terminated by Contran in February 1998 in order to, among other things, allow Contran to pledge certain of the collateral to Valhi described above. Contran has used substantially all of the remaining amount borrowed from Valhi to fund the settlement of a lawsuit that had unsuccessfully sought to remove Mr. Simmons as trustee of two of the family trusts described in Note 1.

In March 1998, Contran offered to sell approximately 2.9 million shares of Tremont Corporation common stock held by Contran and certain of its subsidiaries to Valhi in a privately-negotiated transaction. Such shares represent approximately 44% of Tremont's outstanding common stock. Valhi's board of directors has formed a special committee comprised of two of its members who are not officers of affiliated companies and has authorized such special committee to review and act on the proposal. Such directors have retained their own legal and financial advisors, and such directors will act on behalf of Valhi to negotiate mutually acceptable terms and conditions of the sale. Contran has advised the Company that it intends to first utilize the proceeds resulting from the proposed transaction, if consummated, to repay the outstanding balance under the $120 million revolving credit facility. There can be no assurance that any such transaction will be completed. If the proposed transaction is consummated, the Company would account for its interest in Tremont by the equity method. At

March 31, 1998, the quoted market price of Tremont's common stock was $58.13 per share.

Because Contran intends to first utilize the proceeds from the proposed sale of Tremont common stock to Valhi, if consummated, to repay the outstanding balance under the $120 million revolving credit facility, the Company has classified the outstanding principal amount of such facility as a noncurrent asset at March 31, 1998.

NOTE 8 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1997	MARCH 31, 1998
	(IN THOUSANDS)	
Notes payable -		
Kronos - non-U.S. bank credit agreement (DM 25,000 and DM 60,500)	$ 13,968	$ 33,233
Long-term debt:		
Valhi: LYONs	$ 87,823	$ 89,641
Snake River Sugar Company	250,000	250,000
Valcor Senior Notes	2,431	2,431
NL Industries:		
Senior Secured Notes	250,000	250,000
Senior Secured Discount Notes	169,857	164,229
Deutsche mark bank credit facility (DM 288,322 and DM 227,322)	161,085	124,868
Rheox bank credit facility	117,500	-
Joint venture term loan	42,429	-
Other	3,282	2,629
Total NL Industries	744,153	541,726
Other	534	889
	1,084,941	884,687
Less current maturities	76,854	23,142
	$1,008,087	$861,545

NL used a portion of the net proceeds from the January 1998 sale of its specialty chemicals business unit to prepay and terminate Rheox's bank credit facility, and in March 1998 NL prepaid and terminated the joint venture term loan. In February 1998, CompX obtained a new $100 million unsecured revolving bank credit facility (nil outstanding at March 31, 1998). See Note 12 and "Management's Discussion and Analysis of Financial Position and Results of Operations."

NOTE 9 - OTHER INCOME:

	THREE MONTHS ENDED MARCH 31,	
	1997	1998
	(IN THOUSANDS)	
Securities earnings:		
Interest and dividends	$14,605	$ 17,172
Securities transactions	133	122
	14,738	17,294
Currency transactions, net	496	478
Other, net	1,467	2,856
	$16,701	$20,628

NOTE 10 - PROVISION FOR INCOME TAXES (BENEFIT):

	THREE MONTHS ENDED MARCH 31,	
	1997	1998
	(IN MILLIONS)	
Continuing operations:		
Expected tax expense (benefit)	$(11.8)	$147.3
Incremental tax and rate differences on equity in earnings of non-tax group companies	(12.7)	71.1
Change in NL's deferred income tax valuation allowance	12.9	(42.7)
State income taxes, net	.4	8.5
Excess of tax basis over book basis of the common stock of foreign subsidiaries sold	-	(12.1)
No tax benefit for goodwill amortization	.8	9.8
Non-U.S. tax rates	(.2)	-
Other, net	(.1)	(.3)
	$(10.7)	$181.6
Comprehensive provision (benefit) for income taxes allocated to:		
Continuing operations	$(10.7)	$181.6
Discontinued operations	9.3	-
Extraordinary item	-	(1.3)
Equity adjustment components:		
Marketable securities	12.2	1.6
Currency translation	(1.8)	(.2)
Pension liabilities	-	.6
	$ 9.0	$182.3

