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 SEPTEMBER 30, 1994   COMMISSION FILE NUMBER 1-5467

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

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

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

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

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

YES X NO

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON OCTOBER 31, 1994: 115,004,214.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	December 31, 1993	September 30, 1994
Current assets:		
Cash and cash equivalents	$ 22,189	$ 21,385
Marketable securities	28,518	23,706
Accounts and notes receivable	61,135	97,021
Receivable from affiliates	272	10,269
Inventories	276,125	94,466
Prepaid expenses	6,126	5,389
Deferred income taxes	75	258
Total current assets	394,440	252,494
Other assets:		
Marketable securities	108,800	110,764
Investment in affiliates	74,897	56,128
Timber and timberlands	51,868	53,066
Deferred income taxes	27,723	33,848
Other	42,887	36,951
Total other assets	306,175	290,757
Property and equipment:		
Land	18,822	21,748
Buildings	43,522	48,973
Equipment	341,868	351,506
Construction in progress	17,344	54,173
	421,556	476,400
Less accumulated depreciation	218,300	234,026
Net property and equipment	203,256	242,374
	$903,871	$785,625

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1993	September 30, 1994
Current liabilities:		
Notes payable	$117,753	$ 43,947
Current maturities of long-term debt	16,086	22,930
Accounts payable	163,338	100,044
Accrued liabilities	60,190	60,200
Payable to affiliates	43	67
Income taxes	4,916	3,601
Deferred income taxes	2,494	-
Total current liabilities	364,820	230,789
Noncurrent liabilities:		
Long-term debt	302,490	308,521
Deferred income taxes	1,732	3,033
Other	27,328	27,332
Total noncurrent liabilities	331,550	338,886
Stockholders' equity:		
Common stock	1,244	1,245
Additional paid-in capital	33,409	33,342
Retained earnings	222,810	222,890
Adjustments:		
Currency translation	(17,776)	(11,637)
Marketable securities	41,075	42,811
Pension liabilities	(1,619)	(1,535)
Common stock reacquired	(71,642)	(71,166)
Total stockholders' equity	207,501	215,950
	$903,871	$785,625

[FN]
Commitments and contingencies (Note 13)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three months ended September 30, 1993	1994	Nine months ended September 30, 1993	1994
Revenues and other income:				
Net sales	$213,214	$232,549	$ 577,974	$632,295
Other, net	2,690	1,960	10,693	6,653
	215,904	234,509	588,667	638,948
Costs and expenses:				
Cost of sales	158,726	177,978	439,953	481,353
Selling, general and administrative	30,506	32,270	85,955	91,003
Interest	8,645	8,146	30,399	25,988
	197,877	218,394	556,307	598,344
Income of consolidated companies before income taxes	18,027	16,115	32,360	40,604
Equity in losses of affiliates	(16,052)	(9,547)	(130,770)	(30,463)
Income (loss) before income taxes	1,975	6,568	(98,410)	10,141
Provision for income taxes (benefit)	807	1,880	(32,210)	3,202
Income before extraordinary item	1,168	4,688	(66,200)	6,939

Extraordinary item - debt prepayment	(3,200)	-	(3,200)	-
Net income (loss)	$ (2,032)	$ 4,688	$ (69,400)	$ 6,939
Income (loss) per common share:				
Before extraordinary item	$ .01	$ .04	$(.58)	$ .06
Extraordinary item	(.03)	-	(.03)	-
Net income (loss)	$(.02)	$ .04	$(.61)	$ .06
Cash dividends per share	$ -	$ .02	$ .05	$ .06
Weighted average common shares outstanding	114,110	114,318	114,093	114,299

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 1994

(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CURRENCY TRANSLATION	ADJUSTMENTS MARKETABLE SECURITIES	PENSION LIABILITIES
Balance at December 31, 1993	$1,244	$33,409	$222,810	$(17,776)	$41,075	$(1,619)
Net income	-	-	6,939	-	-	-
Cash dividends	-	-	(6,859)	-	-	-
Adjustments, net	-	-	-	6,139	1,736	84
Other, net	1	(67)	-	-	-	-
Balance at September 30, 1994	$1,245	$33,342	$222,890	$(11,637)	$42,811	$(1,535)

	COMMON STOCK REACQUIRED	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1993	$(71,642)	$207,501
Net income	-	6,939
Cash dividends	-	(6,859)
Adjustments, net	-	7,959
Other, net	476	410
Balance at September 30, 1994	$(71,166)	$215,950

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1994

(IN THOUSANDS)

	1993	1994

	1993	1994
Cash flows from operating activities:		
Net income (loss)	$ (69,400)	$ 6,939
Depreciation, depletion and amortization	17,215	18,779
Noncash interest expense	7,642	8,117
Deferred income tax benefit	(42,732)	(11,598)
Equity in losses of affiliates	130,770	30,463
Other, net	4,444	846
	47,939	53,546
Change in assets and liabilities:		
Accounts and notes receivable	(17,073)	(36,433)
Inventories	175,250	181,659
Accounts payable and accrued liabilities	(110,936)	(80,737)
Accounts with affiliates	(521)	27
Other, net	903	492
Marketable trading securities:		
Sale proceeds	-	29,375
Purchases	-	(25,000)
Net cash provided by operating activities	95,562	122,929
Cash flows from investing activities:		
Capital expenditures	(23,469)	(58,052)
Marketable securities:		
Sale proceeds	381,395	-
Purchases	(264,930)	-
Purchases of stock of affiliates	-	(1,381)
Loans to affiliates:		
Loans	(8,500)	(13,050)
Collections	8,500	3,050
Other, net	3,346	3,912
Net cash provided (used) by investing activities	96,342	(65,521)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1994

(IN THOUSANDS)

