NATIONAL LEAD COMPANY

SIXTY SEVENTH ANNUAL REPORT

The sixty-seventh 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 16, 1959, at 11:00 o'clock A.M. All shareholders are cordially invited to attend.

NATIONAL LEAD COMPANY

SIXTY SEVENTH ANNUAL REPORT 1958

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BOARD OF DIRECTORS

GEORGE B. COALE
GRAHAM W. CORDDRY
ALFRED H. DREWES
J. PAUL KIRK
FRANK J. KOEGLER
JOSEPH A. MARTINO
DAVID A. MERSON
JOSEPH H. REID
WINTHROP SARGENT, JR.
JAMES A. TAYLOR
WILLIAM J. WELCH
HARRY C. WILDNER

EXECUTIVE COMMITTEE

Chairman
JOSEPH A. MARTINO

ALFRED H. DREWES
DAVID A. MERSON
JOSEPH H. REID
WILLIAM J. WELCH
HARRY C. WILDNER

EXECUTIVE OFFICERS

President
JOSEPH A. MARTINO

Vice-Presidents
GEORGE B. COALE
ALFRED H. DREWES
FRANK J. KOEGLER
DAVID A. MERSON
JOSEPH H. REID
WILLIAM J. WELCH

Secretary
JOHN B. HENRICH

Assistant Secretary
JOHN J. LAWLOR

Treasurer
JOSEPH J. MORSMAN, JR.

Assistant Treasurer
MICHAEL USS

Comptroller
GEORGE A. DEWEY

Assistant Comptrollers
ALBERT H. HOFFMAN
THOMAS F. OWENS
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

FINANCIAL HIGHLIGHTS

	1958	1957
NET SALES	**$457,592,886**	$535,343,270
NET EARNINGS	**$44,721,398**	$56,231,506
PER COMMON SHARE	**$3.65**	$4.64
CASH DIVIDENDS	**$40,046,199**	$40,039,117
COMMON DIVIDENDS PER SHARE	**$3.25**	$3.25
TAXES		
INCOME TAXES	**$39,673,891**	$45,306,394
OTHER TAXES	**$ 7,371,862**	$ 7,698,070
RETAINED EARNINGS	**$ 4,675,199**	$16,192,389

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THE PRESIDENT'S LETTER

To the Shareholders of National Lead Company:

This 67th Annual Report of National Lead Company has been prepared for our shareholders, and for others interested in the Company, to give a comprehensive review of operations in 1958 and to show financial condition as of the end of that year.

The decline in general business conditions in the United States, which began toward the end of 1957, continued during the first part of 1958. As a consequence, the 1958 sales and earnings of National Lead Company showed a reduction as compared with those of 1957.

Signs of recovery appeared during the second quarter of 1958 and improvement continued for the balance of the year. By year end, the Company's business was substantially better than during the first part of 1958 and this situation continues in the first months of 1959. Your management believes that the many economies and improvements relating to its operations put into effect in 1958 have placed National Lead Company in a strong position to take advantage of more favorable business conditions during the current year.

EARNINGS

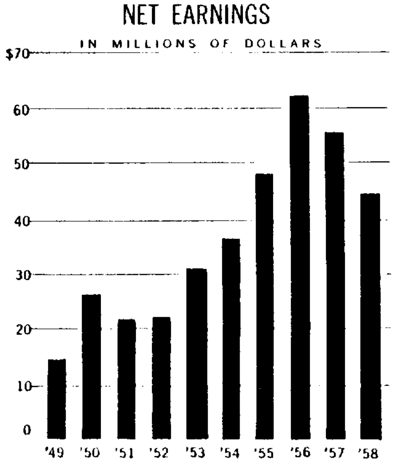
Net income for 1958 was $14,721,398 or 20 per cent less than the $56,231,506 reported for 1957. All of the Company's divisions operated profitably during the year with improvement in earnings over 1957 recorded for paints, pigments and chemicals. Earnings of divisions serving the automotive, petroleum drilling and railroad industries followed the general pattern of business conditions in those fields.

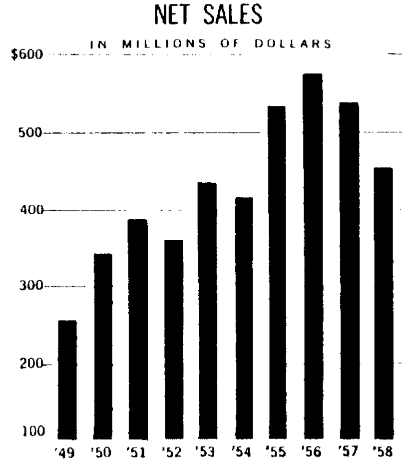
As explained later in this report, 1958 net income includes the results of wholly owned Canadian subsidiaries. After including these results in the appropriate three-month period, it may be noted from the following table that quarterly net income showed consecutive increases throughout the year:

First Quarter	$ 9,427,116
Second Quarter	11,493,429
Third Quarter	11,515,329
Fourth Quarter	12,285,524
Total	$44,721,398

After providing for dividends on the Preferred stock, 1958 earnings amounted to $3.65 a share on the 11,652,777 shares of Common stock outstanding. Earnings for 1957 amounted to $4.64 a share on the 11,648,602 shares then outstanding.

In the closing months of 1957 your management, faced with the general decline in business conditions, placed increased emphasis on operating economy. This effort, which continues, has resulted in marked improvements in manufacturing efficiency, and substantial reductions in administrative, selling and general expenses. The Company will be able to retain much of the advantage of these efficiencies as business conditions improve.





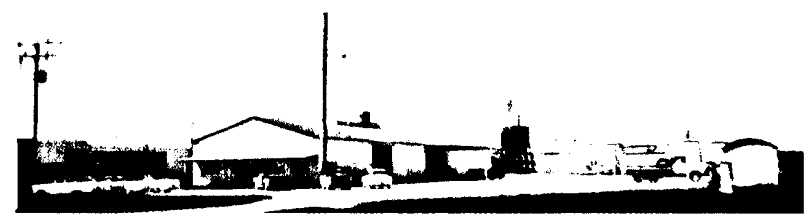
SALES

Sales in 1958 were $157,592,886, a reduction of 15 per cent from sales reported for 1957. Because of a change in principles of consolidation, discussed later in this report, the 1958 figures included sales of wholly owned Canadian subsidiaries amounting to $31,740,742.

Sales of titanium pigments, paints, chemicals, and of screws and metal fasteners showed a slight increase in 1958. However, sales of other major products showed a decline in keeping with the reduced activity in general business conditions. Dollar sales were also affected by lower non-ferrous metal prices during 1958.

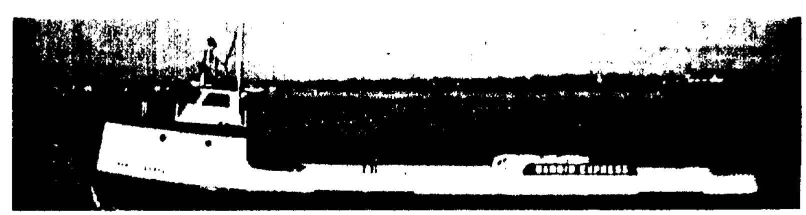
Demand for Company products rose successively for each quarter in 1958. Consolidated sales, including wholly owned Canadian subsidiaries, increased from $108,031,246 in the first quarter of 1958 to $118,647,265 in the last quarter. At present, it appears that the improvement in sales will be maintained during the coming months. There are indications of increased demand for Company products in the automotive, petroleum drilling and railroad industries.