NOTE 11 - MINORITY INTEREST:

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

	THREE MONTHS ENDED MARCH 31, 1997	1998
	(IN THOUSANDS)	
Minority interest in net assets:		
NL Industries	$ -	$33,377
CompX	-	43,025
Foreign subsidiaries of NL	257	266
Foreign subsidiaries of CompX	-	122
	$ 257	$76,790

	THREE MONTHS ENDED MARCH 31, 1997	1998
	(IN THOUSANDS)	
Minority interest in net earnings (losses) - continuing operations:		
NL Industries	$ -	$33,925
CompX	-	526
Foreign subsidiaries of NL	8	15
Foreign subsidiaries of CompX	-	(16)
	$ 8	$34,450

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 first quarter 1997 results include net sales of $35.1 million and operating income of $9.7 million related to this business unit (1998 prior to the sale - $12.7 million and $2.7 million, respectively).

A portion of the net proceeds from the disposal of this business unit was used to prepay and terminate Rheox's bank credit facility. The remaining net proceeds are available for NL's general corporate purposes as permitted by the indentures governing NL's publicly-traded Senior Notes. Under the terms of such indentures, NL is required to make an offer to purchase a pro rata portion of the NL 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 these net proceeds are not used to either permanently paydown certain indebtedness of NL or its subsidiaries or invest in additional productive assets, both as defined in the indentures, within nine months of the disposition. In this regard, NL has advised the other 50%-owner of the TiO2 manufacturing joint venture of its interest in acquiring the portion of the Ti02 manufacturing joint venture NL does not currently own, and NL prepaid and terminated the joint venture term loan in March 1998. The 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 may elect to redeem the Senior Secured Discount Notes depending on market conditions, availability of resources and other factors. NL may acquire the Senior Secured Notes or Senior Secured Discount Notes in the open market, including $11 million accreted value of the Senior Secured Discount Notes acquired in open market transactions in the first quarter of 1998.

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 three months of 1997 are presented in the following table.

	AMOUNT (IN THOUSANDS)
Medite Corporation (building products)	$15,148
Sybra, Inc. (fast food)	523
	$15,671

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

	MEDITE	SYBRA
	(IN MILLIONS)	
Income statement data:		
Operations:		
Net sales	$ 12.9	$27.8
Operating income	$ 1.7	$ 1.4
Interest expense and other, net	(.1)	(.6)
Pre-tax income	1.6	.8
Income tax expense	.6	.3
	1.0	.5
Net gain on disposal:		
Pre-tax gain	22.5	-
Income tax expense	8.4	-
	14.1	-
	$ 15.1	$ .5
Cash flow data:		
Cash flows from operating activities	$(36.5)	$ (.1)
Cash flows from investing activities:		
Capital expenditures	(.4)	(1.1)
Proceeds from disposal of assets	35.1	.4
	34.7	(.7)
	$ (1.8)	$ (.8)

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

RESULTS OF OPERATIONS:

The Company reported income from continuing operations of $204.7 million, or $1.76 per diluted share, in the first quarter of 1998 compared to a loss from continuing operations of $23.1 million, or $.20 per diluted share, in the first quarter of 1997. The 1998 results of operations include a $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 and a $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. See Notes 12 and 13 to the Consolidated Financial Statements, respectively. The 1997 results of operations include a $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 acquisitions, environmental matters, government regulations and possible changes therein, the ultimate resolution of pending litigation and possible future litigation, 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 MARCH 31,		%
	1997	1998	CHANGE
	(IN MILLIONS)		
Net sales:			
Kronos	$204.4	$222.6	+9%
Rheox	35.1	12.7	
	$239.5	$235.3	
Operating income:			
Kronos	$ 3.8	$ 34.7	+804%
Rheox	9.7	2.7	
	$ 13.5	$ 37.4	