	1993	1994
Cash flows from financing activities:		
Notes payable and long-term debt:		
Additions	$ 710,231	$ 278,032
Principal payments	(912,424)	(329,578)
Loans from affiliates:		
Loans	12,162	-
Repayments	(12,162)	-
Dividends paid	(5,704)	(6,859)
Other, net	53	229
Net cash provided (used) by financing activities	(207,844)	(58,176)
Cash and cash equivalents:		
Net increase (decrease) from:		
Operating, investing and financing activities	(15,940)	(768)
Currency translation	(164)	(36)
	(16,104)	(804)
Balance at beginning of period	44,538	22,189
Balance at end of period	$ 28,434	$ 21,385
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	$ 32,891	$ 15,090
Income taxes	9,054	16,420

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The consolidated balance sheet of Valhi, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1993 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at September 30, 1994 and the consolidated statements of operations, cash flows and stockholders' equity for the interim periods ended September 30, 1993 and 1994 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal

recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

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

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

NOTE 2 - BUSINESS SEGMENT INFORMATION:

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

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

	Three months ended September 30, 1993	Three months ended September 30, 1994	Nine months ended September 30, 1993	Nine months ended September 30, 1994
	(In millions)			
Net sales:				
Refined sugar	$120.8	$137.4	$ 318.3	$353.9
Forest products	48.2	49.6	131.7	143.0
Hardware products	16.2	17.0	46.6	52.5
Fast food	28.0	28.6	81.4	82.9
	$213.2	$232.6	$ 578.0	$632.3
Operating income:				
Refined sugar	$ 13.8	$ 8.5	$ 28.0	$ 25.0
Forest products	6.8	10.8	19.6	27.5
Hardware products	4.2	4.6	11.2	14.7
Fast food	2.2	2.2	6.2	6.1
	27.0	26.1	65.0	73.3
General corporate and other items:				
Securities earnings	1.4	1.4	5.4	2.5
General expenses, net	(1.7)	(3.2)	(8.1)	(9.2)
Business unit disposition	-	-	.5	-

Interest expense	(8.6)	(8.2)	(30.4)	(26.0)
Income of consolidated companies before income taxes	18.1	16.1	32.4	40.6
Equity in losses of affiliates:				
NL Industries	(11.5)	(4.8)	(37.0)	(20.1)
Tremont	(4.6)	(4.8)	(9.8)	(10.4)
Provision for market value decline of NL common stock	-	-	(84.0)	-
	(16.1)	(9.6)	(130.8)	(30.5)
Income (loss) before income taxes	$ 2.0	$ 6.5	$ (98.4)	$ 10.1

	NINE MONTHS ENDED SEPTEMBER 30,			
	DEPRECIATION, DEPLETION AND AMORTIZATION		CAPITAL EXPENDITURES	
	1993	1994	1993	1994
	(IN MILLIONS)			
Refined sugar	$ 4.4	$ 5.6	$ 7.4	$20.1
Forest products	6.7	7.2	11.8	26.8
Hardware products	1.3	1.4	1.4	2.9
Fast food	4.7	4.5	2.7	8.1
Corporate	.1	.1	.2	.2
	$17.2	$18.8	$23.5	$58.1

NOTE 3 - MARKETABLE SECURITIES:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Current assets (trading securities):		
U.S. Treasury securities	$ 28,518	$ -
Global bond investments	-	23,706
	$ 28,518	$ 23,706
Noncurrent assets (available-for-sale) - Dresser Industries common stock	$108,800	$110,764

The global bond investments consist of fixed income government securities denominated in various currencies and related currency forward and option contracts obtained to hedge exchange rate risk on the equivalent of approximately $6 million of bond principal amount denominated primarily in Deutsche marks and British pounds. Realized and unrealized gains and losses on trading securities, including related global bond investment currency gains and losses, are reported as a component of securities earnings. At September 30, 1994, the amortized cost of the Company's portfolio of trading securities approximated $24.4 million.

Valhi holds 5.5 million shares of Dresser common stock with a quoted market price of $20.25 at September 30, 1994, or an aggregate market value of $111 million (cost $44 million). The Company's Dresser stock (held in escrow for the benefit of the Company's LYONs holders) is exchangeable for the LYONs at the option of the LYONs holder, and the carrying value of the Dresser stock is limited to the accreted LYONs obligation.

NOTE 4 - INVESTMENT IN AFFILIATES:

	DECEMBER 31, 1993	September 30, 1994
	(IN THOUSANDS)	
NL Industries	$60,170	$50,425
Tremont	14,727	5,703
	$74,897	$56,128

At September 30, 1994, the Company held 24.9 million shares of NL common stock and 3.5 million shares of Tremont common stock. At such date, the quoted per share market prices of NL and Tremont common stock were $11.00 and $10.50, respectively, or an aggregate quoted market value of $312 million. Summarized

information relating to the results of operations, financial position and cash flows of NL and Tremont is presented in Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NOTE 5 - INVENTORIES:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Raw materials:		
Sugarbeets	$ 51,689	$ 4,320
Forest products	14,704	12,887
Hardware products	1,034	1,031
Fast food	1,329	1,319
	68,756	19,557
In process products:		
Refined sugar and by-products	56,798	6,575
Forest products	1,450	1,579
Hardware products	3,179	3,955
	61,427	12,109
Finished products:		
Refined sugar and by-products	107,158	18,645
Forest products	1,260	1,919
Hardware products	1,901	2,272
	110,319	22,836
Supplies	35,623	39,964
	$276,125	$94,466

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Accounts payable:		
Sugarbeet purchases	$126,430	$ 44,034
Other	36,908	56,010
	$163,338	$100,044
Accrued liabilities:		
Sugar processing costs	$ 22,301	$ 3,092
Inventory replacement reserve *	-	10,476
Employee benefits	17,657	17,161
Interest	3,987	6,607
Other	16,245	22,864
	$ 60,190	$ 60,200