In 1958, a significant change was initiated in the method of marketing the Baroid Division's products. This division, which furnishes oil-well drilling materials and services, previously marketed its products through independent distributors' warehouses located in oil-well drilling areas. One of the larger distributors of Baroid products was acquired by the Company in 1956, and favorable experience with this unit of direct distribution led to the decision to market all Baroid Division products directly through Company-owned outlets. This decision was put into effect in 1958, so that the Baroid Division is now in a position to take advantage of the benefits of a direct relationship with the consumer.



Above: Baroid Division markets its products through Company-owned outlets located in oil well drilling areas. This is a store at Lake Charles, Louisiana.

Below: Baroid Express, 85 foot radar-equipped delivery vessel, services offshore drilling rigs in Gulf of Mexico with Baroid Division products.



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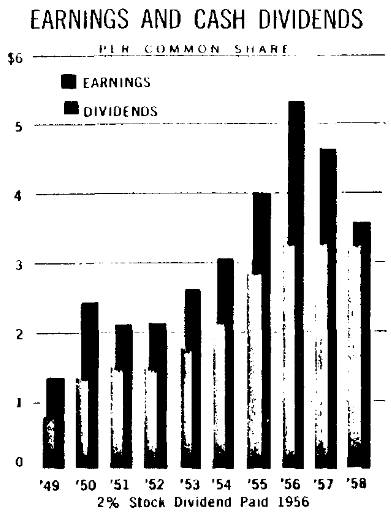
DIVIDENDS

Cash dividends in the amount of $10,046,199 were paid in 1958. These payments were slightly greater than in 1957 when a new record high was set. As in recent years, $2,181,161 of this total was distributed to Preferred shareholders. The remaining $37,865,038 was paid to Common shareholders in four quarterly installments, amounting to 75¢ a share in March, June and September, and to $1.00 a share in December. As in 1957, Common stock dividends for the year amounted to a total of $3.25 a share.

1958 was the 53rd consecutive year during which National Lead Company paid dividends to the owners of its Common stock.



FINANCIAL POSITION

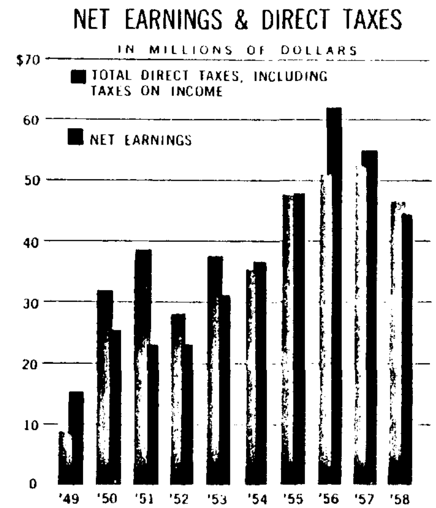
Working capital, the excess of current assets over current liabilities, amounted to $120,151,952 at the end of 1958, an increase of 5 per cent over 1957. Current assets were 2.9 times current liabilities compared with a ratio of 2.6 at the end of 1957.

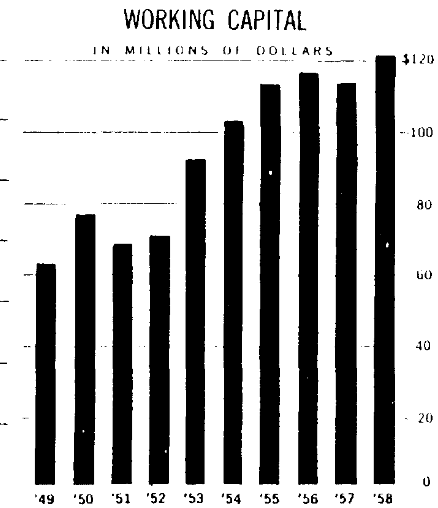
There were a number of changes in the accounts which make up working capital. Cash and United States Government, state, and municipal securities increased from $38,038,889 to $42,608,028. Accounts receivable increased $2,026,155 during the year. The provisions for taxes were lower by $5,307,584 as a result of decreased earnings. Early in 1958, the Company began a program to reduce inventories to a minimum level consistent with efficient operations. By year end, this had resulted in a substantial decrease in this account.

Your Company entered 1959 in a strong financial position, and well equipped to take advantage of new growth opportunities as they arise.

TAXES

In 1958, the total provision for taxes was $47,015,753, including $39,673,891 for United States and Canadian income taxes and $7,371,862 for state, local and other direct taxes. Although the total 1958 tax provision was less than in 1957, it exceeded the net income for 1958 by more than two million dollars, and exceeded total dividends to shareholders by approximately seven million dollars.



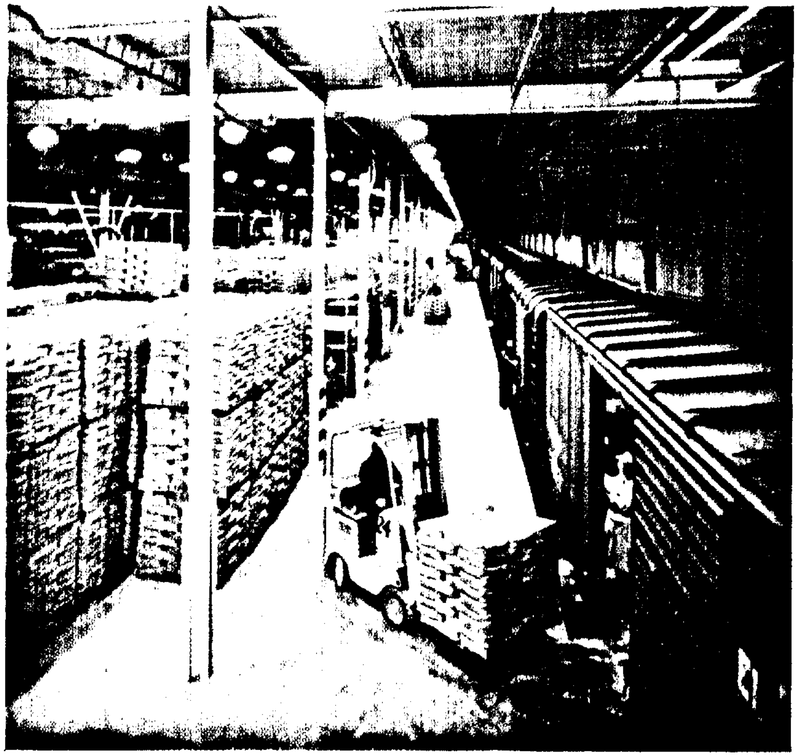


PLANT INVESTMENT

Capital expenditures in 1958 amounted to $11,719,117. The Company's gross investment in plant, property and equipment amounted to $287,800,726 at the end of 1958, an increase of $27,208,216 over the corresponding figure for the prior year. The increase resulted from both capital expenditures and the consolidation of wholly owned Canadian subsidiaries.

