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SIXTY EIGHTH ANNUAL REPO

National Lead Company

NATIONAL LEAD COMPANY | 1959 ANNUAL REPORT

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ARCHER D. SARGENT

Executive Offices:
111 BROADWAY, NEW YORK 6, N. Y.

General Counsel:
ALEXANDER & GREEN
120 BROADWAY, NEW YORK 5, N. Y.

Stock Transfer Agents:
THE CHASE MANHATTAN BANK
40 WALL ST., NEW YORK 15, N. Y.

OLD COLONY TRUST COMPANY
45 MILK ST., BOSTON, MASS.

NATIONAL TRUST COMPANY, LIMITED
14 KING ST. EAST, TORONTO, CANADA

Registrars of Stock:
BANKERS TRUST COMPANY
16 WALL ST., NEW YORK 15, N. Y.

THE FIRST NATIONAL BANK OF BOSTON
45 MILK ST., BOSTON, MASS.

THE ROYAL TRUST COMPANY
66 KING ST. WEST, TORONTO, CANADA

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1959

National Lead Company

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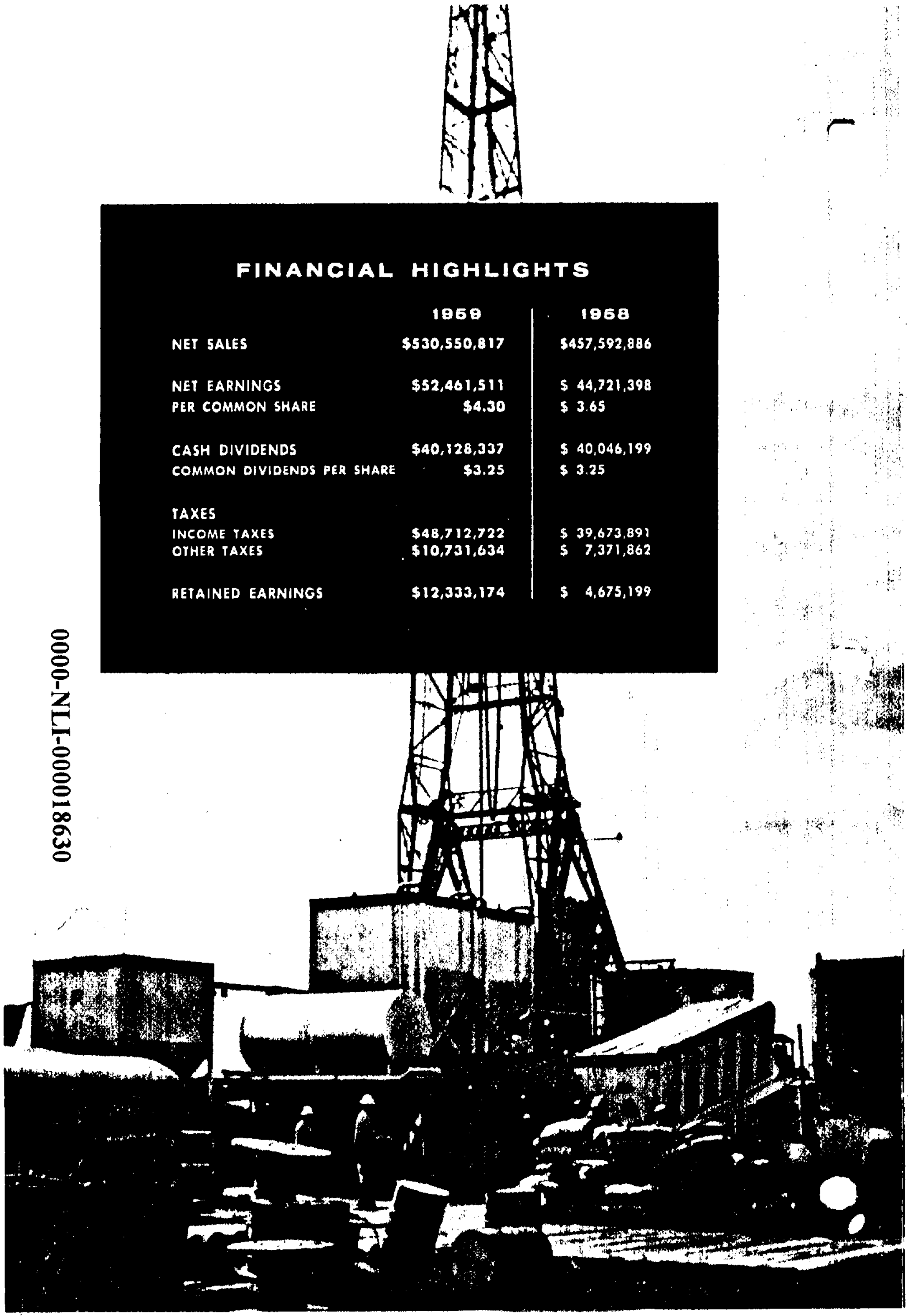


FINANCIAL HIGHLIGHTS

	1959	1958
NET SALES	$530,550,817	$457,592,886
NET EARNINGS	$52,461,511	$ 44,721,398
PER COMMON SHARE	$4.30	$ 3.65
CASH DIVIDENDS	$40,128,337	$ 40,046,199
COMMON DIVIDENDS PER SHARE	$3.25	$ 3.25
TAXES		
INCOME TAXES	$48,712,722	$ 39,673,891
OTHER TAXES	$10,731,634	$ 7,371,862
RETAINED EARNINGS	$12,333,174	$ 4,675,199

THE PRESIDENT'S LETTER

TO THE SHAREHOLDERS OF *National Lead Company*

The year 1959 was one of the most satisfactory in National Lead Company's history, with sales and earnings showing an appreciable increase over those reported for the preceding year. This 68th Annual Report will provide a review of the Company's operations and the progress made during 1959.

During 1959 the general economy continued to advance to midyear when a strike closed down a great majority of the steel mills for a period of 116 days. Its effect interrupted the advance in the country's economy until a labor agreement was reached early in January 1960.

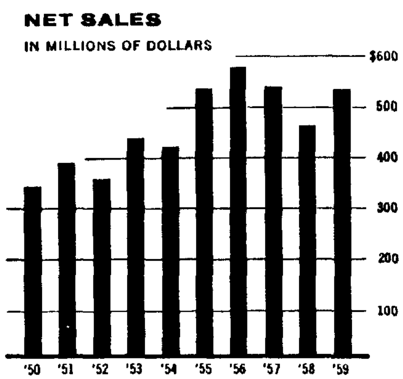
National Lead Company, being well diversified, is normally protected against adverse fluctuations in any one segment of the domestic economy. However, the impact of the steel strike was so far-reaching that Company earnings were affected during the latter months of the year.

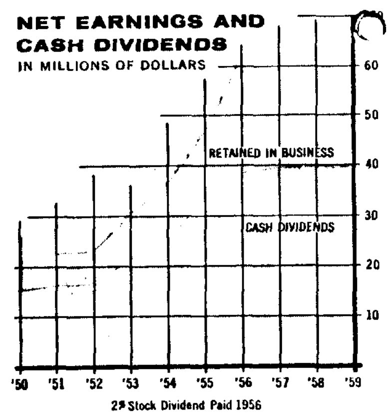
Earnings and Dividends

Net income for 1959 amounted to $52,461,511, a 17 per cent increase over the $44,721,398 earned in 1958. Each of the Company's major product groups participated in the increase, with marked improvement noted in the earnings of divisions producing titanium pigments, die castings, oil well drilling materials, railroad journal bearings, screws and metal fasteners, refractories, small steel containers, metallurgical alloys and chemicals. All of the Company's divisions operated profitably during the year.

It is impossible to measure accurately the impact of the steel strike on the Company's profit. Certain products were affected quickly and directly while some others suffered a secondary effect

A familiar red and yellow truck of the Baroid Division delivering bulk oil well drilling materials directly to a rig.





resulting from gradual steel shortages which appeared in various consuming industries over a period of time.

After providing $2,181,161 to cover dividends on the outstanding preferred stock, 1959 earnings amounted to $4.30 a share on the 11,691,912 shares of common stock outstanding. This compared with 1958 earnings of $3.65 a share on the 11,652,777 shares outstanding at the end of that year.