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

NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Notes payable - Amalgamated:		
U.S. Government loans	$ 75,518	$ -
Bank credit agreements	42,235	43,947
	$117,753	$ 43,947
Long-term debt:		
Valhi LYONs	$108,800	$116,416
Valcor Senior Notes	100,000	100,000
Amalgamated bank term loan	15,000	14,000
Medite:		
U.S. bank credit agreement	61,000	67,000
Irish bank credit agreements	8,441	20,134
State of Oregon term loan	4,328	4,189
Other	267	247
	74,036	91,570
Sybra:		
Bank credit agreements	13,387	2,800
Capital lease obligations	7,133	6,482
Other	41	33
	20,561	9,315
National Cabinet Lock	179	150
	318,576	331,451
Less current maturities	16,086	22,930
	$302,490	$308,521

NOTE 8 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Receivable from affiliates:		
Demand loan to Contran	$ -	$10,000
Income taxes	44	259
Other	228	10
	$272	$10,269
Payable to affiliates - other	$ 43	$ 67

NOTE 9 - OTHER NONCURRENT ASSETS:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Intangible assets:		
Goodwill	$ 5,500	$ 5,374
Franchise fees	7,257	6,557
Other	8,323	7,836
	21,080	19,767
Deferred financing costs	7,817	7,163
Prepaid pension cost	4,864	5,293
Other	9,126	4,728

	$42,887	$36,951

NOTE 10 - OTHER NONCURRENT LIABILITIES:

	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Accrued OPEB cost	$17,705	$18,332
Insurance claims and expenses	5,141	4,064
Other	4,482	4,936
	$27,328	$27,332

NOTE 11 - OTHER INCOME:

	NINE MONTHS ENDED SEPTEMBER 30, 1993	1994
	(IN THOUSANDS)	
Securities earnings:		
Interest and dividends	$ 4,074	$ 4,479
Securities transactions	1,270	(2,057)
	5,344	2,422
Business unit disposition	500	-
Other, net	4,849	4,231
	$10,693	$ 6,653

NOTE 12 - INCOME TAXES:

	NINE MONTHS ENDED SEPTEMBER 30, 1993	1994
	(IN MILLIONS)	
Provision for income taxes (benefit):		
Expected tax expense (benefit) at 35%	$(34.4)	$ 3.5
Non-U.S. tax rates	(1.0)	(1.4)
Incremental U.S. tax on income of companies not included in the consolidated tax group	2.5	1.6
State income taxes, net	1.3	.3
Nontaxable income and other, net	(.6)	(.8)
	$(32.2)	$ 3.2
Comprehensive provision for income taxes (benefit):		
Taxes currently payable	$ 8.8	$14.8
Deferred tax benefit	(44.7)	(7.5)
	$(35.9)	$ 7.3
Allocable to:		
Income (loss) before income taxes	$(32.2)	$ 3.2
Extraordinary item	(1.7)	-
Stockholders' equity, principally deferred taxes allocable to adjustment components	(2.0)	4.1
	$(35.9)	$ 7.3

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

At September 30, 1994, the estimated cost to complete capital projects in process approximated $22 million, principally sugar extraction equipment at

Amalgamated, an expansion of Medite's medium density fiberboard plant in Ireland and new Sybra stores. Medite's Irish subsidiary has entered into certain currency forward contracts to hedge exchange rate risk on the equivalent of approximately $3 million of equipment purchase commitments denominated primarily in German Deutsche marks. At September 30, 1994, the fair value of such currency contracts approximated the contract value.

Medite has entered into interest rate swap agreements effectively to convert $26 million of term debt due 1998 to 2000 from a LIBOR-based floating rate to fixed interest rates averaging 7.6%. At September 30, 1994, the estimated fair value of such swap agreements was $2 million, which represents the estimated payment Medite would receive if the swap agreements were terminated at that date.

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

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

RESULTS OF OPERATIONS:

GENERAL

Net income was $4.6 million, or $.04 per share, for the third quarter of 1994 compared to a net loss of $2.0 million, or $.02 per share, in the 1993 quarter. For the nine month year-to-date period, net income was $6.9 million, or $.06 per share, $76.3 million better than the net loss of $69.4 million, or $.61 per share, for the first nine months of 1993. Higher product prices at Medite (MDF) and NL Industries (TiO_2) were primary factors in the Company's improved results of operations, as discussed below.

REFINED SUGAR

	Three months ended September 30,			Nine months ended September 30,		
	1993	1994	% Change	1993	1994	% Change
	(In millions)			(In millions)		
Net sales:						
Refined sugar	$117.0	$134.6	+15%	$294.7	$330.5	+12%
By-products and other	3.8	2.8		23.6	23.4	
	$120.8	$137.4	+14%	$318.3	$353.9	+11%
Operating income:						
FIFO basis	$ 9.1	$ 9.0	- 0%	$ 18.2	$ 22.1	+22%
LIFO adjustment	4.7	(.5)		9.8	2.9	
LIFO (reporting) basis	$ 13.8	$ 8.5	-38%	$ 28.0	$ 25.0	-10%
Operating income margin:						
FIFO accounting method	7.5%	6.6%		5.7%	6.3%	
LIFO accounting method	11.4%	6.2%		8.8%	7.1%	

The increase in sugar sales resulted primarily from higher volumes, which were up 17% in the third quarter and 13% in the 1994 year-to-date period. Average selling prices in the 1994 periods were slightly lower than in the comparable periods of last year.

Sugar sales volume comparisons can be affected by relative timing of sales during the crop year, which runs from October 1 to September 30. Volumes can also be affected by United States Department of Agriculture marketing allotments which limit the amount of domestic raw and refined sugar which each sugarcane and sugarbeet processor can sell. Amalgamated's preliminary allotment for the new crop year is approximately 4% lower than the volume of sugar sold during the crop year ended September 30, 1994 when no marketing allotments were imposed. As a result, Amalgamated expects to report comparatively lower refined sugar sales volumes during the 12-month period ending September 30, 1995. The government's restriction of supply through imposition of marketing allotments should result in higher selling prices than would be realized absent the allotments.