Kronos' TiO2 sales and operating income increased in the first quarter of 1998 compared to the first quarter of 1997 due primarily to higher average Ti02 selling prices, improved production volumes and record sales volumes. Kronos' average TiO2 selling prices have generally been increasing since early 1997, and Kronos' average TiO2 selling prices in the first quarter of 1998 were 17% higher than the first quarter of 1997 and 5% higher than the fourth quarter of 1997. NL expects further increases in its TiO2 selling prices during the remainder of 1998. Kronos achieved record TiO2 sales volumes in the first quarter of 1998. Kronos' first quarter 1998 sales volumes increased 2% compared with the first quarter of 1997 as increased volumes in Europe more than offset lower volumes in other regions. NL expects its TiO2 operating income and margins will continue to improve in 1998 compared to 1997 due primarily to expected higher average Ti02 selling prices. Calendar 1998 Ti02 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 quarter of 1998 by $15 million compared to the first quarter 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.

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 TiO_2 and approximately $2 million related to the disposed specialty chemicals business unit).

COMPONENT PRODUCTS

	THREE MONTHS ENDED MARCH 31,		%
	1997	1998	CHANGE
	(IN MILLIONS)		
Net sales	$25.8	$32.1	+24%
Operating income	6.3	4.3	-31%

Component products net sales increased in the first quarter of 1998 compared to the first quarter of 1997 due to higher sales volumes in all three major product lines (ergonomic computer support systems, precision ball bearing slides and locks). The higher sales volumes of locks resulted primarily from the March 1998 acquisition of a lock competitor, which acquisition generated approximately $2 million of net sales subsequent to the acquisition. Component products operating income in the first quarter of 1998 includes a $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 the stock award charge, operating income margins in both periods were approximately 24%. Also excluding the effect of the March 1998 acquisition, operating income margins increased by approximately 1% in the first quarter of 1998 compared to the first quarter of 1997.

WASTE MANAGEMENT

Waste Control Specialists reported a loss of $3.2 million during the first quarter of 1998 compared to a loss of $2.7 million during the first quarter of 1997. Waste Control Specialists reported net sales of $1.9 million in the first quarter of 1998 compared to a nominal amount of net sales in the first quarter 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.

OTHER

Gains on disposal of business unit and reduction in interest in CompX. See Notes 12 and 13, respectively, to the Consolidated Financial Statements. 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 which were related to the net assets sold, including an allocated portion of goodwill associated with the Company's investment in NL.

General corporate items. Securities earnings increased in the first quarter of 1998 compared to the first quarter of 1997 due primarily to a higher level of funds available for investment. Securities earnings in both periods also include a nominal amount of securities transaction gains related 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 obligation 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.

Net general corporate expenses in the first quarter of 1997 included NL's $30 million pre-tax charge related to adoption of a new accounting standard regarding environmental remediation liabilities. Such charge is included in selling, general and administrative expenses in 1997. 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.

Interest expense. Interest expense decreased in the first quarter of 1998 compared to the first quarter of 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).

Minority interest. See Note 11 to the Consolidated Financial Statements.

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 10 to the Consolidated Financial Statements. Income tax rates vary by jurisdiction (country and/or state), and relative changes in the geographic mix of the Company's pre-tax earnings can result in fluctuations in the effective income tax rate. 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 quarter of 1998 NL reduced its deferred income tax valuation allowance by approximately $42.7 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.