During 1958, the Titanium Division completed an expansion of facilities at St. Louis to provide increased titanium pigment capacity. The demand for this pigment continues to grow and shipments by the division in 1958 showed an increase over 1957. The Company continues its established policy of being prepared to meet the increased demand in this field.

The Company completed facilities at Albany, New York for the fabrication of metallic and non-metallic nuclear fuel elements for nuclear



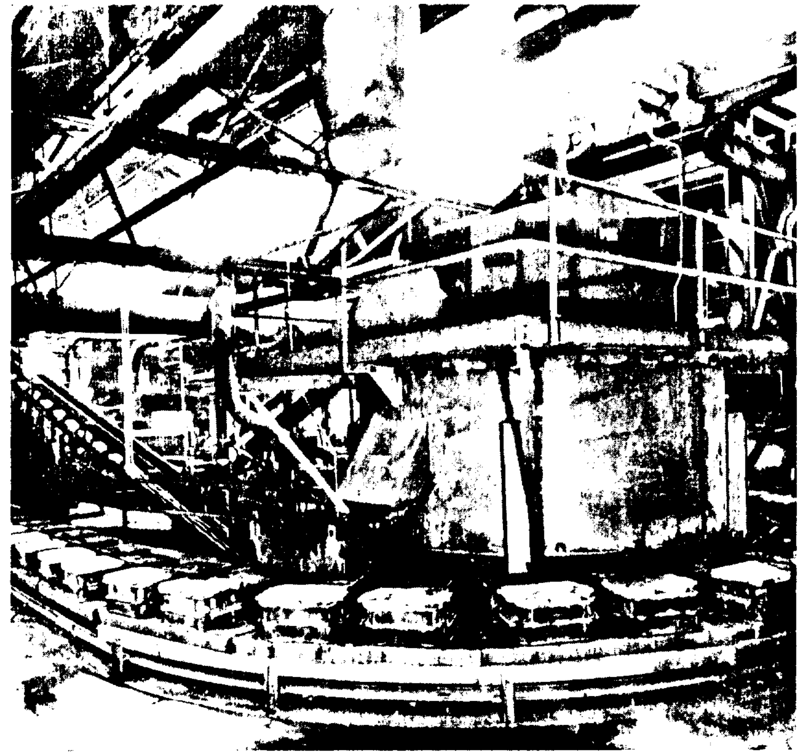
New shipping facilities at Titanium Division plant at St. Louis. Fifteen freight cars can be loaded with titanium pigments at one time.

power, propulsion and research reactors. This plant is operated by the Nuclear Metals Division.

At Fredericktown, Missouri, where a Company mine is located, additional roasting facilities were installed to treat the concentrates going to the nearby nickel-cobalt refinery which is leased from the United States Government.

The Company has under construction a new grinding plant, located at Onoway, Alberta, Canada, designed to meet the increasing Canadian demand for oil-well drilling muds. This unit will begin operations in 1959.

Railway journal bearings are manufactured in a number of Company plants located in the principal railway centers in the United States. In 1958, mechanized casting lines to produce bearings were installed at Cincinnati. This new equipment has already resulted in a substantial



Newly installed mechanized casting line for railway journal bearings at Cincinnati plant of Magnus Metal Division.

increase in manufacturing efficiency, and consideration is being given to similar installations at other plants.

The annual charge for depreciation, depletion and amortization amounted to $11,107,283 in 1958, as compared with $9,750,499 reported for 1957.

CANADIAN OPERATIONS

Until 1958, the income of foreign subsidiaries was not included in the Company's consolidated financial statements until distributed in the form of dividends. Starting in 1958, this policy was modified and, for a more complete presentation of operating results, it was decided to include our wholly owned Canadian subsidiaries in the consolidated statements for that year. The basic reason for this decision was the expanded scope of operations in Canada which by 1958 represented a smaller scale duplication of our domestic business.

Canadian sales during 1958 amounted to $31,740,742 and consisted principally of titanium and lead pigments, fabricated non-ferrous metals, die castings and oil-well drilling materials.

UNCONSOLIDATED SUBSIDIARIES

National Lead Company's subsidiaries carry on operations in a number of foreign countries including Argentina, Australia, Belgium, Canada, Cuba, France, Great Britain, Mexico, Norway, Panama, Peru, Philippines, The Netherlands, Venezuela and West Germany.

The Company's operations outside the United States progressed satisfactorily in 1958. Increased business was experienced in Canada, Europe and South America, while there was some reduction in Australia.

During 1958, operations were expanded in Argentina by the acquisition of Industrias Deriplom S.R.L., a producer of lead oxides.

To meet the increasing demand for titanium dioxide in Europe, the Company in 1958 acquired a controlling interest in Societe Chimique des Derives du Titane, S.A., a Belgian producer of titanium pigment. The increased capacity will augment the very substantial production of the Company's plant located at Leverkusen, West Germany.

The contract of Nickel Processing Corporation, a Company subsidiary, providing for the operation of the United States Government nickel plant at Nicaro, Cuba, has been extended for two years from December 31, 1958. During the recent Cuban political difficulties, this plant was operated with only minor interruptions in production. By the end of 1958, the facilities were again working normally.

Early in 1958, the Company acquired an additional and controlling interest in Baritina de Venezuela, S.A. This subsidiary operates two barytes processing plants in Venezuela and distributes oil-well drilling materials to the petroleum industry in that area.

Early in 1959, the Company made arrangements to acquire half ownership in Baroid-Maffei, S.p.A., an Italian company which produces oil-well drilling materials on the island of Sardinia. It is anticipated that this step will lead to additional business in the oil-producing countries located in the Middle East and North Africa.

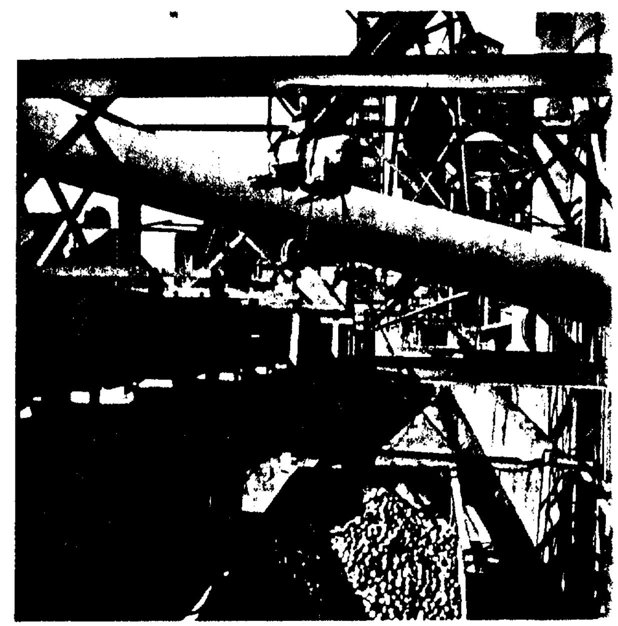
As stated in the 1957 Annual Report, an additional ilmenite operation, consisting of a mine and a mill is being developed and constructed at Hauge i Dalane in Norway near existing ilmenite facilities. Shipments of ilmenite concentrates from the new operation to European titanium pigment plants should begin in 1960.

During 1958, the Company completed a barytes processing plant in Trinidad to supply the requirements of that market for oil-well drilling materials. The raw material for this plant is supplied by a Company-operated mine located on the island of Camamu off the coast of Brazil.