Amalgamated's cost of sales is determined under the last-in, first-out accounting method. Sugarbeet purchase cost is the largest cost component of producing refined sugar and the price Amalgamated pays for sugarbeets is, under the terms of its contracts with sugarbeet growers, a function of the average net sugar selling price during the crop year. As a result, changes in sugar selling prices impact costs as well as revenues, and related LIFO adjustments can significantly affect operating income and margin comparisons relative to FIFO basis earnings comparisons.

The harvesting and processing of the 1994 crop is proceeding at an average pace with preliminary indications of an average sugar content of the beets and an above average yield per acre. Amalgamated currently believes that its sugar production during the crop year will be higher than its marketing allotment and thus result in some comparative increase in inventory levels.

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

FOREST PRODUCTS

	Three months ended September 30, 1993	Three months ended September 30, 1994	% Change	Nine months ended September 30, 1993	Nine months ended September 30, 1994	% Change
	(In millions)			(In millions)		
Net sales:						
Medium density fiberboard	$29.2	$34.2	+17%	$ 82.4	$97.7	+ 19%
Solid wood products	19.2	15.7	-18%	50.5	46.2	- 9%
Eliminations	(.2)	(.3)		(1.2)	(.9)	
	$48.2	$49.6	+ 3%	$131.7	$143.0	+ 9%
Operating income:						
Medium density fiberboard	$ 3.9	$ 7.2	+87%	$ 9.5	$20.2	+114%
Solid wood products	2.9	3.6	+20%	10.1	7.3	- 28%
	$ 6.8	$10.8	+58%	$ 19.6	$27.5	+ 40%
Operating income margins:						
MDF	13.3%	21.2%		11.5%	20.7%	
Solid wood	15.5%	22.7%		20.1%	15.8%	
Total	14.2%	21.8%		14.9%	19.2%	

Medium density fiberboard. The significant improvements in MDF earnings and margins were primarily price-driven, with average selling prices up 22% for the quarter and up 17% for the first nine months of 1994. Sales of higher-priced specialty MDF products have continued to increase and represented 31% of MDF sales dollars in the first nine months of 1994, up from 22% during the 1993 period. While per-unit wood fiber costs have increased only slightly, resin cost increases have added about 5% to aggregate MDF cost of sales in 1994.

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

Solid wood products. Medite actively manages its timber resources and varies its manufacture of wood products such as lumber and veneer, and emphasizes or de-emphasizes the direct sale of logs, depending upon market conditions. Solid wood sales and earnings fluctuations were in large part a result of market-based volume decisions made by the Company, including reducing the volume of logs offered for sale during 1994 and curtailing veneer and lumber production during a portion of the second and third quarters of 1994.

Solid wood earnings in 1994 were aided by lower average log costs (resulting primarily from a change in mix of timber sources) while earnings in early 1993 were aided by higher volumes related to reductions in certain inventories following the closure of Medite's plywood operations in January 1993.

HARDWARE PRODUCTS

	Three months ended September 30, (In millions)			Nine months ended September 30, (In millions)		
	1993	1994	% Change	1993	1994	% Change
Net sales	$16.2	$17.0	+5%	$46.6	$52.5	+13%
Operating income	4.2	4.6	+9%	11.2	14.7	+31%
Operating income margin	26.2%	27.4%		24.1%	28.1%	

Sales, operating income and margins all improved as volumes increased in each of the three major product lines (locks, computer keyboard support arms and drawer slides). Keyboard support arm sales were up 15% and accounted for about one-fourth of year-to-date hardware product sales. National Cabinet Lock continues to add new products to its STOCK LOCKS product line as well as to its keyboard support and drawer slide lines.

FAST FOOD

	Three months ended September 30, (In millions)			Nine months ended September 30, (In millions)		
	1993	1994	% Change	1993	1994	% Change
Net sales	$28.0	$28.6	+2%	$81.4	$82.9	+2%
Operating income	2.2	2.2	-4%	6.2	6.1	-3%
Operating income margin	7.8%	7.3%		7.6%	7.3%	
Arby's restaurants operated:						
At end of period	158	159	+1%	158	159	+1%
Average during the period	158	159	+1%	159	158	-1%

Aggregate fast food results were comparable to last year as new store sales more than offset sales of stores closed. Comparable store sales were up about 1% year-to-date and were down nominally during the third quarter. The fast food industry is very competitive. The increased usage of lower-margin value-priced sandwiches, the market responsive introduction of higher cost new menu items and the training costs associated with the increased number of new stores opened have slightly dampened operating margins.

OTHER

General corporate and other items. Lower securities earnings in 1994 resulted primarily from a first quarter 1994 decline in the market value of fixed-income investments. General expenses increased as higher legal-related expenses were only partially offset by lower environmental-related charges. The business unit disposition gain in 1993 related to a change in estimate of the loss related to the closure of Medite's plywood operations.

The redemptions of Valhi's 121/2% Senior Subordinated Notes during 1993, funded in part using proceeds of lower-cost borrowings, were a principal reason for the decline in interest expense. Approximately $137 million of subsidiary indebtedness bears interest at fixed rates averaging 9.2%. The average interest rate on floating rate subsidiary borrowings outstanding at September 30, 1994 was 6.7%. Periodic cash interest payments are not required on Valhi's 9.25% deferred coupon LYONs.

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

Extraordinary item. The 1993 loss related to the prepayment of 121/2% Notes.