In 1959, dividend payments amounting to $37,947,176 were sent to the Company's common shareholders. These distributions were made in four quarterly installments amounting to 75¢ a share in March, June and September, and $1.00 a share in December. Thus, the total cash dividend on the common stock continued at the 1958 rate of $3.25 a share. National Lead Company has paid cash dividends on its common stock without interruption for a period of fifty-four years.

Sales

Consolidated sales in 1959 were $530,550,817, an increase of 16 per cent over the $457,592,886 reported for 1958. All major Company divisions shared in the improvement.

Sales of the Titanium Division, a leading producer of titanium dioxide, used in paints, paper, rubber, plastics and ceramics, continued their upward trend. Demand for products produced by this division had also increased during 1958 despite unfavorable general business conditions then existing.

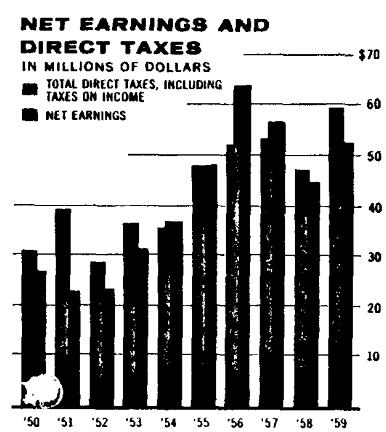
Compared to the prior year, there was marked improvement in the sales of metallurgical alloys and titanium and zirconium chemicals produced by the Titanium Alloy Manufacturing Division; in screws and metal fasteners; in aluminum and zinc die castings; in railroad journal bearings; and in oil well drilling materials produced by the Baroid Division.

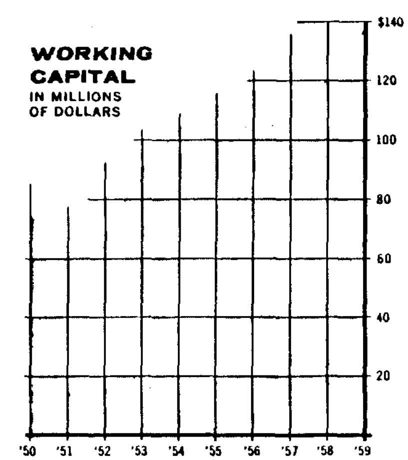
During the last few months of 1959, the sales volume of some of the Company's products, particularly die castings, was adversely affected by the steel strike. This resulted in deferring a substantial amount of demand, which should augment sales volume in 1960.

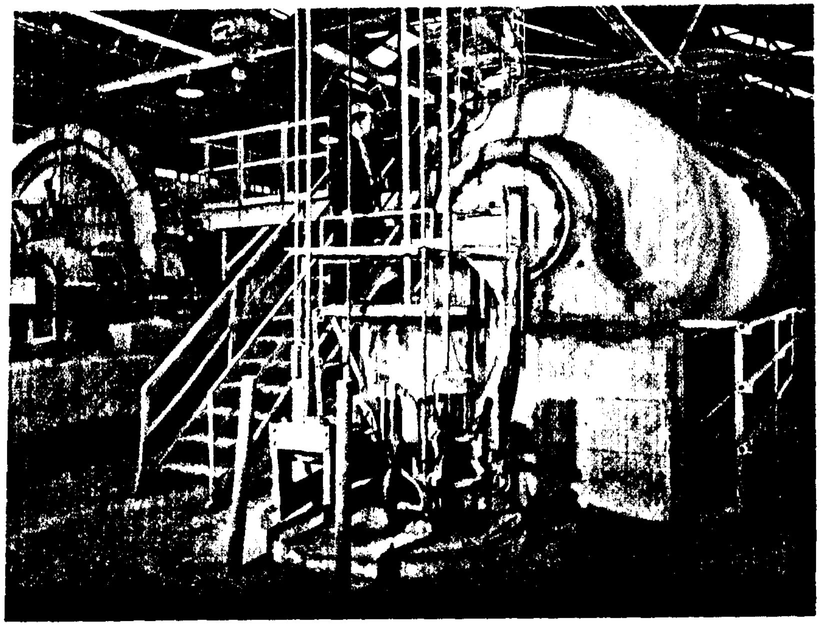
Taxes

The Company provided $59,444,356 for taxes, consisting of $48,712,722 for United States and Canadian income taxes and $10,731,634 for state, local and other direct taxes. Due largely to increased taxable income, the total provision was greater than the corresponding 1958 amount of $47,045,753.

Your management draws attention to the fact that the total requirement for taxes in 1959 amounted to $5.08 for each share







Ball mills at TAM plant, Niagara Falls, New York, for wet milling of zirconium silicate used as an opacifier by the ceramic industry.

of common stock outstanding, an amount substantially greater than the $3.25 a share paid in the form of dividends to the owners of the Company's common stock. In addition, it may be interesting to note that the total tax bill for the year was approximately $1.40 an hour for each hour worked by National Lead Company employees in 1959.

Financial Position

The Company continued to maintain a strong current financial position and followed its traditional policy of using internally generated funds to meet its cash requirements.

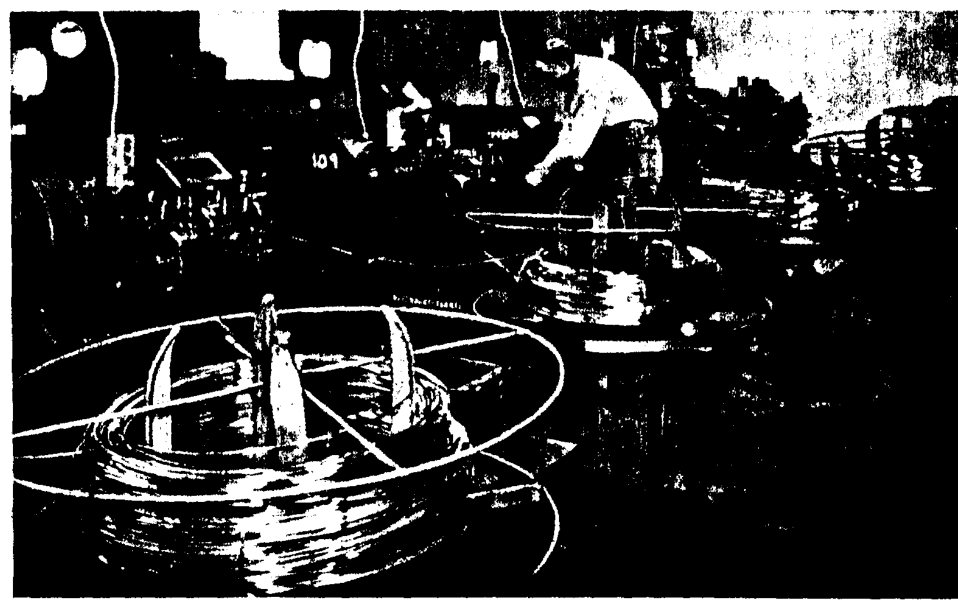
Working capital, the excess of current assets over current liabilities, amounted to $138,661,420 at the end of 1959, an increase of 15 per cent during the year. Current assets were 3.1 times current liabilities, compared to a ratio of 2.9 at the end of the preceding year. Cash and government, state and municipal securities amounted to $43,118,495 at the end of 1959. In keeping with the higher volume of sales, there was an increase during the year of $6,619,294 in accounts receivable. Inventories increased by $13,357,865, due principally to a planned build-up in preparation for the anticipated improvement in business during the early part of 1960.

Plant Investment

The gross investment in plant, property and equipment at the end of 1959 totaled $292,122,311. Capital expenditures in 1959 were $8,044,875, as compared with $11,719,117 in 1958.

A number of capital improvements were made in 1959 designed to expand and modernize existing operations. At the Niagara Falls plant, additional facilities for the production of dielectrics and silicates were installed and an electric conversion project was

Coils of brass wire being fed into header machines at Statesville, North Carolina, plant of Southern Screw Company. This subsidiary produces millions of screws per day for the furniture, housing, appliance, automotive and other industries.



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begun. At St. Louis the installation of equipment was started to provide for the production of additional types of titanium pigment at that location. New kilns were installed at Cincinnati, Ohio, for the production of high temperature refractories. The kilns are of novel design, involving mechanized bottom loading and unloading.