Operation of Zinnwerke Wilhelmsburg G.m.b.H., in which the Company has a two-thirds interest, progressed satisfactorily in 1958. This concern, located at Hamburg, West Germany, is engaged in the smelting of secondary metals and the production of copper refinery shapes.

The Company has a controlling interest in a number of partially owned domestic corporations engaged in the production and marketing of castor oil and its derivatives, linseed oil, fabricated lead, zinc and aluminum products and lead oxides. These subsidiaries experienced satisfactory operations in 1958.

The total sales of the major unconsolidated subsidiaries, converting foreign currencies into dollars at appropriate rates of exchange, approximated $116,000,000 for the latest available twelve-month period. National Lead Company's equity in the total combined net income of these companies was approximately $6,700,000 and dividends received were $4,518,007. The Company's equity in the net tangible assets of these subsidiaries exceeded the Company's investment in and advances to them by approximately $27,700,000.



Loading metallic iron briquettes at R-N pilot plant at Birmingham, Alabama. Daily output is 50 tons of briquettes.

DIRECT REDUCTION OF IRON ORE

R-N Corporation, jointly owned by the Company and Republic Steel Corporation, made important progress during 1958. This Company is organized to license a process for the recovery of iron by controlled temperature direct reduction of ore. This process has been brought to commercial status by the joint efforts of National Lead Company and Republic Steel Corporation. It is based on technology developed in Norway by National Lead Company. During 1958, large-scale tests for prospective customers were conducted at the semi-commercial pilot plant at Birmingham, Alabama. These tests used various iron ores and fuels submitted for evaluation by major steel producers.

Results showed that the R-N direct iron ore reduction process can economically treat both high and low grade magnetic and non-magnetic iron ores using low cost fuels to produce iron of a quality which can be converted directly to steel. The adaptability of the R-N process to a great variety of iron ores and fuels and the availability of tremendous reserves of ores and fuels of marginal economic value for existing processes make this process of particular interest in future expansion plans of the steel industry.

In 1958, R-N Corporation appointed Titan Company A/S, a Norwegian subsidiary of National Lead Company, as its representative for the greater part of Continental Europe and for the British Isles, and appointed International Projects Division of Republic Steel Corporation as its representative in certain other countries of the Free World, as well as its representative with respect to several steel companies in Western Europe. This arrangement enables R-N Corporation to utilize the two companies in promoting, licensing and providing technical service for its iron ore direct reduction process.

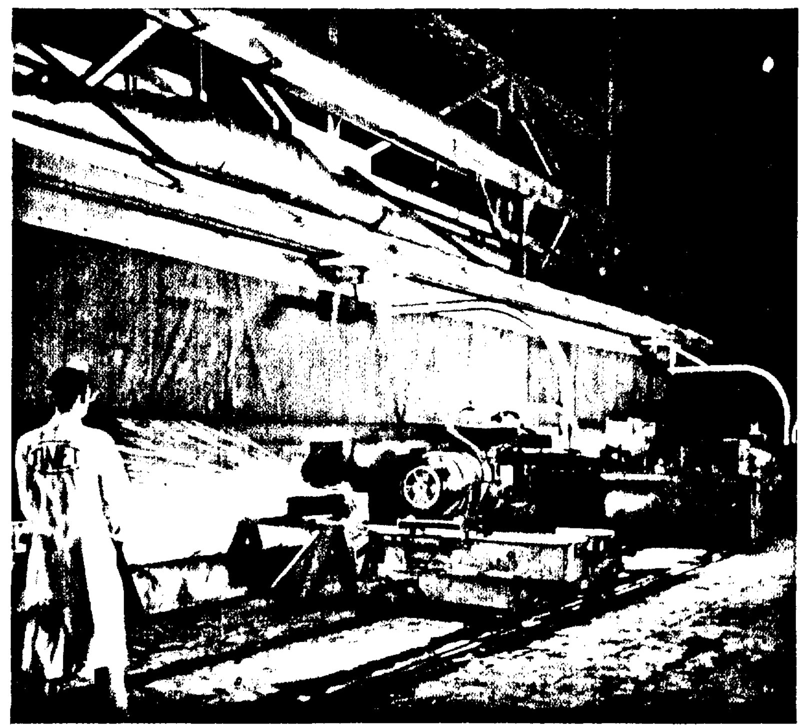
TITANIUM METAL

Titanium Metals Corporation of America, jointly owned by the Company and Allegheny Ludlum Steel Corporation, began operations in 1950. Until 1957, it experienced a very substantial annual rate of growth based largely on rapidly expanding demand for titanium sponge and mill products for defense purposes.

In 1958, deliveries of titanium sponge to the United States Government were curtailed as commitments were fulfilled. These shipments completely liquidated the TMCA debt to the government. In addition, starting in 1957, sales of titanium mill products decreased as military aircraft production schedules were adjusted. This caused a downward trend for the titanium metal industry, which reached its low point during the last quarter of 1957. Improvement in sales has been noted since, particularly during the last quarter of 1958.

Sales of Titanium Metals Corporation of America during 1958 amounted to $23,966,000 as compared with $52,564,000 in 1957. There was a loss in 1958 of $1,372,000, as compared with a profit of $4,347,000 in 1957. However, as a result of concentrated efforts to widen the market for this unique metal, coupled with the depletion of titanium inventory in the hands of customers, improvement in earnings was noted in the last quarter of 1958.

During 1958, Titanium Metals Corporation of America formed a jointly owned company with Deutsche Edelstahlwerke, one of Germany's leading specialty steel producing companies, to produce titanium metal in Europe. The new company, Continental Titanium



Surface conditioning titanium metal billet at Toronto, Ohio, plant of Titanium Metals Corporation of America.

Metals Corporation, CONTIMET, will have its headquarters in Luxembourg, and production operations will be carried on at Krefeld, West Germany.

Your management has not changed its original appraisal of the potential of titanium metal. It is true that at the request of the United States Government there has been overexpansion of capacity. However, new uses are constantly being developed, particularly in that portion of the chemical industry where corrosion is a problem. Furthermore, it is gratifying to note that as new aircraft and missiles are produced increasing amounts of titanium metal are used in their design. We believe that we are now at the beginning of a period of orderly development of markets for this unique metal which has developed so rapidly since 1950.

NUCLEAR ENERGY ACTIVITIES

The relatively new Nuclear Metals Division of the Company extended its activities during 1958. This division, which was formed in 1957, has the primary task of supervising the operations of the Atomic Energy Commission installations at Fernald, Ohio; Winchester, Massachusetts, and Monticello, Utah. These facilities are operated for the government on a fee basis.