UNCONSOLIDATED COMPANIES - NL AND TREMONT

The Company's equity in losses of NL and Tremont is different than its percentage ownership in their separately-reported results due to amortization of accounting basis differences that generally reduce earnings, or increase losses, as reported by Valhi. The Company's loss attributable to affiliates in the 1993 nine-month period also included an $84 million first quarter charge for an "other than temporary" decline in the market value of NL common stock. Under current accounting rules, a market value writedown of an investment accounted for by the equity method is not reversed if the market value subsequently recovers. At September 30, 1994, the Company's per share net carrying value of NL was $2.02 (market at November 10, 1994 - $12.00) and of Tremont was $1.61 (market at November 10, 1994 - $13.00).

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

NL Industries. NL's chemical operations consist of its titanium dioxide pigments ("TiO2") business conducted by Kronos and its specialty chemicals business conducted by Rheox. NL's return to profitability, and timing thereof, is dependant in large part upon improved pricing for TiO2. NL's results improved significantly during the first nine months of 1994, as discussed below, and NL anticipates that TiO2 prices will further improve in 1995.

	Three months ended September 30,			Nine months ended September 30,		
	1993	1994	Change	1993	1994	Change
	(In millions, except percentages)					
Net sales:						
Kronos	$174.0	$194.1	+ 12%	$539.3	$574.9	+ 7%
Rheox	28.1	31.1	+ 11%	82.7	89.3	+ 8%
	$202.1	$225.2	+ 11%	$622.0	$664.2	+ 7%
Operating income:						
Kronos	$ 5.8	$ 18.8	+227%	$ 30.4	$ 51.7	+70%
Rheox	7.0	8.3	+ 18%	20.6	23.9	+16%
	12.8	27.1	+112%	51.0	75.6	+48%
General corporate items:						
Securities earnings	1.5	1.3		5.7	2.1	
Expenses, net	(7.2)	(10.0)		(29.1)	(28.3)	
Interest expense	(23.2)	(21.0)		(76.0)	(63.1)	
	(16.1)	(2.6)	$13.5	(48.4)	(13.7)	$34.7
Income tax expense	(2.4)	(1.9)		(11.3)	(12.2)	
Minority interest	(.2)	(.1)		(.5)	(.6)	
Net loss	$(18.7)	$ (4.6)	$14.1	$(60.2)	$(26.5)	$33.7

Valhi's equity in NL's losses, including amortization of basis differences (*)	$(11.5)	$ (4.8)	$ 6.7	$(37.0)	$(20.1)	$16.9

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

Kronos' operating income and margins increased due to higher TiO2 sales volumes and prices, slightly lower per unit operating costs and higher technology fee income. TiO2 sales volumes were up 4% in the third quarter and 7% in the nine-month period while average selling prices (in billing currencies) were up 6% and 1%, respectively. Prices improved in all of Kronos' major markets and third quarter 1994 selling prices were 3% higher than in the second quarter of 1994. Rheox's operating results improved primarily as a result of higher sales volume and lower operating costs.

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

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

Tremont Corporation. Tremont's titanium metals operations are conducted by its 75%-owned TIMET subsidiary. Tremont also holds approximately 18% of NL's outstanding common stock and reports its interest in NL by the equity method. As a result, Tremont's overall results are significantly impacted by NL's results, which have improved in 1994, as discussed above. TIMET's 1994 operating results have been adversely impacted by strikes at its two principal production facilities, mechanical difficulties at its new vacuum distillation process ("VDP") titanium sponge plan in Nevada and continued depressed aerospace demand for titanium products. TIMET continues to focus on improving manufacturing processes, reducing overall costs, developing new markets for titanium products and evaluating strategic opportunities, including acquisitions and joint ventures, as part of its efforts to return to profitability; however, it expects to report a significant loss for the fourth quarter of 1994.

	Three months ended September 30, 1993	1994	Change	Nine months ended September 30, 1993	1994	Change
	(In millions, except percentages)					
Net sales	$ 34.1	$ 32.8	- 4%	$113.4	$111.2	- 2%
Operating income (loss)	$(10.5)	$ (8.4)	$ 2.1	$(11.8)	$(12.4)	$ (.6)
General corporate items, net	(1.1)	(1.9)		3.7	(4.0)	
Interest expense	(1.2)	(1.5)		(3.2)	(4.0)	
	(12.8)	(11.8)		(11.3)	(20.4)	
Equity in loss of NL:						
Equity in NL's loss	(4.0)	(1.6)		(13.1)	(7.1)	
Provision for market value impairment	-	-		(29.0)	-	
	(4.0)	(1.6)		(42.1)	(7.1)	
Loss before income taxes	(16.8)	(13.4)		(53.4)	(27.5)	
Income tax benefit (expense)	4.5	-		4.9	(.2)	
Minority interest	-	2.6		-	4.4	
Loss from continuing operations	(12.3)	(10.8)		(48.5)	(23.3)	
Other, net	7.3	-		7.5	(.8)	
Net loss	$ (5.0)	$(10.8)	$(5.8)	$(41.0)	$(24.1)	$(16.9)

Valhi's equity in Tremont's losses, including amortization of basis differences (*)	$ (4.6)	$ (4.8)	$ (.2)	$ (9.8)	$(10.4)	$ (.6)

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

TIMET's 1994 sales were slightly lower than in the comparable 1993 periods as higher sales for industrial applications partially offset the impact of lower aerospace volume. The majority of TIMET's sales continue to be to aerospace markets, where volume remains depressed. TIMET's operating results and margins have deteriorated in 1994; its third quarter 1993 operating loss included a $4.7 million restructuring charge related to certain cost reduction measures. Higher unit production costs, in part due to certain mechanical difficulties at the Nevada VDP plant and strikes at its Nevada and Ohio plants, contributed to TIMET's increased operating losses in the 1994 periods. Both strikes have been settled and TIMET is continuing to make modifications at the VDP plant to bring production and processing reliability up to acceptable levels.

