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The sixty-sixth 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 17, 1958, at 11:00 o'clock A.M. All shareholders are cordially invited to attend.

National Lead Company

incorporated December 8, 1891

Annual Report

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0000-NLI-000018590

Board of Directors

LEONARD T. BEALE
ALFRED H. DREWES
J. PAUL KIRK
FRANK J. KOEGLER
JOSEPH A. MARTINO
DAVID A. MERSON
GEORGE L. RATCLIFFE
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
HARRY C. WILDNER

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.

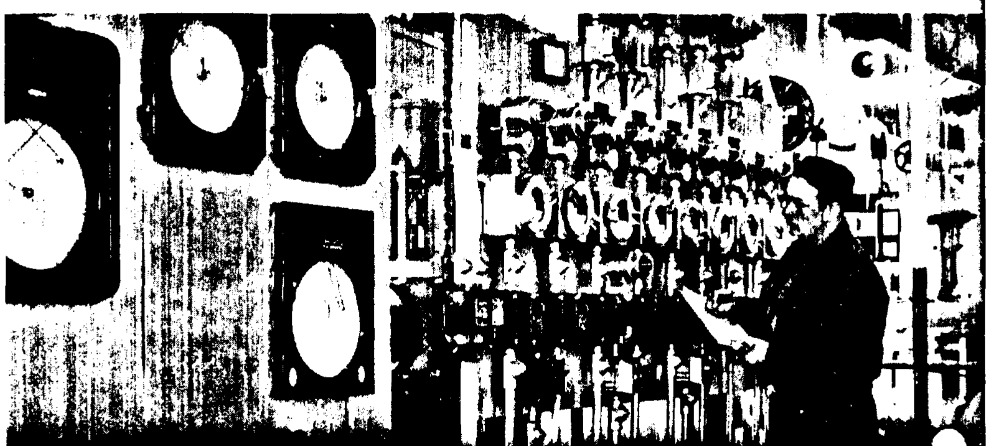
General Counsel:
ALEXANDER & GREEN, 120 BROADWAY, NEW YORK 5, N. Y.

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

	1957	1956
NET SALES	$535,343,270	$576,292,383
NET EARNINGS	$56,231,506	$63,152,087
PER COMMON SHARE	$4.64	$5.34
CASH DIVIDENDS	$40,039,117	$39,255,730
COMMON DIVIDENDS PER SHARE	$3.25	$3.25 PLUS 2% STOCK DIVIDEND
TAXES		
FEDERAL INCOME TAXES	$45,306,394	$44,369,014
OTHER TAXES	$ 7,698,070	$ 7,432,561
RETAINED EARNINGS	$16,192,389	$23,896,357



New equipment for process improvements and greater economy was added in 1957 at Minnesota Linseed Oil Company plant in Minneapolis. Instrument control panel in solvent extraction building is shown here.

The President's Message

To the Shareholders of National Lead Company:

Notwithstanding overtones of uneasiness in overall business activity, 1957 was another successful year for your Company. Sales and earnings surpassed all other years except 1956 when an all-time record was achieved.

The year 1957 presented a picture of changing patterns in the nation's economy. After three years of unprecedented prosperity, the tide of business began to recede in mid-year and continued to ebb at year-end. The economy reached a point where productive capacity caught up with demand and temporarily outpaced it, necessitating a period of adjustment. The long-range prospects for continued growth and expansion remain unchanged.

The results of your Company's operations are set forth for your review in this 66th Annual Report of National Lead Company.

Sales

Sales were the second highest in Company history and totaled $535,343,270, off 7 per cent from the all-time high of $576,292,383 established in 1956. A combination of reduced physical volume of shipments and lower nonferrous metal prices affected dollar sales.

The Company's sales volume held to a high level in the early part of 1957 and continued generally strong through the third quarter. In the fourth quarter however, the slowdown in the nation's industrial activity which had been developing for several months was reflected in the Company's sales picture by a slackening demand in virtually all lines of business.

As a result of the general weakness which characterized the non-ferrous metal markets in 1957, cautious buying policies prevailed and customers' inventories were reduced. This situation, coupled with lower metal prices, adversely influenced dollar sales volume. Lower metal prices however, do not necessarily affect earnings since the Company's metal products are sold at fixed margins over the base price of the metal.

Although the decline in volume and dollar sales was to a large extent general throughout the Company, it did not assume significant proportions in any particular line. And it is reassuring that a number of products resisted the downturn in business and actually established new highs in dollar sales—oil well drilling materials, Bentones and lead chemicals, screws and metal fasteners and steel packages. Certain of the Company's newer mixed paint lines also showed gratifying progress in 1957.