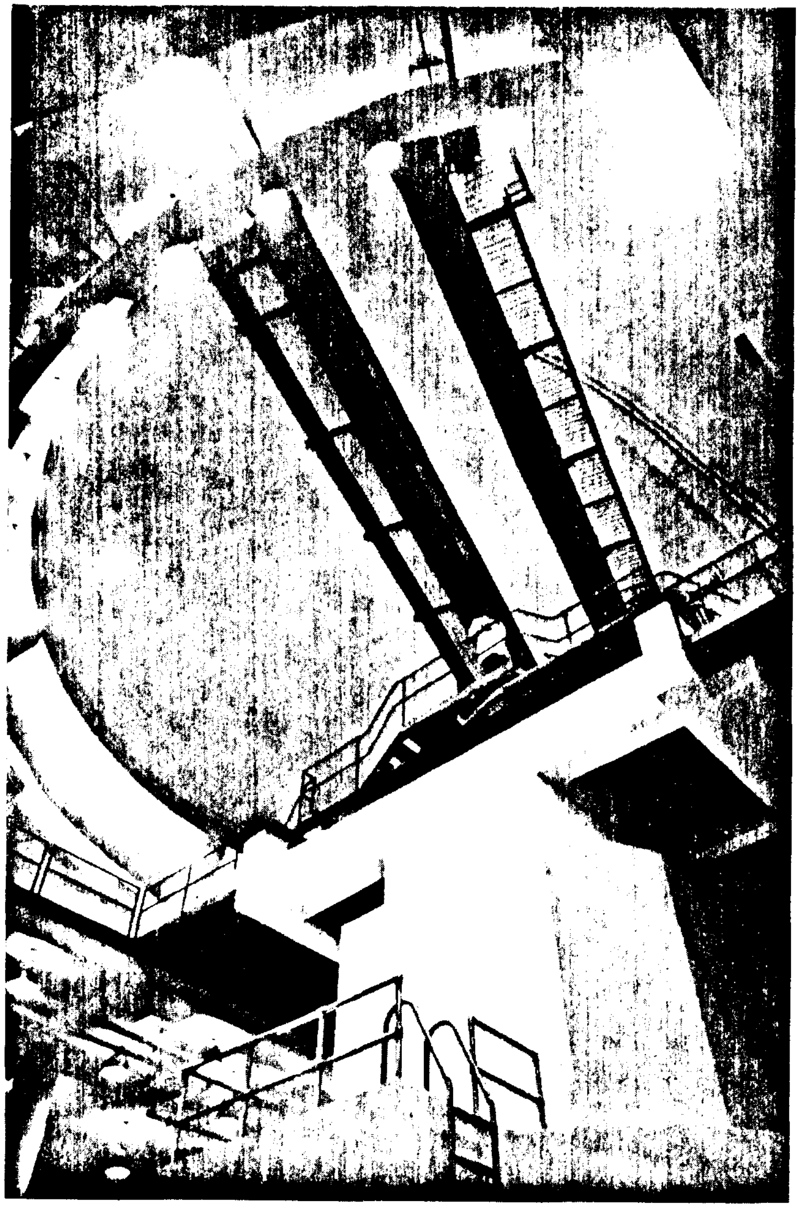
The Nuclear Metals Division recently completed a facility located at Albany, New York, designed to produce metallic and non-metallic fuel elements for nuclear reactors. In the future, this plant will also be used for the fabrication of such metals as molybdenum, tantalum, zirconium and columbium for use in missiles, rockets and allied fields. During 1958, the Nuclear Metals Division continued its research and development on industrial applications of atomic energy. Studies were made on the use of depleted uranium for the shielding of radiation and for other special purposes. At the request of the Atomic Energy Commission, a study was undertaken on waste water effluent from mills processing uranium ores.

In conjunction with nine other major companies, National Lead Company completed a nuclear research reactor at Plainsboro, New Jersey. This is the world's largest research reactor owned and operated entirely by private industry. National Lead Company intends to utilize this reactor as a new and useful research and development tool. Studies will be made of the structure of metals and alloys used and sold by the Company, the development of new and improved shielding materials,

Electric furnaces for vacuum melting uranium metal at Nuclear Metals Division plant at Albany, New York. Uranium metal shapes weighing up to 4,000 pounds are cast here.

the development of isotopes for process and quality control, and the general application of radiation to promote chemical reactions. The Plainsboro reactor went into operation on January 20, 1959.

Your management is confident that this general field of effort is one which will experience substantial growth in the years to come. The Company is actively interested in many phases of the industry, commencing with the processing of uranium ores, and continuing with research studies on nuclear waste materials, the fabrication of fuel elements, the production of shielding materials, and the operation of the nuclear research reactor at Plainsboro, New Jersey. Because of the wide scope of National Lead Company's interest, it expects to participate fully in the growth of this field.



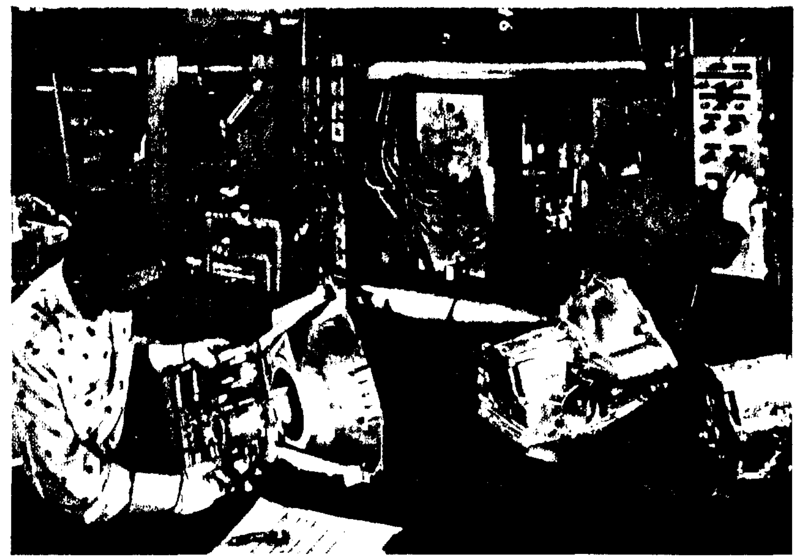
Interior of nuclear reactor building of Industrial Reactor Laboratories, Inc., at Plainsboro, New Jersey. This research facility, owned by National Lead Company and nine other corporations, went into operation early this year.

RESEARCH AND DEVELOPMENT

The Company operates eighteen specialized research and development laboratories and also a number of pilot plants. These facilities are staffed with scientific and technical employees, who are engaged in constant research in new fields of effort in order to broaden the Company's product line. In addition, they initiate improvements in existing products and processes in order to maintain and improve the Company's competitive position.

In 1958, a number of additional titanium and zirconium compounds were developed, which have found use in such diverse industries as tanning, welding rods, ceramics, transistors and cosmetics.

For a number of years the Company has produced a patented product, strontium titanate crystals, which has been marketed to the jewelry trade. Recently, manufacturing methods were perfected for a larger



Inspecting one-piece aluminum automobile transmission housings at Doehler-Jarvis Division's Toledo plant. These are produced by die casting machine in background.

diameter crystal, with desirable characteristics for military and optical applications.

New advances, helpful to the petroleum industry, were made in drilling mud technology. Improved muds have increased drilling rates, and have extended the life of drilling equipment. Particular attention was devoted to problems resulting from deep-well drilling, both on land and off-shore.

For a number of years, the Company has been a major supplier of chemicals used to stabilize vinyl plastics against deterioration by heat and light. Process development has resulted in significant quality improvements, and in 1958 a new stabilizer was developed which provides outstanding protection in this respect.

The Doehler-Jarvis Division developed a new double-layer nickel-chrome plating process which, because it offers superior resistance to corrosion, has been adopted for finishing automotive exterior plated parts. In addition, this division has developed procedures for combining metals of considerably different characteristics in order to retain the best properties of each. This technology has resulted in the development of the first successful method for the mechanical bonding of die cast aluminum automobile wheels to iron brake drum liners, with increased braking efficiency.