The nine-month Nevada strike ended in July 1994, with the union accepting TIMET's last contract proposal. The 21/2 month Ohio strike ended in October 1994. TIMET and the Ohio union agreed to extend, until at least April 30, 1995, the expired labor agreements with certain modifications intended to give TIMET greater flexibility in operations and allowing TIMET to implement its proposed lower cost medical program. As part of the Ohio settlement, the union agreed not to object to restructuring actions currently under consideration by TIMET which include subcontracting and relocation of certain Ohio production to TIMET's Tennessee facility. TIMET anticipates that certain of these restructuring measures, if implemented, would result in a charge to operations in the fourth quarter. TIMET also agreed to certain pension benefits that would be triggered in the event of workforce reductions.

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

LIQUIDITY AND CAPITAL RESOURCES:

CONSOLIDATED CASH FLOWS

Operating activities. The Company's improved operating results resulted in increased cash flow from operating activities, before working capital changes. Changes in working capital levels result primarily from the timing of production, sales and purchases, including, among other things, the significant seasonal fluctuations related to Amalgamated's refined sugar operations discussed below and the relative timing of certain semi-annual interest payments. Such net changes in assets and liabilities in the 1994 year-to-date period accounted for approximately $69 million of operating cash flow, up from approximately $48 million in the 1993 period.

Investing and financing activities. The higher levels of capital expenditures in 1994 relate principally to capacity projects, including Amalgamated's sugar productivity-enhancing equipment, Medite's Irish MDF plant expansion and Sybra's new restaurants. The Company's total capital expenditures for the fourth quarter of 1994 are estimated at approximately $9 million, principally for these Amalgamated, Medite and Sybra programs. Such capital expenditures are expected to be financed primarily from operations or existing credit facilities. Capital budgets for 1995 have not yet been finalized, however capital spending is expected to be lower in 1995 than in 1994 due to completion of the Irish MDF plant expansion.

Net repayments of debt relate principally to (i) seasonal fluctuations in Amalgamated's short-term borrowings in both periods and (ii) Valhi's redemption of an aggregate of $185 million principal amount of 121/2% Notes and $60 million of net new borrowings under Medite's secured timber financing in 1993. Net sales of marketable securities in 1993 included sales made in conjunction with the redemption of 121/2% Notes. Demand loans to affiliates, made principally for cash management purposes, are supported by the affiliates' borrowing availability under third-party credit agreements.

At September 30, 1994, unused revolving credit available to the Company's subsidiaries aggregated $57 million. In addition, Amalgamated has $17 million of term loan availability to complete certain capital projects. Medite's $15 million U.S. revolving bank credit agreement was recently extended one year to September 1996, and its $12 million Irish revolving credit agreement was extended to April 1995. In October 1994, Valhi obtained a new $20 million two-year revolving bank credit facility, collateralized by the stock of Amalgamated, which is available for general corporate purposes.

CONSOLIDATED COMPANIES

Refined Sugar. Amalgamated's cash requirements are seasonal in that a major portion of the total payments for sugarbeets is made, and the costs of processing the sugarbeets are incurred, in the fall and winter of each year. Accordingly, Amalgamated's operating activities use significant amounts of cash in the first and fourth calendar quarters and provide significant cash flow in the second and third quarters of each year. To meet its seasonal cash needs, Amalgamated obtains short-term borrowings pursuant to the Government's sugar price support loan program and bank credit facilities. Borrowings under the Government loan program are secured by refined sugar inventory and are otherwise nonrecourse to Amalgamated. The borrowing rate per pound exceeds the per pound net book value of refined sugar inventory.

Forest Products. As discussed above, the expansion of Medite's Irish MDF plant will increase plant capacity by approximately 75% and increase its worldwide MDF production capacity approximately 25%. Medite is evaluating other long-range strategic opportunities to further expand its worldwide MDF production capacity.

Hardware Products. National Cabinet Lock's major plants are operating at a high rate of capacity and capital spending continues to address market demands. In this regard, a new $1.8 million plating line designed to increase capacity, reduce costs and improve quality in the Canadian drawer slide line is expected to be completed before year-end. The Company continues to explore additional expansion opportunities for its high-margin hardware products.

Fast Food. Sybra opened four new Arby's restaurants during the first nine months of 1994 with three more to open by year-end. Sybra's required new store opening schedule under its Development Agreement with Arby's, Inc. includes eight stores in 1995 and an additional 13 stores by various dates through 1997. Sybra currently anticipates that its expansion program will meet or exceed this schedule. Sybra continually evaluates the profitability of its restaurants, and in this regard closed five stores early in 1994 and may close five to seven stores in late 1994 or early 1995.

The parent company of Arby's, Inc. has announced that it is acquiring the Long John Silver's seafood chain and that it may make dual-branding available to franchisees of both chains. The Company may consider such concept when available.

General corporate. Valhi's operations are conducted through its wholly-owned subsidiaries (Amalgamated and Valcor) and through NL and Tremont, publicly-held affiliates which Valhi may be deemed to control. Valcor is an intermediate parent company with operations conducted through its wholly-owned subsidiaries (Medite, National Cabinet Lock and Sybra). Accordingly, Valhi's and Valcor's long-term ability to meet their respective corporate obligations is dependent in large measure on the receipt of dividends or other distributions

from their respective subsidiaries, the realization of their investments through the sale of interests in such entities and investment income. Various credit agreements to which subsidiaries are parties contain customary limitations on the payment of dividends, typically a percentage of net income or cash flow; however, such restrictions have not significantly impacted the Company's ability to service parent company level obligations. Valhi has not guaranteed any indebtedness of its subsidiaries or of NL or Tremont, nor has Valcor guaranteed any indebtedness of its subsidiaries.

Valhi owns 5.5 million shares of Dresser common stock, which shares are held in escrow for the benefit of holders of the LYONs. Valhi receives the quarterly dividends on the escrowed shares, currently $.17 per Dresser share. The LYONs are exchangeable, at the option of the holder, for the Dresser shares owned by Valhi. Exchanges of LYONs for Dresser stock would result in the Company reporting income related to the disposition of the Dresser stock for both financial reporting and income tax purposes, although no cash proceeds would be generated by such exchanges.