New facilities have been added to one of the Company's die casting plants located at Toledo, Ohio. This is the first step in a plan which will provide additional capacity to take care of the expected increase in demand from the automotive industry.

The property of Goldsmith Bros. Smelting & Refining Co. was acquired in 1959 by the issuance of common stock. Goldsmith is a processor of precious metals and allied products sold in the form of bar, sheet, solder and metallic salts.

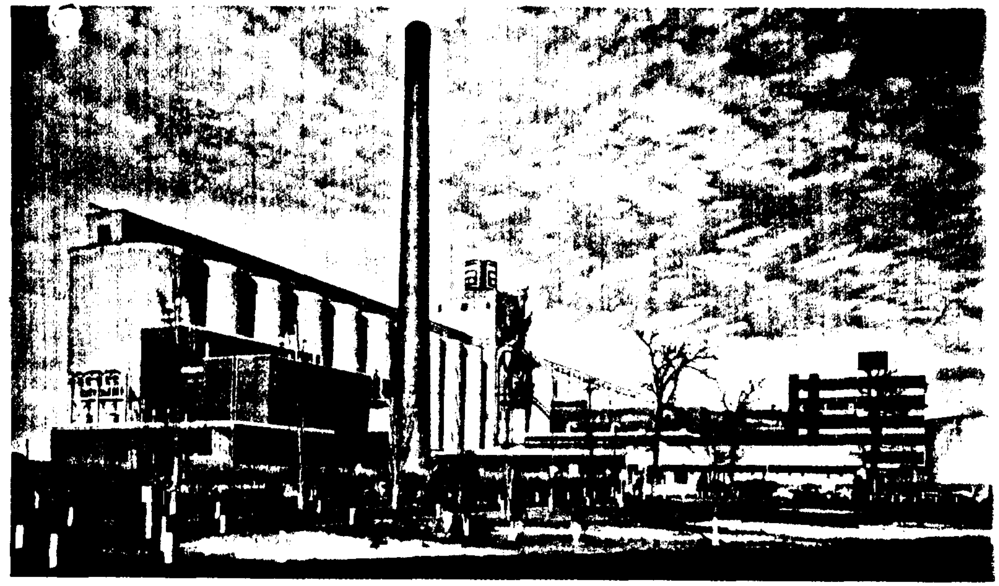
The Company has operated a lead and zinc mine at Baxter Springs, Kansas, for many years. In 1959, the ore body was mined out and the mining equipment was sold. The remaining value was removed from the property account.

In 1959, the charge for depreciation, depletion and amortization amounted to $11,281,120. The corresponding figure for the preceding year was $11,107,283.

Domestic Subsidiaries and Affiliates

National Lead Company has a stock interest in a number of domestic subsidiaries and affiliates whose operations are not included in the Company's consolidated financial statements, since they are not wholly owned.

Minnesota Linseed Oil Company and Baker Castor Oil Company are producers of oils used by the paint and other industries. Earnings of both companies were substantially greater in 1959 than in 1958. Until recently, domestic producers of castor oil relied entirely on imported castor beans for their basic raw material. Agronomy programs initiated by Baker Castor Oil Company have led to the successful planting and harvesting of a large acreage of castor beans by farmers in the United States.

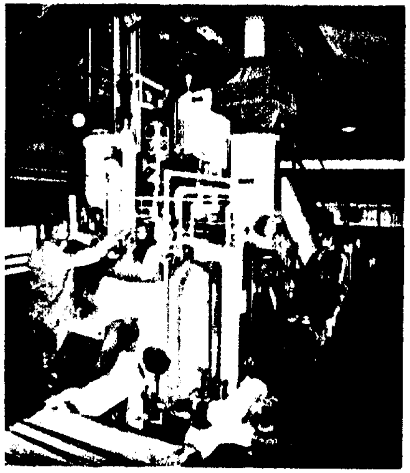


Storage silos and processing plant of Minnesota Linseed Oil Company.

Morris P. Kirk and Son, Inc. is a west coast producer of fabricated lead products and lead oxide. Its subsidiary, Pioneer Aluminum, Inc., is engaged in the marketing of fabricated aluminum products. Earnings of these companies continued at a good rate in 1959. Expanded warehouse facilities, located at Los Angeles, are under construction for Pioneer Aluminum, Inc.

Titanium Metals Corporation of America, jointly owned with Allegheny Ludlum Steel Corporation, operated at a profit of $56,000 in 1959 compared with a loss of $1,372,000 reported in 1958. Sales amounted to $23,227,000 in 1959 as compared with $23,966,000 in 1958. No dividends have been paid by TMCA up to the present time.

During the last few years there has been an orderly build-up of sales of titanium metal for non-governmental uses. In 1959, industry shipments of mill products fabricated from this metal showed a 24 per cent increase over the preceding year.



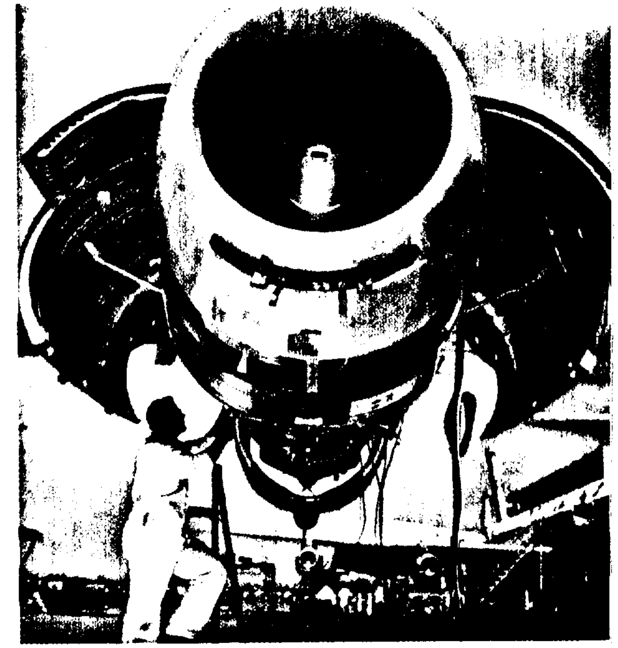
Hydrogenation unit at Baker Castor Oil Company plant at Bayonne, New Jersey, where castor oil is chemically treated to produce products for the paint, grease, paper coatings and other industries.

Harvesting castor beans at Plainview, Texas. Machine was specifically designed for dwarf type castor plants, developed through Baker Castor Oil Company's agronomy program.

Since its introduction, there has been a continuing effort to widen the market for titanium metal by reducing its sales price, whenever improved production techniques permit. By the end of 1959, the sales price index was less than one half the corresponding figure five years ago. On a volume basis, titanium billet is now in the same pricing area as certain high performance steels used by the missile industry. This industry and the manufacturers of aircraft are the principal users of the titanium metal produced by TMCA.

Your management believes that the presently established uses, as well as some newer ones being developed in the missile, aircraft, chemical, electrical and marine industries, will result in a

DC-8 jet liner engine with titanium metal access doors open for servicing. The use of titanium metal in the airframe of the DC-8 results in a weight saving equal to five passengers and their luggage.



steadily increasing long-term demand for this metal. Titanium Metals Corporation of America has the necessary facilities and technology to meet this increasing demand as it occurs.

National Lead Company and Republic Steel Corporation are joint owners of the R-N Corporation which was organized to develop and license a process for the recovery of iron by direct reduction of ore. The R-N process is being demonstrated at a large-scale, semi-works pilot plant at Birmingham, Alabama, where tests are made of prospective customers' ores. Considerable interest has been shown by a number of domestic steel producers, both integrated and non-integrated. In addition, tests have been run for companies located in foreign areas, where steel production is in an early stage of growth.