Chemists and engineers of plastics industry are shown Company's chemical products at National Plastics Exposition in Chicago.

A new pad-type lubricator for freight car journal bearings was developed and put into production, after successfully passing the rigid laboratory tests of the Association of American Railroads.

SHAREHOLDERS

There has been a continuing increase in the number of shareholders over the last several years and at the end of 1958 their number reached a record high of 39,492.

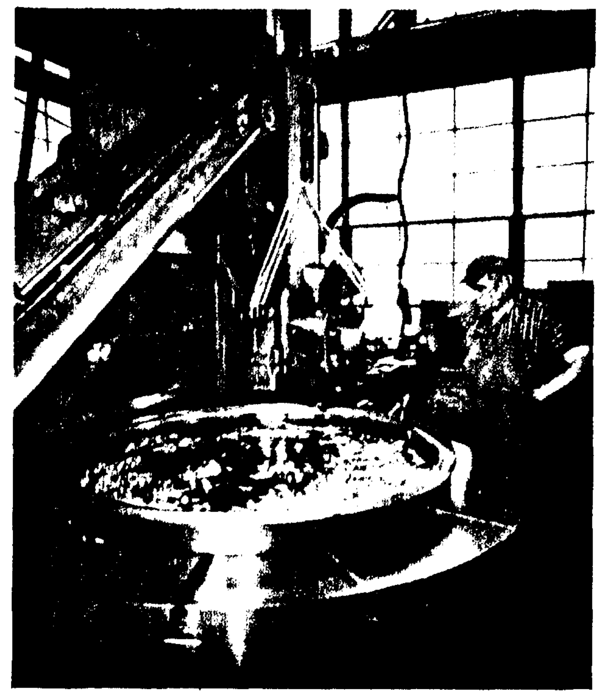
The management appreciates the continued interest of the shareholders in the Company as evidenced by the increased attendance at annual meetings, the high number of shares of stock voted, and the favorable response of shareholders to Company communications. At the 1958 annual meeting 77 per cent of outstanding stock was represented. The management looks forward to welcoming shareholders at the next annual meeting on April 16, 1959.

EMPLOYEE RELATIONS

Favorable relations between the Company, its employees and the various unions representing them continued throughout 1958.

During the year, contract and wage negotiations were successfully concluded at 63 locations. There were few work-stoppages during 1958,

Machining air frame component for guided missile at the Company's Fitchburg, Massachusetts, plant.



and fortunately there was no substantial impairment in the Company's service to its customers.

In view of changing business conditions, the number of Company employees showed some fluctuation during 1958. At the end of the year, there were 20,464 employees on the Company payroll.

Your management is gratified to note the growing number of employees in the Company's service 25 years or longer. This group numbered 1,480 on December 31, 1958.

The shareholders approved the Stock Option Incentive Plan at the annual meeting in April, 1958. In accordance therewith, options were granted to certain eligible employees during the year.

CHANGES IN ORGANIZATION

Harry C. Wildner, a vice-president of the Company, retired November 30, 1958. He joined the Company in 1921 as a member of the auditing staff. He became successively assistant comptroller and comptroller, and in 1948 was elected a vice-president, a member of the Board of Directors, and a member of the Executive Committee. Mr. Wildner continues in the two latter capacities.

In February, 1959, George B. Coale and Graham W. Corddry were elected directors of National Lead Company, succeeding George L. Ratcliffe and Leonard T. Beale.

Mr. Coale is a vice-president of the Company and general manager of its Baroid Division. He joined National Lead Company in 1935 as an engineer, and became successively chief engineer, assistant general manager and general manager of the Baroid Division. In 1957, he became a vice-president of the Company.

Mr. Corddry is manager of the Company's Titanium Division. He joined National Lead Company in 1932 as a member of the Titanium Division sales staff. He progressed in the Titanium Division from general sales manager to assistant manager and, in 1957, to manager.

LOOKING FORWARD

This report has reviewed National Lead Company's operations in 1958. Attention has been drawn to the upward trend of the Company's earnings and sales during the successive quarters of 1958, and the improvement in general business conditions which continues in the first months of this year.

In addition, the report has noted the lasting favorable effects of improvements in manufacturing efficiency and reductions in overhead expenses, as well as the strong financial position of the Company at the start of 1959.

Considerable attention has been given to the Company's progress in new endeavors, both foreign and domestic, and to the active programs under way in research and development and the nuclear energy field.

Because of these conditions, but primarily because of the capable and effective cooperation of our employees, we view the future with confidence. With the continuation of the present economic climate, 1959 for National Lead Company should be a year of further growth and progress.

By Order of the Board of Directors

J. A. Martino

President

March 19, 1959

NATIONAL LEAD COMPANY

AND ITS CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS December 31, 1958 and 1957

ASSETS

	1958	1957
Current assets:		
Cash	$ 32,137,283	$ 34,219,895
United States Government, state and municipal obligations, at cost (at market quotations: 1958, $10,111,220; 1957, $3,588,748)	10,470,745	3,818,994
Other marketable securities, at cost, less reserve of $91,265 (at market quotations: 1958, $1,320,355; 1957, $2,219,708)	253,994	561,182
Accounts and notes receivable, less reserves of: 1958, $1,490,526; 1957, $1,247,678	48,555,583	46,529,428
Notes receivable from employees	587,339	911,624
Inventories (Note 2)	92,387,483	98,342,475
Total current assets	184,392,427	184,383,598
Notes receivable under Stock Option Incentive Plan (Note 3)	301,141	—
Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserves of: 1958, $3,406,163; 1957, $3,549,744 (Note 4)	16,199,463	26,529,187
Miscellaneous investments and advances, at cost or below, less reserves of: 1958, $670,937; 1957, $40,955 (Note 5)	3,307,202	4,611,230
Plant, property and equipment, at 1915 appraised values, subsequent additions at cost (including intangibles of $20,692,311 not being amortized), less reserves for depreciation, depletion and amortization of: 1958, $135,107,065; 1957, $121,775,325	152,693,661	138,817,185
Prepaid expenses, deferred charges, etc.	4,319,543	4,028,080
	$361,213,437	$358,369,280

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

LIABILITIES

	1958	1957
Current liabilities:		
Accounts payable and accrued liabilities	$ 27,115,093	$ 28,770,060
Payable to unconsolidated subsidiaries	1,049,411	22,302
Provisions for taxes	35,940,694	41,248,278
Dividends on Class B preferred stock	135,277	135,277
Total current liabilities	$ 64,240,475	$ 70,175,917
Inventory reserve (Note 2)	$ 11,314,102	$ 11,386,492

CAPITAL

	1958	1957
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: 1958, 11,657,737; 1957, 11,653,562	58,288,685	58,267,810
	92,983,985	92,963,110
Capital surplus (Note 3)	31,405,238	31,108,169
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	154,597,934	146,063,889
	288,291,463	279,439,474
Less, Reacquired capital stock, at cost (Note 6)	2,632,603	2,632,603
	$285,658,860	$276,806,871
	$361,213,437	$358,369,280