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

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

UNCONSOLIDATED COMPANIES - NL AND TREMONT

Balance sheet and cash flow information of NL and Tremont is summarized below.

	NL INDUSTRIES		TREMONT CORPORATION	
	DEC. 31, 1993	SEPT. 30, 1994	DEC.31, 1993	SEPT.30, 1994
	(IN MILLIONS)			
Cash, equivalents and securities	$ 147.6	$ 219.6	$ 20.3	$ 11.7
Inventories	194.2	167.8	52.6	52.3
Receivables and other current assets	125.7	173.7	41.1	40.6
Noncurrent securities	18.4	20.5	7.7	8.9
Investment in NL	-	-	22.3	18.5
Investment in joint ventures	190.8	188.4	13.6	14.4
Other noncurrent assets	151.2	58.5	18.3	12.0
Property and equipment, net	378.6	409.1	147.3	144.2
	$1,206.5	$1,237.6	$323.2	$302.6

Current liabilities	$ 232.5	$ 256.0	$ 66.0	$ 57.7
Long-term debt	835.2	791.0	43.5	51.8
Accrued OPEB cost	68.3	65.9	51.7	51.9
Accrued pension cost	72.6	79.5	.2	.5
Deferred income taxes	139.0	204.6	-	-
Other noncurrent liabilities	121.3	132.9	16.2	21.0
Minority interest	2.4	2.9	27.2	22.7
Stockholders' equity (deficit):				
Capital and retained earnings	(143.4)	(168.5)	126.7	102.9
Adjustments, principally currency translation	(121.4)	(126.7)	(8.3)	(5.9)
	(264.8)	(295.2)	118.4	97.0
	$1,206.5	$1,237.6	$323.2	$302.6

	NINE MONTHS ENDED SEPTEMBER 30, NL		TREMONT	
	1993	1994	1993	1994
	(IN MILLIONS)			
Net cash provided (used) by:				
Operating activities:				
Before working capital changes	$(24.7)	$ 33.3	$ (.9)	$(13.9)
German tentative tax refunds and other working capital changes	(2.3)	153.6	(.4)	8.1
	(27.0)	186.9	(1.3)	(5.8)
Investing activities:				
Capital expenditures	(33.5)	(25.1)	(15.3)	(3.8)
Other, net	69.3	3.2	14.0	.3
Financing activities:				
Net borrowings (repayments)	(23.4)	(85.1)	(5.6)	6.3
Other	-	(.2)	(.2)	.4
	$(14.6)	$ 79.7	$ (8.4)	$ (2.6)
Cash, equivalents and securities at end of period	$119.6	$ 219.6	$ 18.2	$ 11.7
Cash paid for:				
Interest, net of amounts capitalized	$ 75.2	$ 43.3	$ -	$ 4.0
Income taxes (received)	10.0	(112.1)	(2.8)	.1

NL Industries. The TiO2 industry is cyclical, with the previous peak in selling prices in early 1990 and the latest trough in the third quarter of 1993. NL's operations used significant amounts of cash during such TiO2 down cycle. Receipt of $127 million of tentative German income tax refunds, discussed below, significantly increased NL's cash flow from operating activities during the 1994 period and was a major factor in NL's improved liquidity. Relative changes in inventories, receivables and payables also contributed to cash provided by operations. Certain seasonal working capital fluctuations and semi-annual interest payments on NL's Senior Notes are expected to use operating cash in the fourth quarter of 1994.

NL has reduced its "net debt" (notes payable and long-term debt less cash, equivalents and securities) by $271 million during the last 12 months, and currently expects to have sufficient liquidity to meet its obligations including operations, capital expenditures and debt service. In addition to the $220 million of cash, equivalents and securities held at September 30, 1994, $192 million was available for borrowing under existing credit facilities, of which

$109 million is available only for (i) permanently reducing NL's DM term loan or (ii) paying future German tax assessments, as described below.

Certain of NL's U.S. and non-U.S. income tax returns, including Germany, are being examined and tax authorities have or may propose tax deficiencies. During the first nine months of 1994, the German tax authorities withdrew certain tax assessment reports and remitted tax refunds aggregating DM 211 million ($127 million), including interest, on a tentative basis. NL applied DM 168 million of the tentative tax refund to reduce outstanding borrowings under its DM revolving bank credit facility. Examination of NL's German income tax returns continues. NL has received certain assessment reports proposing tax deficiencies and understands the German tax authorities intend to issue additional assessment reports. Although NL believes it will ultimately prevail, NL has granted a DM 100 million ($65 million) lien on its Nordenham, Germany TiO2 plant until the assessment reports proposing tax deficiencies are resolved. NL believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations.

NL has been named as a defendant, potentially responsible party, or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites or facilities currently or formerly owned, operated or used by NL, many of which disposal sites or facilities are on the U.S. Environmental Protection Agency's Superfund National Priorities List or similar state lists. NL believes it has provided adequate accruals ($84 million at September 30, 1994) for reasonably estimable costs of such matters, and has estimated that the upper end of the range of reasonably possible costs to NL for sites for which it is possible to estimate costs is approximately $142 million. NL is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints. Based on, among other things, the results of such litigation to date, NL believes that the pending lead pigment litigation is without merit and has not accrued any amounts for the pending lead pigment litigation. NL currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on NL's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed at the state, local and federal levels that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and effectively overturn court decisions in which NL and other pigment manufacturers have been successful.

Tremont Corporation. Tremont, with its 75% equity interest in TIMET and 18% equity interest in NL, is principally a holding company. NL discontinued dividends in 1992 and provisions of TIMET's bank credit agreement currently prohibits dividend payments. At September 30, 1994, Tremont had parent-level cash, equivalents and marketable securities of approximately $9 million. At September 30, 1994, Tremont's per share net carrying value of its investment in NL was $2.04 (market price at November 10, 1994 - $12.00).