Earnings

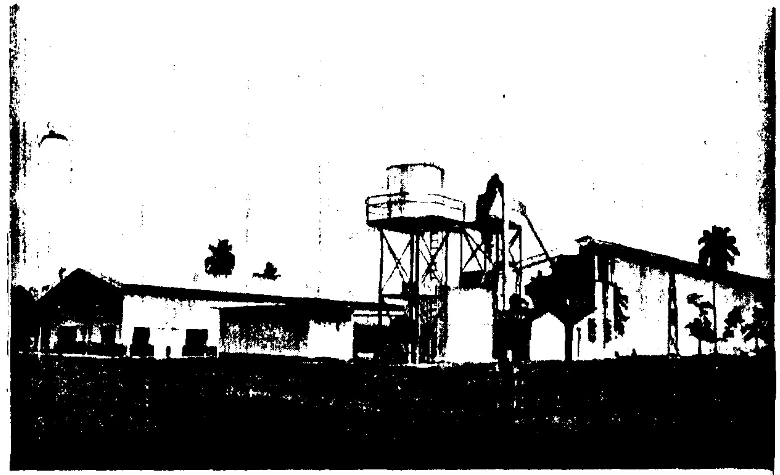
Net income for 1957 was $56,231,506 and compares with record earnings of $63,152,087 reported in 1956 which included a non-recurring adjustment of Federal income taxes. Despite the declining tendencies generally exhibited by business in 1957, all of the Company's major operating divisions maintained a strong position in their respective fields of activity and reported satisfactory earnings.

After provision for Preferred dividends, earnings in 1957 amounted to $4.64 a share on 11,648,602 shares of Common stock. Earnings for 1956 were $5.34 a share on the number of shares outstanding during 1956, or $5.23 on the basis of the number of shares outstanding during 1957.

Dividends

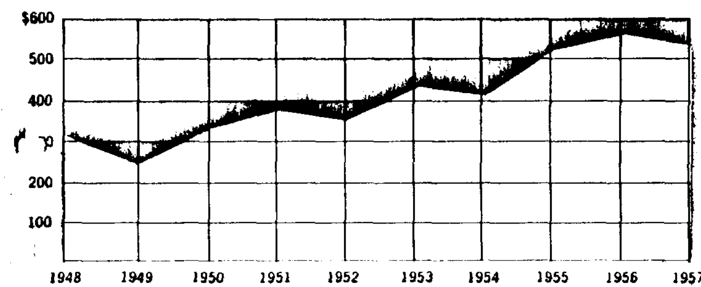
Cash dividends totaled $40,039,117 in 1957 and set a new high in the Company's history. Preferred shareholders received the regular quarterly payments aggregating $2,181,161. The remaining $37,857,956 was distributed to Common shareholders as quarterly dividends of 75¢ a share in March, June and September and $1 in December for a total of $3.25 a share.

Dividend disbursements in 1957 accounted for 71 per cent of net income and the remaining $16,192,389 was retained in earned surplus.

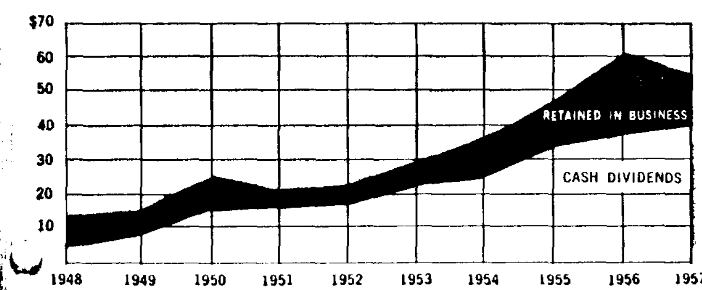


New barytes processing plant of Baritina de Venezuela, S. A., in Punta Camacho, Venezuela, supplies the expanding oil well drilling industry in that country.