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

NATIONAL LEAD COMPANY

AND ITS CONSOLIDATED SUBSIDIARIES

STATEMENTS OF INCOME AND EARNED SURPLUS UNAPPROPRIATED

For the years ended December 31, 1958 and 1957

	1958	1957
Sales, less returns and allowances	$457,592,886	$535,343,270
Cost of sales (Note 2)	$289,439,572	$346,716,455
Depreciation, depletion and amortization	11,107,283	9,750,499
Administrative, selling and general expenses	72,698,841	76,759,914
Taxes, other than United States and Canadian taxes on income	7,371,862	7,698,070
	$380,617,558	$440,924,938
	$ 76,975,328	$ 94,418,332
Other income (Note 7)	7,419,961	7,119,568
Income before provisions for United States and Canadian taxes on income	84,395,289	101,537,900
Provisions for United States and Canadian taxes on income	39,673,891	45,306,394
Net income for the year	$ 44,721,398	$ 56,231,506
Earnings per share of common stock	$3.65	$4.64

Earned surplus unappropriated, January 1	$146,063,889	$129,871,500
Earned surplus of Canadian subsidiaries as adjusted on consolidation (Note 1)	3,858,846	—
Net income for the year	44,721,398	56,231,506
	$194,644,133	$186,103,006
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	37,865,038	37,857,956
	$ 40,046,199	$ 40,039,117
Earned surplus unappropriated, December 31	$154,597,934	$146,063,889

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

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NATIONAL LEAD COMPANY

AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. The consolidated financial statements for 1958 include the accounts of the Company and all of its wholly owned domestic and Canadian subsidiaries. In all prior years the consolidated financial statements included only wholly owned domestic subsidiaries. Had the wholly owned Canadian subsidiaries been included in prior years the effect on consolidated financial statements for such years would not have been material.

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 on April 17, 1958 provides that up to April 17, 1963 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.

During 1958, options were granted for 160,600 shares aggregating $14,559,763 at the fair market value at dates of grant and $13,831,775 at the option prices. At December 31, 1958 there were 89,400 shares available for future options.

To December 31, 1958, 4,175 shares had been issued upon exercise of options. The excess of the aggregate amount at the option prices, $358,946, over the aggregate par value, $20,875, of the shares issued, less $41,002 of related expenses of the Stock Option Incentive Plan, has been credited to capital surplus.

Options are outstanding at December 31, 1958 for 154,475 shares at $85.975 per share, 350 shares at $94.288 per share and 1,600 shares at $99.275 per share.

At December 31, 1958, the unpaid balances of the purchase prices of 4,075 shares are evidenced by promissory notes bearing interest at 3 per cent and payable within 10 years from the dates thereof. The 4,075 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 at December 31, 1958. See Note 1.

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:

	1958	1957
Equity in net tangible assets	$21,465,000	$40,576,000
Excess of equity over the Company's net investments and advances	11,534,000	15,798,000
Decrease*, increase in excess equity during year	4,264,000*	1,136,000

The equity in net tangible assets, shown in the preceding paragraph, includes $7,271,000 for 1958 and $26,863,000 for 1957, 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 $6,268,439 and $1,751,055 at December 31, 1958 and 1957, respectively. Unaudited financial statements as of September 30, 1958 and 1957 received from the Continental European subsidiaries indicate that the Company's equity in the net assets thereof approximated the following foreign currency amounts:

	1958	1957
Norwegian kroner	33,145,000	20,662,000
Belgian francs	119,095,000	33,975,000
Dutch florins	3,751,000	3,471,000
French francs	75,871,000	71,295,000
German deutsch marks	59,876,000	40,624,000

The realization of certain foreign assets and earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.

Dividends received from unconsolidated subsidiaries are included in consolidated net income as follows:

	1958	1957
Subsidiaries other than Continental European	$1,471,237	$1,460,632
Continental European subsidiaries	3,046,770	1,468,738
	$4,518,007	$2,929,370

5. National Lead Company and Allegheny Ludlum Steel Corporation each owns 50 per cent of the capital stock of Titanium Metals Corporation of America. The cost of National Lead Company's investment in the latter corporation is included in miscellaneous investments. The equity of the Company in the net assets of Titanium Metals Corporation of America, as shown by audited financial statements, exceeded the cost of the Company's investment by approximately $10,928,000 at December 31, 1958, and $11,614,000 at December 31, 1957.

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

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7. Other income comprises:

	1958	1957
Dividends received (including dividends from unconsolidated subsidiaries, see Note 4)	$4,698,388	$3,166,966
Gain on sales of securities and fixed assets	1,102,066	1,853,763
Inventory and investment reserves no longer required		272,931
Interest and miscellaneous, net	1,619,507	1,825,908
	$7,419,961	$7,119,568

General:

Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserves, 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.

Renegotiation refunds, if any, are not considered to be material and no provision has been made therefor.

LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants
90 Broad Street, 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, 1958 and the related statement of income and earned surplus unappropriated for the year then ended. We have examined the 1958 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 1958 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 1957 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 earned surplus unappropriated present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1958 and 1957 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 except for the inclusion in 1958 of the wholly owned Canadian subsidiaries as described in Note 1 to the financial statements, which change we approve.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 27, 1959.

NATIONAL LEAD COMPANY

AND ITS CONSOLIDATED SUBSIDIARIES

TEN YEAR REVIEW OF OPERATIONS

	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949
Net Sales	$457,592,886	$535,343,270	$576,292,383	$533,728,730	$419,333,961	$436,050,592	$358,048,435	$389,941,313	$342,727,911	$257,461,599
Net Income before Taxes	84,395,289	101,537,900	107,521,101	89,436,792	67,153,316	62,836,357	48,386,163	59,607,540	54,557,799	21,191,579
Taxes on Income	39,673,891	45,306,394	44,369,014	41,546,851	30,534,665	31,987,429	25,326,109	36,613,823	28,067,155	6,442,568
Net Income	44,721,398	56,231,506	63,152,087	47,889,941	36,618,651	30,848,928	23,060,054	22,993,717	26,490,644	14,749,011
Preferred Dividends	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	2,134,451
Common Dividends	37,865,038	37,857,956	37,074,569*	32,417,308	23,735,838	19,779,867	14,729,644	14,381,756	13,430,651	7,317,900
Total Cash Dividends	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	9,452,351
Retained Earnings	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	5,296,660
Earnings Per Common Share	3.65	4.64	5.34	4.02	3.05	2.58	2.06	2.05	2.41	1.29
Cash Dividends Per Common Share	3.25	3.25	3.25*	2.85	2.10	1.75	1.45	1.41⅔	1.33⅓	0.75
Total Current Assets	184,392,427	183,995,439	198,413,275	196,758,738	178,569,448	164,812,640	122,870,494	133,634,210	131,450,877	88,450,767
Total Current Liabilities	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	25,864,583
Working Capital	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	62,586,184
Gross Property Account	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	133,252,879
Reserves for Depreciation, Depletion and Amortization	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	64,080,311
Net Property Account	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	69,172,568
Total Assets	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	168,941,278

*Plus 2% Stock Dividend

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NATIONAL LEAD COMPANY

BRANCHES AND DIVISIONS

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.