During the past few years, TIMET's combined operations, capital expenditures and debt service have consumed significant amounts of cash, including approximately $15 million used by such items in the first nine months of 1994. TIMET's consumption of cash has been exacerbated by the strikes and VDP production difficulties discussed above. The continued consumption of cash would have a further adverse effect on TIMET's liquidity and financial condition. As of November 10, 1994, TIMET had less than $1 million of combined cash and borrowing availability under its bank credit agreement. Borrowings under this agreement are collateralized by substantially all of TIMET's assets and the agreement, among other things, limits TIMET's additional indebtedness.

TIMET has taken and continues to take measures to manage its near-term and long-term liquidity requirements including, among other things, refinancing certain debt, restructuring its operations, continued cost reduction efforts,

deferral and reduction of capital expenditures, sale of certain assets, deferral of certain payments and other efforts to reduce noncash working capital. TIMET is negotiating with its lenders to increase its credit lines, however, no assurance can be given that these negotiations will be successful. Tremont has indicated it is willing to advance additional funds to TIMET. TIMET has also discussed with Tremont and TIMET's other (25%) stockholder, Union Titanium Sponge Corporation ("UTSC"), a plan by which its stockholders would invest additional funds in TIMET as equity capital. TIMET believes that it will be able, through some combination of the aforementioned measures, to satisfy its needs for liquidity in order to meet its near-term obligations.

Neither Tremont nor UTSC has guaranteed any TIMET debt nor are they obligated to provide additional funds to TIMET. Tremont has, however, agreed to purchase from UTSC, under certain conditions, TIMET's debt owed to UTSC ($6 million at September 30, 1994). Nevertheless, Tremont may elect to provide additional funds to TIMET in the future if TIMET's efforts to sufficiently increase its liquidity from other sources are not successful. In that event, Tremont may seek to borrow against a portion of its investment in NL, although no such arrangements have been made at this time. Tremont believes it will have sufficient liquidity to meet its near-term obligations.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to the 1993 Annual Report and the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1994 and June 30, 1994 for descriptions of certain legal proceedings.

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

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

(a) Exhibits

27.1 - Financial Data Schedule for the nine-month period ended September 30, 1994.

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

(b) Reports on Form 8-K

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

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

October 26, 1994 - Reported Items 5 and 7.

SIGNATURES

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

VALHI, INC.
(Registrant)

Date November 10, 1994

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

Date November 10, 1994

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

SIGNATURES

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

VALHI, INC.
(Registrant)

Date November 10, 1994

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

Date November 10, 1994

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

<ARTICLE> 5
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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALHI, INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
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<CURRENT-LIABILITIES>	230,789
<BONDS>	308,521
<COMMON>	1,245
<PREFERRED-MANDATORY>	0
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<OTHER-SE>	214,705
<TOTAL-LIABILITY-AND-EQUITY>	785,625
<SALES>	632,295
<TOTAL-REVENUES>	632,295
<CGS>	481,353
<TOTAL-COSTS>	481,353
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<INTEREST-EXPENSE>	25,988
<INCOME-PRETAX>	10,141
<INCOME-TAX>	3,202
<INCOME-CONTINUING>	6,939
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	6,939
<EPS-PRIMARY>	.06
<EPS-DILUTED>	.06

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1993 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 1994 and June 30, 1994 for descriptions of certain previously-reported legal proceedings.

HANO. In October 1994, the Company moved for summary judgment in one of the eight remaining third-party complaints filed by HANO.

The City of New York, the New York City Housing Authority and the New York City Health and Hospitals Corp. v. Lead Industries Association, Inc., et al. In May 1994, the trial court granted the defendants' motion to dismiss the plaintiffs' restitution and indemnification claims. The plaintiffs filed a notice of appeal. Defendants have moved for summary judgment on the remaining fraud claim.

NL Industries, Inc. v. Commercial Union Insurance Cos., et al. The defendant, Commercial Union, has appealed the previously-reported order requiring it to pay certain previously-incurred Company defense costs.

Wagner, et al. v. Anzon and NL Industries, Inc. Defendants' motion for summary judgment was denied; jury trial in this class action began in September 1994 and a jury verdict is expected in November 1994.

Granite City. In August 1994, the U.S. Environmental Protection Agency ("U.S. EPA") recommended a limited cleanup of the residential yard soils in Granite City. In October 1994, the U.S. EPA released a proposed plan for residential soil cleanup and reopened the administrative record for public comment. The period for public comment has not yet expired. In the proposed plan, the U.S. EPA also indicated that it is developing remedial plans for the remaining industrial area and for groundwater.

Batavia, New York. In August 1994, the U.S. EPA issued a proposed plan for remediation of the landfill. The estimated cost of the proposed remedy is $12 million. No allocation of the remedial costs among the Company and the other potentially responsible parties ("PRPs") has been determined.

Cherokee County. In August 1994, the U.S. EPA issued a proposed remedial plan for the Baxter Springs and Treece subsites. The estimated cost of the proposed remedies is $6 million. The allocation among PRPs, including the Company, has not yet been determined. Remedial plans have not been proposed for the remaining subsites in Cherokee County.

Flacke v. NL Industries, Inc. In August 1994, the court denied the State's and the Company's motions for summary judgment.

Portland. In September 1994, the PRPs submitted to the U.S. EPA a focused feasibility study proposing changes in the remedy at this site. The estimated cost of the remedies analyzed ranged from approximately $15 million to $57 million.

Exxon Chemical Company v. NL Industries, Inc. The Company has agreed in principle to settle this matter, within previously accrued amounts, and the Court has dismissed the case. The parties are negotiating a settlement agreement, execution of which is a condition of the settlement, and the plaintiff has sought to reinstate the case pending completion of those negotiations.