Discontinued operations and extraordinary item. See Notes 14 and 1, respectively, to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flows from operating activities. Trends in cash flows from operating activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in the Company's earnings. Changes in assets and liabilities generally result from the timing of production, sales, purchases and income tax payments. NL will pay cash income taxes later in 1998 as a result of the sale of its specialty chemicals business unit. At the time of payment, such cash income taxes will be shown as a reduction in cash flows from operating activities even though the pre-tax proceeds from such disposal are shown as a component of cash flows from investing activities.

Cash flows from investing and financing activities. NL's and CompX's aggregate 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 quarter of 1998, (i) Valhi loaned a net $99 million to Contran pursuant to the terms of the $120 million revolving credit facility, (ii) Valhi loaned $6 million to Waste Control Specialists, (iii) Valhi purchased $8 million of additional shares of NL common stock and $9 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 quarter of 1998 include the prepayment and termination of the Rheox bank credit facility and the joint venture term loan. 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 1998 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.

At March 31, 1998, unused credit available under existing credit facilities approximated $189 million, which was comprised of $100 million available to CompX under its new revolving senior credit facility discussed below, $74 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 March 31, 1998, the Company had purchased approximately 240,000 shares for an aggregate of $2.3 million pursuant to such authorization.

CHEMICALS - NL INDUSTRIES

Pricing within the TiO2 industry is cyclical, and changes in industry economic conditions can significantly impact NL's earnings and operating cash flows. Average TiO2 selling prices began a downward trend in the last half of 1995, and continued to decline throughout 1996 and the first quarter of 1997. NL's average TiO2 prices began to increase during the second quarter of 1997 and continued to increase throughout the remainder of 1997 and the first quarter of 1998. NL expects further increases in its TiO2 selling prices during the remainder of 1998. However, no assurance can be given that price trends will conform to NL's expectations and future cash flows could be adversely affected should prices trend downward.

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 net proceeds was used to prepay and terminate Rheox's bank credit facility. The remaining net proceeds of approximately $262 million are available for NL's general corporate purposes, subject to compliance with the terms of the indentures governing its publicly-traded debt. NL intends to use the remaining net proceeds to invest in

additional TiO2 production capacity or to reduce its debt. In this regard, NL has advised the other 50%-owner of the TiO2 manufacturing joint venture of its interest in acquiring the portion of the Ti02 manufacturing joint venture NL does not currently own, and NL prepaid and terminated its joint venture term loan in March 1998. Under the terms of such indentures, 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 these net proceeds are not used to either permanently paydown certain indebtedness of NL or its subsidiaries or invest in additional productive assets (including additional Ti02 production capacity), both as defined in the indentures, within nine months of the disposition. The 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 may elect to redeem the Senior Secured Discount Notes depending on market conditions, availability of resources and other factors it deems relevant. NL may acquire the Senior Secured Notes or Senior Secured Discount Notes in the open market, including $11 million accreted value of the Senior Secured Discount Notes acquired in open market transactions in the first quarter of 1998.

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

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 March 31, 1998) during 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 ($65 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. 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 TiO_2 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 March 31, 1998) relating to 1994. NL has appealed this assessment and expects to litigate this issue.

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 ($134 million at March 31, 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 $175 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 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.

GENERAL CORPORATE - VALHI

Valhi's operations are conducted primarily through subsidiaries and affiliates (NL Industries, CompX 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 March 31, 1998, Valhi would receive aggregate annual dividends from NL of approximately $3.6 million. Various credit agreements to which certain 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 Valhi's ability to service its parent company level obligations. Valhi has not guaranteed any indebtedness of its subsidiaries. At March 31, 1998, Valhi had $142 million of parent level cash and cash equivalents, including $7 million held by Valcor which could be distributed to Valhi.

Valhi's LYONs do not require current cash debt service. At March 31, 1998, Valhi held 3.1 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 March 31, 1998, assuming exchanges of all of the outstanding LYONs for Dresser stock at such date, was approximately $25 million. Valhi continues to receive regular quarterly Dresser dividends (currently $.19 per share) on the escrowed shares. At March 31, 1998, the LYONs had an accreted value equivalent to approximately $29.20 per Dresser share, and the market price of the Dresser common stock was $48.06 per share. The March 31, 1998 market price of Dresser common stock is equal to the equivalent accreted LYONs obligation in September 2003.