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

MAGNUS METAL DIVISION
New York
Railway car journal bearings and lubricators; 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

TIMET

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
Anti-friction metals

ABBEY CHEMICALS LTD. London
Gellants; stabilizers for vinyl plastics

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

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

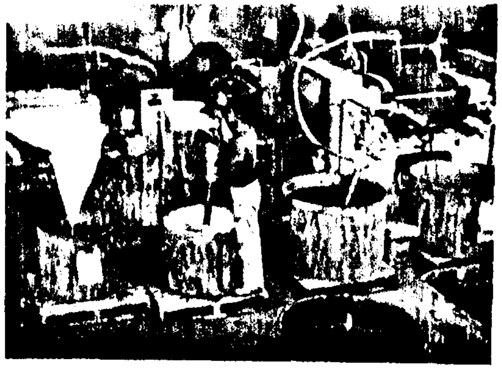
TITAN CO. A/S* Fredrikstad, Norway
Titanium pigments, paints and ilmenite

TITANIA A/S* Hauge i Dalane

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

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

* Wholly owned



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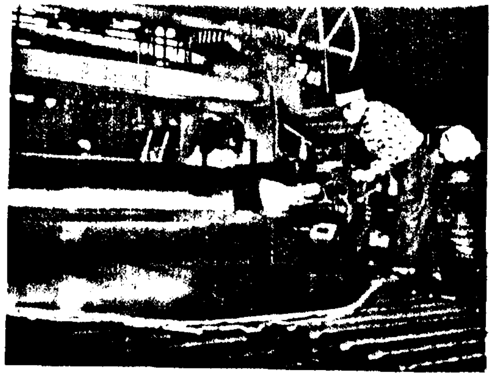

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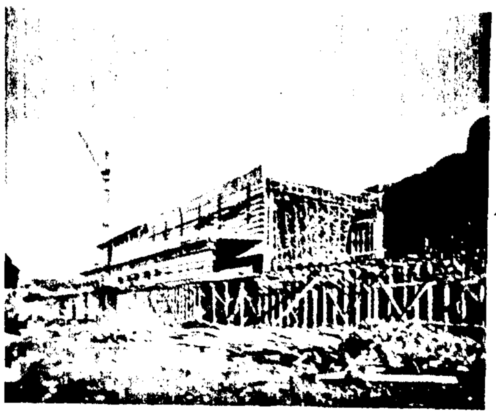

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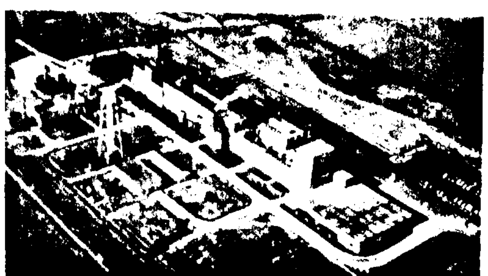

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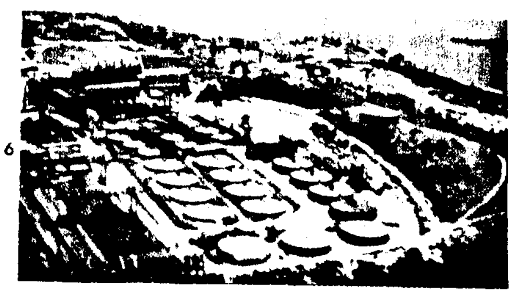

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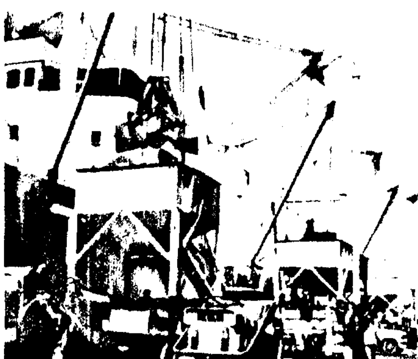

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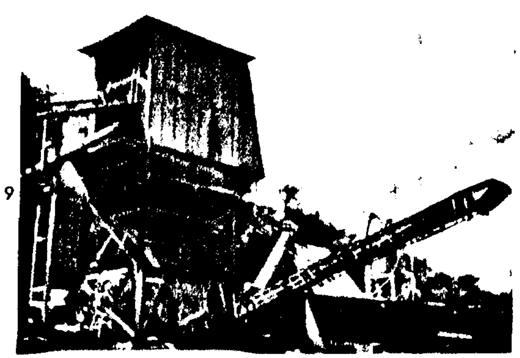

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1. Manufacturing paint at plant of National Lead Company (Philippines), Inc., at Manila.

2. Rolling sheet lead in Toronto plant of The Canada Metal Company, Ltd.

3. London plant of Abbey Chemicals Ltd., manufacturer of gellants and stabilizers.

4. Mill for concentrating ilmenite ore under construction near Hauge i Dalane, Norway.

5. Casting copper wire bars at plant of Zinnwerke Wilhelmsburg G.m.b.H., at Hamburg, West Germany.

VIEWS OF

NATIONAL LEAD COMPANY

OPERATIONS THROUGHOUT THE WORLD

6. Titanium pigment plant of Canadian Titanium Pigments Limited at Varennes, Quebec.

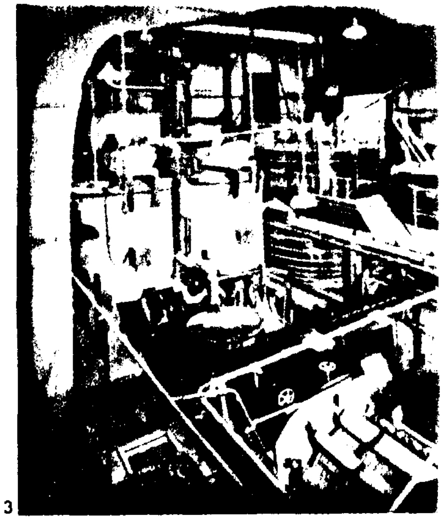
7. Nickel plant at Nicaro, Cuba, operated by Nickel Processing Corporation, a Company subsidiary, for United States Government.

8. Filtering titanium pigment at Titangesellschaft m.b.H. plant at Leverkusen, West Germany.

9. Unloading barytes at docks of Baritina de Venezuela, S.A., near Puerto La Cruz, Venezuela.

10. Barytes crushing and grinding plant of Barytes & Minerals Limited, Trinidad.

11. Barytes mine of Baroid-Maffei, S.p.A. on island of Sardinia.



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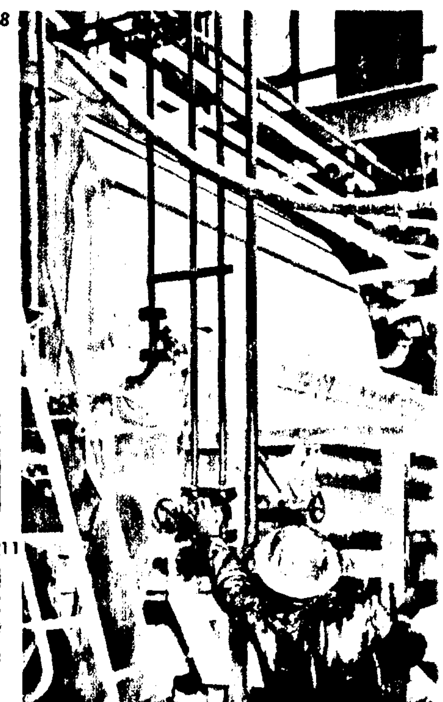

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