International Activities

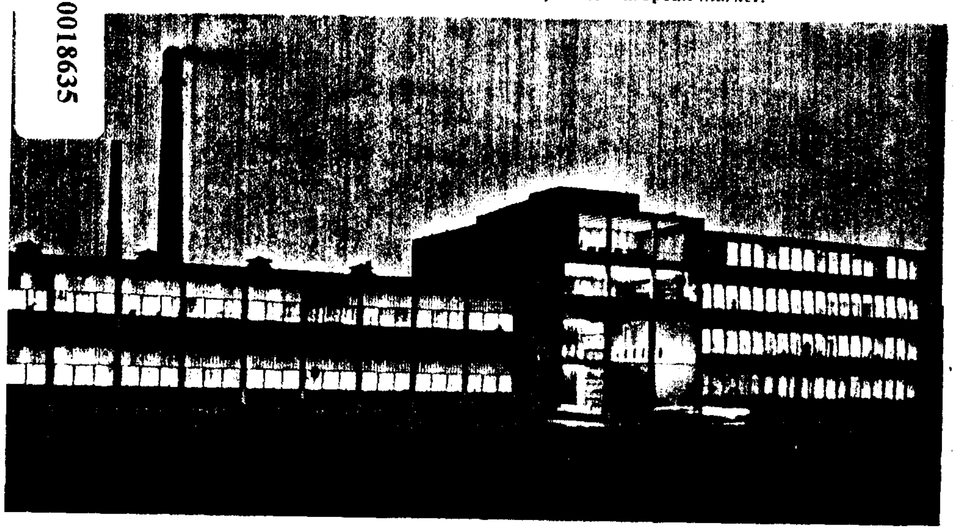
Many years ago, National Lead Company began a program designed to increase substantially its participation in foreign operations. Activities were started in a number of foreign areas selected because they combined the desirable characteristics of a labor and raw material situation which would permit economic production and because they were near rapidly expanding markets.

The Company's international activities have been increasingly successful. The results of the operations of the wholly owned Canadian subsidiaries are included in the Company's consolidated financial statements. Operating results of other foreign subsidiaries are not consolidated but are recorded in National Lead Company net income when received in the form of dividends.

The Company's Canadian operations are substantial. They consist principally of the production and marketing of titanium and lead pigments, fabricated non-ferrous metals, die castings and oil well drilling materials. In 1959, there was a continued improvement in Canadian sales of titanium pigments, now produced at a Company owned plant at Varennes, Quebec, and in Canadian oil well drilling muds.

European operations are carried on in Belgium, France, Great Britain, Italy, Norway, The Netherlands and West Germany

The office building of Titangesellschaft m.b.H., at Leverkusen, West Germany. This subsidiary manufactures titanium dioxide for the European market.



and are well diversified. Titanium dioxide facilities are located in Belgium and West Germany. The plant in Belgium was acquired in 1958. The West German plant has been expanded fourfold since 1951 and is the largest continental European producer of titanium dioxide. The combined capacity of these plants is insufficient to meet the current demand and plans to increase output are now under active study.

In Norway, the Company manufactures paint and pigments and owns extensive deposits of ilmenite, used as the raw material for the production of titanium dioxide. Construction of an additional large-scale mining and milling facility in Norway to increase the output of ilmenite will be completed as scheduled during 1960.

In West Germany, the Company owns a controlling interest in Zinnwerke Wilhelmsburg G.m.b.H., a subsidiary engaged in the smelting of secondary metals and the production of copper refinery shapes. This company operated profitably in 1959.

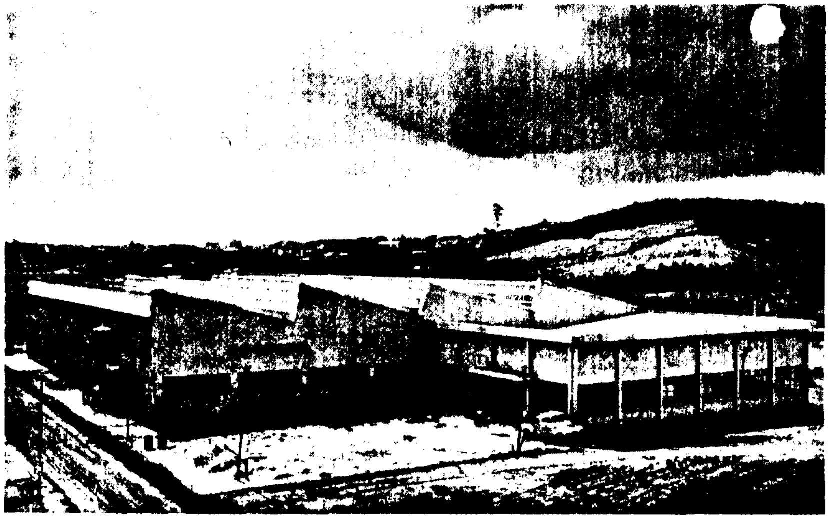
Baroid-Maffei, S.p.A., an Italian company producing oil well drilling materials on the island of Sardinia, operated profitably in 1959. A half interest in this company was acquired early in the year.

The operations of the Company's subsidiaries continue to expand in Latin America.

In order to extend its die casting operations to this area, the Company in 1959, together with a Brazilian partner, formed a new corporation, Industrias Doehler do Brasil, S.A. In February 1960, this corporation started operations at a newly constructed plant located at São Paulo, Brazil. Zinc and aluminum die castings are being produced and sold to the growing Brazilian automotive and appliance industries.

Barytes is mined on the island of Camamu, located off the coast of Brazil. This mine is the principal source of ore for Trinidad and Venezuela, where it is processed into oil well drilling materials by affiliates in which the Company has a substantial interest. In addition, a portion of the output of the mine is ground at the site and sold for use in oil well drilling in Brazil and Argentina.

National Lead Company continues to operate the United States Government nickel plant at Nicaro, Cuba. In 1959, produc-



The new die casting plant of Industrias Doehler do Brasil, S.A. at São Paulo, Brazil.

tion was carried on without substantial difficulty despite the pressing political problems which existed in Cuba. The Company acts entirely in the capacity of contract operator and has no investment in these extensive facilities. The Company is still interested in acquiring this plant under conditions which would protect it from undue risk.

Through its subsidiaries, the Company is engaged in a number of activities in other parts of the world. It operates a facility for the production of paint in the Philippines. This plant ran at close to full capacity in 1959. In Australia, zircon and rutile are mined. During 1959, due to adequate supplies of these minerals, the Company curtailed these operations, which, nevertheless, continued to operate profitably.

The total sales of the major foreign and domestic unconsolidated subsidiaries, converting foreign currencies into dollars at appropriate rates of exchange, approximated $138,000,000 for the latest available twelve-month period. National Lead Company's equity in the total combined net income of these companies was approximately $9,500,000 and dividends received amounted to $6,720,575. The Company's equity in the net tangible assets of these subsidiaries exceeded the Company's investment in and advances to them by approximately $30,200,000.

New Products and Processes

Research and development is carried on by all divisions of the Company. In 1959, to assure further improvement in the coordination of its technical work, the Company initiated plans for a laboratory to be located at Hightstown, near Princeton, New Jersey. A desirable tract of 241 acres of land has been purchased at that location and the facilities are now being engineered.

The Company has introduced a new color system which now provides Dutch Boy paint purchasers a choice of 1,920 colors, the widest selection of paint colors yet marketed. The new color range is available in all types of finishes for both interior and exterior use. A line of acrylic latex house paint for exterior wood, stucco, masonry and metal surfaces was introduced early this year.

Grinding Dutch Boy paint on roller mill at Perth Amboy, New Jersey, plant.

A technique has been developed for producing a family of pigments consisting of a layer of various metallic compounds on the surface of a silica core. Two of these pigments have been successfully marketed; basic silicate white lead 45X and basic lead silico chromate M50. Sales of these pigments have grown rapidly, reaching a new high level in 1959. Other pigments, using different metallic compounds, are being developed for the paint and other industries. All of these pigments will be marketed under a new trademark, "Oncor".

The Company's technical personnel made particularly important progress in perfecting the techniques for die casting an aluminum motor block for use by the automotive industry. This work, which continues, is detailed, complicated and painstaking, due to the complexity of the problems involved and the need of thorough and lengthy test periods as each vital step is completed. However, your management believes that the progress made in 1959 constitutes a major break-through which is likely to result in the commercial production of die cast aluminum motor blocks for certain of the 1961 models now being planned by the automotive industry.

The red priming paint recently applied on the metal dome of the Capitol in Washington, D. C., is pigmented with basic lead silico chromate, an anti-corrosive pigment developed through National Lead Company research.