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.

At March 31, 1998, Valhi's loan to Snake River Sugar Company has an outstanding balance of $80 million. Valhi currently expects that distributions received from the LLC, which are dependent in part upon the future operations of the LLC, will exceed its debt service requirements under its $250 million loans from Snake River. The cash proceeds to Valhi from the transfer of control of Amalgamated's operations to Snake River, including amounts to be collected in the future from Valhi's remaining $80 million loan to Snake River, are and will be available for Valhi's general corporate purposes.

Redemption of the Company's interest in the LLC would result in the Company reporting income related to the disposition of its LLC interest for both financial reporting and income tax purposes, although the net cash proceeds that would be generated from such a disposition would likely be less than the specified redemption price due to Snake River's ability to simultaneously call its $250 million loans to Valhi. As a result, such net cash proceeds generated by redemption of the Company's interest in the LLC could be less than the income taxes that would become payable as a result of the disposition.

In February 1998, Valhi entered into a new $120 million revolving credit facility with Contran ($99 million outstanding at March 31, 1998). Borrowings by Contran bear interest at the prime rate (8.5% at March 31, 1998), are collateralized by, among other things, approximately 8 million shares of Valhi common stock held by Contran and are due in August 1998. In March 1998, Contran offered to sell approximately 2.9 million shares of Tremont Corporation common stock to Valhi in a privately-negotiated transaction. There can be no assurance that any such transaction will be consummated. See Note 7 to the Consolidated Financial Statements.

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 for descriptions of certain legal proceedings.

In March 1998, the court (i) granted plaintiffs' motion for certification of two plaintiff classes and (ii) granted defendants' motion for partial summary judgment with respect to one of the counts in the previously-reported American Federation of Grain Millers International, et al. v. Valhi, Inc. et al.

In April 1998, the previously-reported Midgard Corporation v. Medite of New Mexico, Inc., et al. was settled. Pursuant to an executed settlement agreement, Medite paid $975,000 to the plaintiff to settle the litigation, and Medite withdrew its appeal.

Trial in the previously-reported Medite Corporation v. Public Service Company of New Mexico is scheduled to begin late in the summer of 1998.

Adams v. NL Industries, et al. (No. A9701785). In March 1998, the plaintiffs dismissed this case without prejudice.

Batavia, New York Superfund Site. In April 1998, the U.S. EPA indicated that its claim for past costs from the PRPs, including NL, was approximately $2.4 million.

De Leon vs. Exide Corp. and NL Industries, Inc. (No. DV98-02669-B). In April 1998, NL was served with a complaint on behalf of 47 homeowners and their spouses seeking damages for alleged loss of property value, repair costs, mental anguish, environmental monitoring, punitive damages and injunctive relief in connection with property allegedly contaminated by a secondary lead smelter formerly owned by NL. The time for defendants to file their answer or other response to the complaint has not yet expired. NL intends to defend the action vigorously.

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

(a) Exhibits

27.1 -Financial Data Schedule for the three-month period ended March 31, 1998.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended March 31, 1998.

January 14, 1998	- Reported Items 5 and 7.
January 27, 1998	- Reported Items 5 and 7.
January 30, 1998	- Reported Items 2 and 7.
February 6, 1998	- Reported Items 5 and 7.
February 11, 1998	- Reported Items 5 and 7.
February 12, 1998	- Reported Items 5 and 7.
March 10, 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 May 12, 1998 By /s/ Bobby D. O'Brien

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

Date May 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 May 12, 1998 By

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

Date May 12, 1998 By

Gregory M. Swalwell
(Controller,
Principal Accounting Officer)

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
VALHI, INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
</LEGEND>
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