



**VALHI, INC.**  
**THREE LINCOLN CENTRE**  
**5430 LBJ FREEWAY, SUITE 1700**  
**DALLAS, TEXAS 75240-2697**

December 31, 2007

Dear Stockholder:

On March 26, 2007, Valhi Inc. (NYSE: VHI) paid a special dividend (the "*Special TIMET Stock Dividend*") to you in the form of 0.4776 of a share of common stock of Titanium Metals Corporation ("*TIMET*") for every share of Valhi common stock you held of record as of the close of business on March 12, 2007, the record date for the special dividend. No fractional shares of TIMET common stock were distributed. As part of the special dividend, American Stock Transfer and Trust Company, the stock transfer agent for TIMET and paying agent for the special dividend, aggregated and then sold at the then prevailing market price all undistributed fractional shares of TIMET common stock. If you would have otherwise been entitled to receive a fractional share, you should have received a check for your portion of such sale proceeds.

Subsequently, Valhi declared and paid quarterly dividends on its common stock of \$0.10 per share in cash on each of March 30, June 29, September 28 and December 28, 2007 (collectively, the "*Quarterly Cash Dividends*").

For federal income tax purposes, the value of the:

- Special TIMET Stock Dividend per share will be the **\$36.90** per share closing price as reported on the New York Stock Exchange for a share of TIMET common stock on the payment date; and
- Quarterly Cash Dividends will be the amount of cash you received from these quarterly cash dividends.

**Based on a 2007 forecast and preliminary calculation,** Valhi has made the determination that for federal income tax purposes:

- **8.53%** of the value of your Special TIMET Stock Dividend (including any fractional share) will be taxable to you as a *qualified dividend* and **91.47%** of the value of your Special TIMET Stock Dividend (including any fractional share) should be characterized as a non-taxable *return of capital* to the extent of your tax basis in your Valhi shares; and
- **8.01%** of the value of your Quarterly Cash Dividends will be taxable to you as a *qualified dividend* and **91.99%** of the value of your Quarterly Cash Dividends should be characterized as a non-taxable *return of capital* to the extent of your tax basis in your Valhi shares.

To the extent that the aggregate amount of the return of capital exceeds the tax basis in your Valhi shares, such excess should be generally taxable to you as capital gain income. If you received cash in lieu of a fractional share of TIMET common stock in the Special TIMET Stock Dividend, you may recognize short-term gain or loss equal to the difference between the cash received and the portion of the value of the TIMET common stock that is allocable to the fractional share.

With respect to the qualified dividends, such dividends could be "extraordinary dividends" for Valhi stockholders that are corporations.

**This preliminary determination as to the treatment of the 2007 dividends is subject to change.** You should receive a Form 1099 reporting the appropriate tax treatment for these dividends.

**YOU ARE URGED TO CONSULT WITH YOUR TAX ADVISOR AS TO YOUR SPECIFIC TAX TREATMENT OF THE DIVIDENDS.**

Sincerely

**VALHI, INC.**