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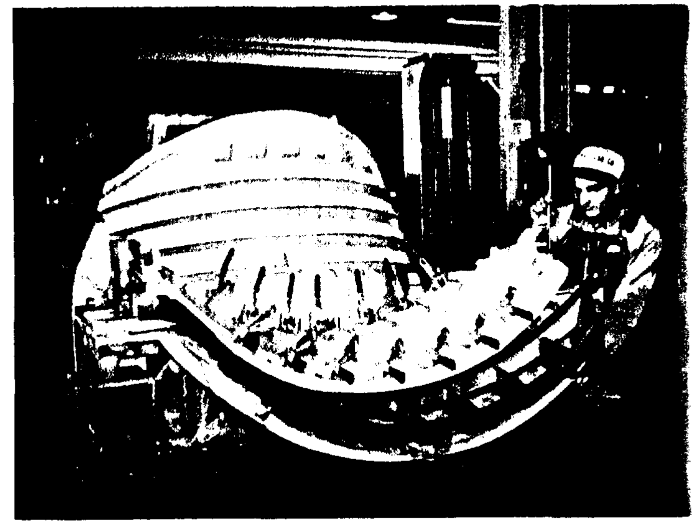
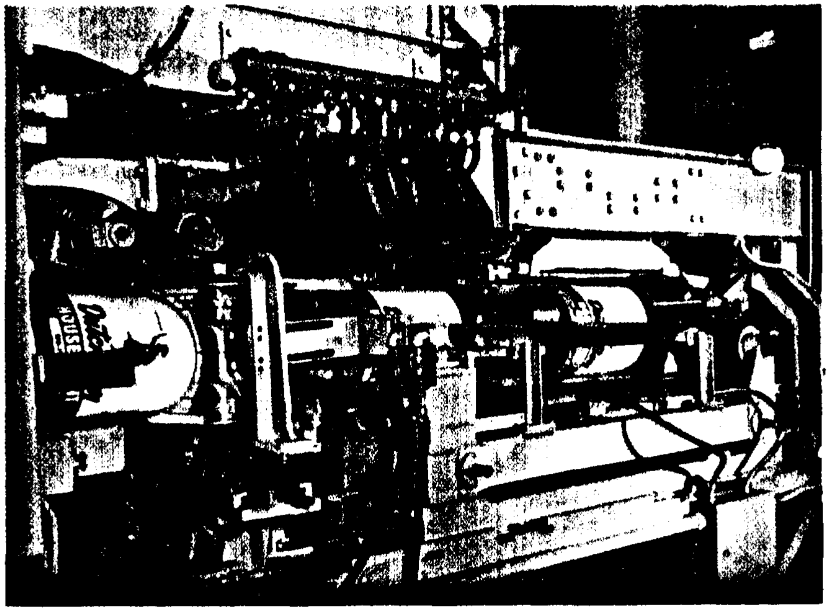


Master plastic model and assembly fixture of thrust reverser for General Electric jet engine at the Company's Kirksite Die and Engineering Department at Chicago. Stainless steel stamping formed on Kirksite dies is in foreground. The facility at Chicago is one of the country's largest installations for making prototypes for the automobile, aviation and other industries.

A six-cylinder water-cooled aluminum engine block has been engineered and developed and is expected to be in commercial production at the Company's Toledo plant before the end of 1960. This block weighs about one quarter as much as a conventional gray iron block and has been designed to give certain heat transfer characteristics which will result in a more effective cooling system.

In addition, the Company has received a patent on a die cast aluminum V-8 engine block. As in the case of the six-cylinder block, this design combines the advantages of light weight and improved thermal conductivity and provides a suitable method for efficient mass production. These developments continue to receive major priority because of their potential importance to the sales and earnings of the Company's Doehler-Jarvis Division.

For a number of years, the Company has produced Kirksite dies and prototype parts of automobile bodies. This technique has been expanded to permit the use of plastic in combination with Kirksite. Distribution has been widened to include the appliance field as well as the automotive and aviation industries.



Side seams of steel containers for Dutch Boy paint are machine-welded at the Granite City, Illinois, plant of the Steel Package Division, which supplies small steel containers for the paint, petroleum and other industries.

A recent development by the Company was the introduction of Baragel, a non-soap thickening agent, used in the production of industrial greases. It is particularly effective for use in the newly developed, high temperature, non-petroleum greases.

The Company's Titanium Alloy Manufacturing Division has developed and marketed a new product, zirconium hydride, now being used by the metallurgical industry in the production of sponge metals. Another product, chemically produced barium titanate, is finding expanding markets in the electronic industry. New zirconium and titanium alloys have been prepared in powder form for use by the producers of welding rods. Other powders have been developed which permit the flame spraying of metallic oxide coatings. Zirconium chemicals are finding new uses as catalysts and in the pharmaceutical industry.

An improved grade of titanium dioxide was recently introduced for use in the paper laminate industry. This pigment makes possible the production of paper laminates which are resistant to discoloration by light.

In addition to the significant technical developments mentioned above, the Company in 1959 continued to benefit from a series of valuable achievements in product and process improvement. This type of work, while usually less dramatic than the discovery of new products, has resulted not only in improved ability to serve customers but also in substantial reductions in manufacturing costs.

Nuclear Energy

During 1959, the Company's Nuclear Metals Division expanded its activities at the Company owned plant at Albany, New York, and continued to supervise the operations of three Atomic Energy Commission installations located at Fernald, Ohio, Winchester, Massachusetts, and Monticello, Utah. Early in 1960, because of adequate supplies of uranium concentrates, the Atomic Energy Commission decided to close the Monticello facility. At Win-

Nuclear Metals Division fabricates depleted uranium into radiation shielding. The five depleted uranium units shown weigh approximately 14,000 pounds.

chester, a number of important procedures have been developed for controlling radiological hazards in uranium ore processing.

The Albany plant in 1959 continued to produce fuel plates for nuclear reactors. In addition, it began to fabricate shielding from depleted uranium to be used as protection against radiation. In some instances, lead shielding, produced by the Company, has been combined with depleted uranium for this purpose. Depleted uranium, because of its mass, is particularly well suited for use as counterweights by the aircraft industry. These counterweights are now being produced at Albany.

The Company's research personnel at the nuclear research facility at Plainsboro, New Jersey, working in cooperation with the technical staffs of major divisions, is engaged in testing the effect of radiation on various materials and finished products. The research program already scheduled will take approximately two years to complete. This research facility is operated by Industrial Reactor Laboratories, Inc., which is owned by National Lead Company and nine other major companies. The nuclear reactor went into operation early in 1959.

Your management believes that National Lead Company's experience in this field will prove to be a valuable asset in future years as this industry grows.

Shareholders

Growth of interest in the affairs of the Company is always a gratifying sign. Your management wishes to express its appreciation to all shareholders represented at the 1959 Annual Meeting either in person or by proxy. Shares voted at this meeting were greater than ever before, amounting to 81.6 per cent of the total stock outstanding.

At the close of 1959, the number of Company shareholders amounted to 40,190, a new high. The management is happy to welcome new shareholders to the Company and looks forward to meeting both old and new at the next Annual Meeting to be held April 21, 1960.

Employee Relations

The Company and the labor organizations representing employees maintained satisfactory relationships through 1959, with negotiated agreements following the general pattern of industry.

Reflecting the generally improved business conditions of 1959, there were 21,326 employees at the end of the year, an increase of 862 from December 31, 1958.

Safe, healthy working conditions continue to be prime objectives at all Company locations. National Lead Company of Ohio was awarded first place in a National Safety Council contest which included seventeen large companies.

During its third year of operation, the Company's Educational Aid Program experienced a record participation. The Educational Aid Program was established to assist employees preparing for more responsible positions through the pursuit of formal courses of study.

Changes in Organization

John B. Henrich was elected a director of the Company in February 1960, succeeding James A. Taylor. Mr. Henrich is secretary of the Company and manager of the legal department. He is also chairman of the pension and life insurance board and of the administrative committee of the employees profit sharing plan. Mr. Henrich joined the Company in 1935 and served in the patent department. In 1943 he was named assistant secretary and in 1948 he became secretary.

James A. Taylor, a director of National Lead Company and president of The Canada Metal Company Ltd., retired in December 1959. Mr. Taylor began his career with the Company's Canadian subsidiary in 1913 and was named its vice-president in 1936 and president in 1944. He was elected a director of National Lead Company in 1939.

Looking Forward

This report has reviewed National Lead Company's operations during 1959, and its financial position at the end of that year. Its established business has been described and emphasis has been placed on activities which are expected to make particularly important contributions to future expansion.

The Company's advance in past years would have been impossible without the initiative and cooperation of its employees and the support of its shareholders. These valuable assets will continue to be prime requirements in attaining future objectives.

Because of the anticipated growth in established products, the development of promising new activities and the teamwork of all concerned, your management believes that the next few years hold great promise for continued Company expansion and progress.

By Order of the Board of Directors

PRESIDENT

March 21, 1960

National Lead Company

1959 FINANCIAL STATEMENTS

LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants
2 Broadway, New York City

To the Stockholders of
NATIONAL LEAD COMPANY,
New York, N. Y.

We have examined the consolidated balance sheet of NATIONAL LEAD COMPANY and its Consolidated Subsidiaries as of December 31, 1959 and the related statements of income and surplus for the year then ended. We have examined the 1959 financial statements of the consolidated domestic subsidiaries and have examined or have received reports of other public accountants upon their examinations of the consolidated Canadian subsidiaries and the major unconsolidated domestic and foreign subsidiaries, other than Continental European, for their respective 1959 fiscal years. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Similar examinations were made for the 1958 fiscal years.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other public accountants, the accompanying consolidated balance sheets and related consolidated statements of income and surplus present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1959 and 1958 and the consolidated results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 26, 1960.

National Lead Company
and its Consolidated Subsidiaries

Balance Sheets December 31, 1959 and 1958

ASSETS

	1959	1958
Current assets:		
Cash	$ 37,598,705	$ 32,137,283
Government, state and municipal obligations, at cost (at market quotations: 1959, $5,054,147; 1958, $10,111,220)	5,519,790	10,470,745
Other marketable securities, at cost, less reserve of $91,265 (at market quotations: 1959, $2,488,310; 1958, $1,320,355)	870,916	253,994
Accounts and notes receivable, less reserves of: 1959, $1,601,305; 1958, $1,490,526	55,174,877	48,555,583
Notes receivable from employees	440,858	587,339
Inventories (Note 2)	105,745,348	92,387,483
Total current assets	205,350,494	184,392,427
Notes receivable under Stock Option Incentive Plan (Note 3)	607,833	301,141
Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserve of $3,406,163 (Note 4)	19,685,502	16,199,463
Miscellaneous investments and advances, at cost or below, less reserves of: 1959, $663,440; 1958, $670,937 (Note 5)	3,459,306	3,307,202
Plant, property and equipment (including intangibles of $20,692,311 not being amortized) at cost, less reserves for depreciation, depletion and amortization of: 1959, $145,220,190; 1958, $135,107,065	146,902,121	152,693,661
Prepaid expenses, deferred charges, etc.	4,506,095	4,319,543
	$380,511,351	$361,213,43[illegible]

LIABILITIES

	1959	1958
Current liabilities:		
Accounts payable and accrued liabilities	$ 27,699,420	$ 27,115,093
Payable to unconsolidated subsidiaries	877,052	1,049,411
Provisions for taxes	37,977,325	35,940,694
Dividends on Class B preferred stock	135,277	135,277
Total current liabilities	$ 66,689,074	$ 64,240,475
Inventory reserve (Note 2)	$ 11,407,389	$ 11,314,102

CAPITAL

	1959	1958
Capital stock:		
Preferred Class A, 7 per cent cumulative, non-callable, par value $100; shares authorized 250,000, issued 243,676	$ 24,367,600	$ 24,367,600
Preferred Class B, 6 per cent cumulative, non-callable, par value $100; shares authorized 250,000, issued 103,277	10,327,700	10,327,700
Common, par value $5; shares authorized 20,000,000, issued: 1959, 11,696,872; 1958, 11,657,737 (Note 3)	58,484,360	58,288,685
	93,179,660	92,983,985
Capital surplus	35,632,417	31,405,238
Earned surplus:		
Appropriated:		
Fire insurance reserve	4,797,284	4,797,284
Employer's liability reserve	426,664	426,664
Contingencies reserve	4,080,358	4,080,358
Unappropriated	166,931,108	154,597,934
	305,047,491	288,291,463
Less, Reacquired capital stock, at cost (Note 6)	2,632,603	2,632,603
	$302,414,888	$285,658,860
	$380,511,351	$361,213,437

The accompanying notes to financial statements re integral parts of these statements.

Statements of Income and Earned Surplus Unappropriated

For the Years Ended December 31, 1959 and 1958

	1959	1958
Sales, less returns and allowances	$530,550,817	$457,592,886
Cost of sales (Note 2)	$338,710,564	$289,439,572
Depreciation, depletion and amortization	11,281,120	11,107,283
Administrative, selling and general expenses	77,675,259	72,698,841
Taxes, including state income taxes	10,731,634	7,371,862
	$438,398,577	$380,617,558
	$ 92,152,240	$ 76,975,328
Other income (Note 7)	9,021,993	7,419,961
Income before provisions for United States and Canadian income taxes	101,174,233	84,395,289
Provisions for United States and Canadian income taxes	48,712,722	39,673,891
Net income for the year	$ 52,461,511	$ 44,721,398
Earnings per share of common stock	$4.30	$3.65

	1959	1958
Earned surplus unappropriated, January 1	$154,597,934	$149,922,735
Net income for the year	52,461,511	44,721,398
	$207,059,445	$194,644,133
Dividends:		
On Class A preferred stock, $7 per share	$ 1,640,051	$ 1,640,051
On Class B preferred stock, $6 per share	541,110	541,110
	2,181,161	2,181,161
On common stock, $3.25 per share	37,947,176	37,865,038
	$ 40,128,337	$ 40,046,199
Earned surplus unappropriated, December 31	$166,931,108	$154,597,934

The accompanying notes to financial statements are integral parts of these statements.

National Lead Company
and its Consolidated Subsidiaries

Statements of Capital Surplus

For the Years Ended December 31, 1959 and 1958

	1959	1958
Capital surplus, January 1	$31,405,238	$31,108,169
Excess of amount based on market value over par value of common stock issued for property of another company	3,495,935	—
Excess of proceeds over par value of common stock sold under Stock Option Incentive Plan (Note 3)	731,244	297,069
Capital surplus, December 31	$35,632,417	$31,405,238

The accompanying notes to financial statements are integral parts of these statements.

Notes to Financial Statements

1. The consolidated financial statements include the accounts of the Company and all of its wholly owned domestic and Canadian subsidiaries.

2. Inventories are priced at the lower of cost (on various "average," "first-in, first-out" or "last-in, first-out" bases) or market.

The inventory reserve has been maintained on the basis of the following quantities and prices of normal stocks:

	Normal Quantities (Short Tons)	*Fixed Inventory Price Per Pound*
Lead	49,687½	$.03
Tin	1,124½	.21
Antimony	1,400	.05

3. The Stock Option Incentive Plan adopted in 1958 provides that options may be granted to certain officers and other key employees to purchase an aggregate of 250,000 shares of the common stock of the Company at 95 per cent of the fair market value of the stock on the dates of granting such options. The options are exercisable over a period of seven years from date of grant.

Changes during 1959 under the Plan are summarized as follows:

	Range of Option Prices Per Share	Shares
Under option, January 1, 1959	$ 85.975 to $ 99.275	156,425
Options granted	103.313 to 116.375	5,525
		161,950
Less:		
Options exercised	85.975 to 107.943	9,135
Options terminated	85.975 —	1,700
Under option, December 31, 1959	85.975 to 116.375	151,115

Shares reserved for future options at the beginning and end of the year were 89,400 and 85,575, respectively. Options may be granted up to April 17, 1963.

At December 31, 1959, the unpaid balances of the purchase prices of 8,535 shares are evidenced by promissory notes bearing interest at 3 per cent and payable within 10 years from the dates thereof. These shares are pledged with the Company as collateral.

4. Unconsolidated subsidiaries comprise domestic subsidiaries more than 50, but less than 100 per cent owned, and foreign subsidiaries, other than wholly owned Canadian subsidiaries.

Based upon financial statements of the major unconsolidated subsidiaries (other than those in Continental Europe) as of the close of their respective fiscal years, the equity of the Company in the net tangible assets of those subsidiaries and amounts relating to such equity approximated the following:

	1959	1958
Equity in net tangible assets	$25,740,000	$21,465,000
Excess of equity over the Company's net investments and advances	12,514,000	11,534,000
Increase, decrease* in excess equity during year	980,000	4,264,000*

The equity in net tangible assets, shown in the preceding paragraph, includes $7,445,000 for 1959 and $7,271,000 for 1958, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange.

The Company's net investments in and advances to Continental European subsidiaries were $6,227,204 and $6,268,439 at December 31, 1959 and 1958, respectively. Unaudited financial statements as of September 30, 1959 and 1958 received from the Continental European subsidiaries indicate that the Company's equity in the net assets thereof approximated the following foreign currency amounts:

	1959	1958
Norwegian kroner	34,549,000	33,145,000
Belgian francs	122,488,000	119,095,000
Dutch florins	4,130,000	3,751,000
French francs (old)	84,345,000	75,871,000
German deutsch marks	65,637,000	59,876,000

The realization of certain foreign assets and earnings is subject to various exchange and other restrictions imposed by the respective foreign governments. See Note 7 with respect to dividends received.

5. The equity of the Company in the net assets of Titanium Metals Corporation of America, 50 per cent owned, as shown by audited financial statements, exceeded the cost of the Company's investment, included in miscellaneous investments, by approximately $10,956,000 at December 31, 1959 and $10,928,000 at December 31, 1958.

6. Reacquired capital stock, carried at first-in, first-out costs, comprises:

	No. of Shares	Costs
Preferred Class A	9,383	$1,147,727
Preferred Class B	13,092	1,435,354
Common	4,960	49,522
		$2,632,603

7. Other income comprises:

	1959	1958
Dividends received:		
Unconsolidated subsidiaries:		
Continental European	$5,619,244	$3,046,770
Other subsidiaries	1,101,331	1,471,237
Other investments	156,316	180,381
	6,876,891	4,698,388
Gain on fixed asset and security transactions, net	81,510	1,102,066
Interest and miscellaneous, net	2,063,592	1,619,507
	$9,021,993	$7,419,961

General:

Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserve, percentage depletion and depreciation charges. No provision has been made for such taxes as may be paid if and when accumulated earnings of subsidiaries are distributed to the parent company, since such taxes may never accrue.

Under agreements with the Atomic Energy Commission, certain consolidated subsidiaries operate plants owned by the Government. The accompanying financial statements do not include the assets, liabilities or results of operations of such plants. Annual fixed fees received by such subsidiaries as contract-operators are included in other income in the accompanying financial statements.

National Lead Company

and its Consolidated Subsidiaries

Ten Year Review Operations

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
Net Sales	**$530,550,817**	$457,592,886	$535,343,270	$576,292,383	3,728,730	$419,333,961	$436,050,592	$358,048,435	$389,941,313	$342,727,911
Net Income before Taxes	**101,174,233**	84,395,289	101,537,900	107,521,101	9,436,792	67,153,316	62,836,357	48,386,163	59,607,540	54,557,799
Taxes on Income	**48,712,722**	39,673,891	45,306,394	44,369,014	1,546,851	30,534,665	31,987,429	25,326,109	36,613,823	28,067,155
Net Income	**52,461,511**	44,721,398	56,231,506	63,152,087	7,889,941	36,618,651	30,848,928	23,060,054	22,993,717	26,490,644
Preferred Dividends	**2,181,161**	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,157,806	2,134,451
Common Dividends	**37,947,176**	37,865,038	37,857,956	37,074,[illegible]	[illegible]7,308	23,735,838	19,779,867	14,729,644	14,381,756	13,430,651
Total Cash Dividends	**40,128,337**	40,046,199	40,039,117	39,255,730	34,598,469	25,916,999	21,961,028	16,910,805	16,539,562	15,565,102
Retained Earnings	**12,333,174**	4,675,199	16,192,389	23,896,357	13,291,472	10,701,652	8,887,900	6,149,249	6,454,155	10,925,542
Earnings Per Common Share	**4.30**	3.65	4.64	5.34	4.02	3.05	2.58	2.06	2.05	2.41
Cash Dividends Per Common Share	**3.25**	3.25	3.25	3.25*	2.85	2.10	1.75	1.45	1.41⅔	1.33⅓
Total Current Assets	**205,350,494**	184,392,427	183,995,439	198,413,275	96,758,738	178,569,448	164,812,640	122,870,494	133,634,210	131,450,877
Total Current Liabilities	**66,689,074**	64,240,475	70,175,917	80,925,260	83,598,897	73,980,730	72,983,811	53,767,414	66,051,113	56,402,753
Working Capital	**138,661,420**	120,151,952	113,819,522	117,488,015	113,159,841	104,588,718	91,828,829	69,103,080	67,583,097	75,048,124
Gross Property Account	**292,122,311**	287,800,726	260,592,510	238,609,305	228,267,837	210,718,867	203,511,823	161,540,966	154,012,668	135,578,755
Reserves for Depreciation, Depletion and Amortization	**145,220,190**	135,107,065	121,775,325	111,224,536	105,437,451	97,553,116	91,281,692	75,944,349	71,215,202	67,390,015
Net Property Account	**146,902,121**	152,693,661	138,817,185	127,384,769	122,830,386	113,165,751	112,230,131	85,596,617	82,797,466	68,188,740
Total Assets	**380,511,351**	361,213,437	358,369,280	353,176,014	336,411,632	310,468,896	294,647,263	223,910,550	230,315,668	211,681,467

*Plus 2% Stock Dividend.

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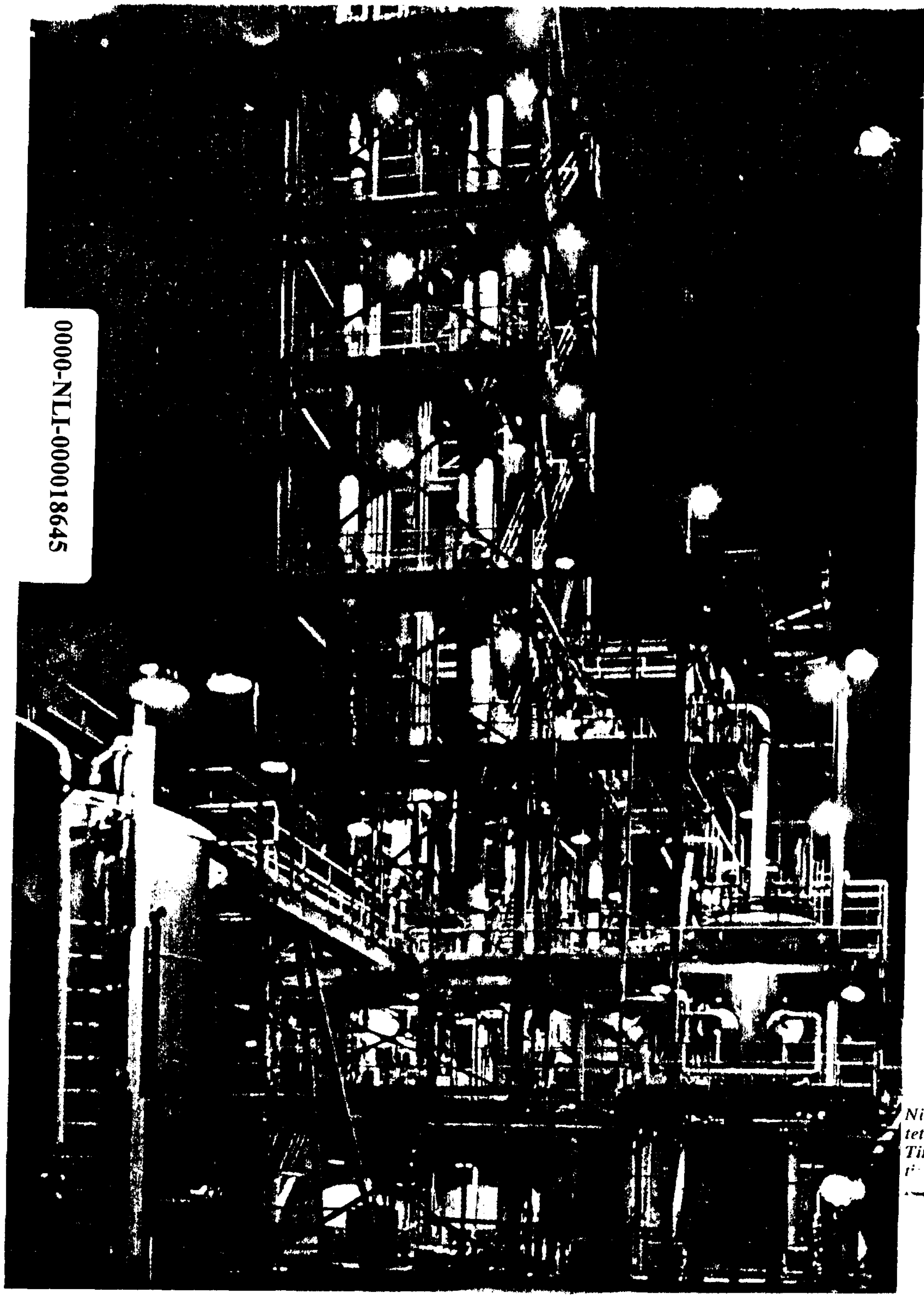

Night view at titanium tetrachloride unit of Titanium Metals Corpora-ti[illegible] of America plant at [illegible]lerson, Nevada.

National Lead Company

BRANCHES

ATLANTA BRANCH	CINCINNATI BRANCH	PACIFIC COAST BRANCH San Francisco
ATLANTIC BRANCH New York	CLEVELAND BRANCH	PHILADELPHIA BRANCH
BALTIMORE BRANCH	NATIONAL LEAD COMPANY OF MASSACHUSETTS Boston	ST. LOUIS BRANCH
CHICAGO BRANCH		SOUTHWESTERN BRANCH Dallas

Paints, Paint Materials and Chemicals: Antimony oxide, basic carbonate white lead, basic silicate white lead, basic lead silico chromate, red lead and litharge, battery oxides, paints, varnishes, enamels, linseed oil, gellants, stabilizers for vinyl plastics; ballistic regulators.

Metal Products: Lead pipe, sheet, traps, bends, wool, wire, ingot, shot; radiation shielding; battery grid, babbitt and type metals, solder, zinc alloys; lead lined valves and fittings; cinch anchors; pewter.

On Pacific Coast metal products are produced and sold by Morris P. Kirk & Son, Inc.

DIVISIONS

AMERICAN BEARING DIVISION
Indianapolis
Precision bearings
(Sold through American Bearing Corporation)

BAROID DIVISION
Houston, Texas
Oil well drilling materials, well logging services and testing equipment; gellants for greases

DeLORE DIVISION
St. Louis
Barium and calcium pigments

DOEHLER-JARVIS DIVISION
Toledo
Aluminum, brass, magnesium and zinc die castings

EVANS LEAD DIVISION
Charleston, West Virginia
Lead oxides

GOLDSMITH BROS. DIVISION
Chicago
Precious metals

DIVISIONS *(cont'd)*

MAGNUS METAL DIVISION
New York
Railway car journal bearings and lubricator pads; diesel locomotive motor support bearings; screening plates and special valves for pulp and paper mills
(Sold through Magnus Metal Corporation)

NICKEL SALES DIVISION
New York
Metallic nickel

NUCLEAR METALS DIVISION
New York
Uranium ore concentrates and nuclear feed materials; fuel elements; fabricated uranium products; nuclear research and development services

ST. LOUIS SMELTING & REFINING DIVISION
Fredericktown, Missouri
Lead and copper concentrates; metallic cobalt, copper and nickel

STEEL PACKAGE DIVISION
St. Louis
Small steel containers

TEXAS MINING AND SMELTING DIVISION
Laredo, Texas
Metallic antimony and antimony oxide

TITANIUM ALLOY MANUFACTURING DIVISION
New York
Zirconium oxide and silicates; titanates; metallurgical alloys

TITANIUM DIVISION
New York
Titanium pigments and chemicals; ilmenite and magnetite iron ore
(Sold through Titanium Pigment Corporation)

WHOLLY OWNED DOMESTIC SUBSIDIARIES

MASTER METALS, INC. Cleveland
Battery grid metals and pig lead

NATIONAL LEAD COMPANY, INC. New York
Contract-operator, Atomic Energy Commission

NATIONAL LEAD COMPANY OF OHIO New York
Contract-operator, Atomic Energy Commission

SOUTHERN SCREW COMPANY Statesville, North Carolina
Wood and metal screws

THE CHAS. TAYLOR'S SONS COMPANY Cincinnati
Kyanite, mullite, sillimanite and zirconium refractories

PARTIALLY OWNED DOMESTIC SUBSIDIARIES

BAKER CASTOR OIL COMPANY Bayonne, New Jersey
Castor oils and derivatives

MINNESOTA LINSEED OIL COMPANY Minneapolis
Linseed oils and meal

MORRIS P. KIRK & SON, INC. Los Angeles
Aluminum, lead and zinc alloys; fabricated lead products; lead oxides

Pioneer Aluminum, Inc. Los Angeles
Aluminum aircraft extrusions; zinc alloys; aluminum tooling plate

R-N CORPORATION New York
Direct reduction and beneficiation of iron ores

TITANIUM METALS CORPORATION OF AMERICA New York
Titanium metal sponge, ingot and mill products

AFFILIATES OUTSIDE THE UNITED STATES

BARITINA DE VENEZUELA, S.A. Caracas
Oil well drilling materials

BAROID-MAFFEI, S.p.A. Milan
Oil well drilling materials

BAROID OF CANADA, LTD.* Calgary
Oil well drilling materials, well logging services and testing equipment

BARYTES & MINERALS LIMITED Trinidad
Oil well drilling materials

CANADIAN TITANIUM PIGMENTS LIMITED* Montreal
Titanium pigments

HOYT METAL COMPANY OF GREAT BRITAIN, LTD.* London
Antifriction metals
Abbey Chemicals Limited London
Gellants; stabilizers for vinyl plastics

INDUSTRIAS DOEHLER DO BRASIL, S.A. São Paulo, Brazil
Aluminum and zinc die castings

METALMINA, S.A.* Buenos Aires
Lead, antimonial lead and antimony
Industrias Deriplom S.R.L.* Buenos Aires
Lead oxides

NATIONAL LEAD COMPANY (Philippines), INC. Manila
Paints, varnishes and enamels

NATIONAL LEAD COMPANY, S.A. Buenos Aires
Lead and lead products
Cia. Minera Castaño Viejo, S.A. Buenos Aires
Lead and zinc concentrates

NICKEL PROCESSING CORPORATION Nicaro, Cuba
Nickel and nickel oxides

SOCIETE BELGE DU TITANE, S.A.* Brussels
Titanium pigments

SOCIETE CHIMIQUE DES DERIVES DU TITANE, S.A. Langerbrugge, Belgium
Titanium pigments

SOCIETE INDUSTRIELLE DU TITANE Paris
Titanium pigments

THE CANADA METAL COMPANY, LTD.* Toronto
Lead oxides; fabricated lead products; lead and zinc alloys; brass and bronze products
Barber Die Casting Co., Limited* Hamilton, Canada
Aluminum, brass, magnesium and zinc die castings
Lakeshore Die Casting, Limited Oakville, Canada
Aluminum and zinc die castings

THE TITANIUM ALLOY MANUFACTURING CO. PTY. LIMITED* Tweed Heads, Australia
Rutile and zircon ores
Mineral Deposits Pty. Limited Sydney, Australia

TITAAN N. V.* Rotterdam
Titanium pigments

TITAN CO. A/S* Fredrikstad, Norway
Titanium pigments, paints and ilmenite
Titania A/S* Hauge i Dalane, Norway

TITANGESELLSCHAFT m.b.H.* Leverkusen, West Germany
Titanium pigments

ZINNWERKE WILHELMSBURG G.m.b.H. Hamburg, West Germany
Copper refinery shapes

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* *Wholly owned*

The sixty-eighth Annual Meeting of the shareholders of National Lead Company will be held at the principal offices of the Company in Sayreville, New Jersey, at the foot of Chevalier Avenue on Thursday, April 21, 1960, at 11:00 o'clock A.M. All shareholders are cordially invited to attend.

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