NET SALES
IN MILLIONS OF DOLLARS



NET EARNINGS
IN MILLIONS OF DOLLARS



STOCK DIVIDENDS ALSO DISTRIBUTED: 5% IN 1948 AND 2% IN 1956

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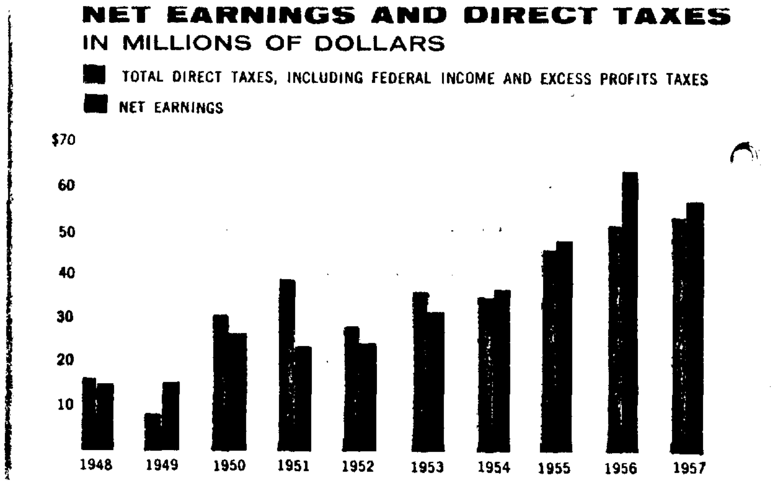
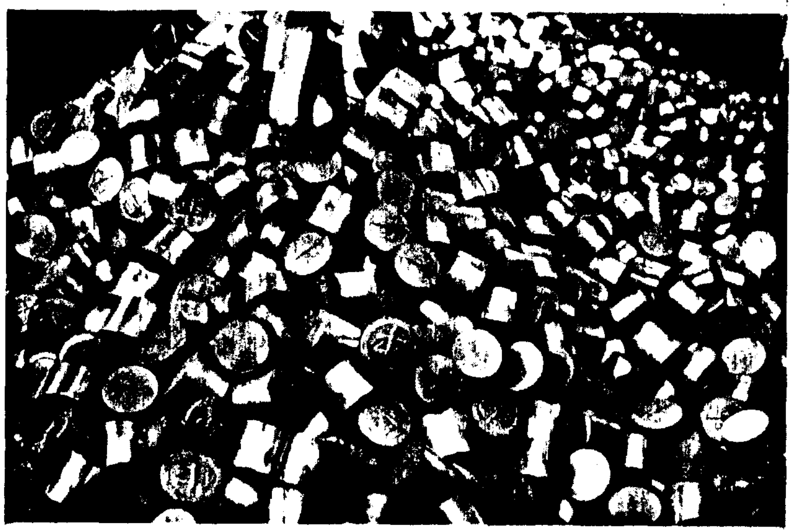
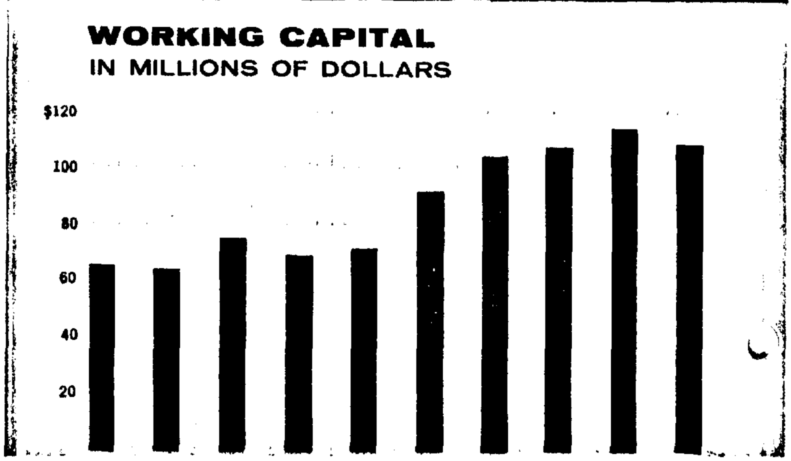




Carload of metallic iron briquettes produced at R-N pilot plant in Birmingham, Alabama. Each briquette shown is 4 inches in diameter and weighs seven pounds.



Taxes

The Company's total provision for Federal and state income and various other direct taxes dropped from $58,489,726 in 1956 to $53,004,464 in 1957. The total tax bill for the year was equivalent to $4.55 for each outstanding share of Common stock or approximately 10¢ for each dollar of sales. State income, franchise and various other direct taxes totaled $7,698,070 for the year.

Plant Investment

The Company's plant investment account continued to grow in 1957 to provide adequate production facilities for future as well as present markets. Gross investment in plant, property and equipment reached $260,592,510 at December 31, 1957.

A large part of the Company's capital expenditures during the year was invested in the plant facilities of Titanium Division, mainly for the St. Louis plant where a program for additional titanium dioxide capacity was undertaken. This expansion is expected to be completed by mid-1958. Additional sums were also spent for increased efficiency and product improvement at the Sayreville, New Jersey plant, and the MacIntyre titanium mine and mill in Tahawus, New York. Although production of titanium pigments in 1957 matched demand for the first time in a number of years, a substantial increase in customers' requirements is forecast for the near future. The current expansion of capacity is designed to maintain the Company's competitive position in the industry.

The Baroid Division completed in 1957 the installation of a barytes grinding mill in New Orleans. This facility is designed to process both foreign and domestic ores and is strategically located on the Inner Harbor Navigation Canal to service both onshore and offshore wells in the Louisiana Gulf Coast area. The division has also undertaken an intensive program to improve warehousing and delivery facilities in this important drilling area.

Capital expenditures by Doehler-Jarvis Division provided additional facilities for the production of larger die castings and effected operating improvements. During the year the division disposed of a plant unit in Chicago which had not been in operation for several years.

An addition to the Southern Screw Company plant in Statesville, North Carolina, is near completion, making possible broader participation in the metal fastener market.

The Titanium Alloy Manufacturing Division expanded facilities at the Niagara Falls plant for the production of ceramic compounds and raw materials for the zirconium metal industry. The Chas. Taylor's Sons Company undertook a modernization program leading to increased output of high temperature refractories at the Taylor, Kentucky, plant.

Provision for depreciation, depletion and amortization totaled $9,750,499 as compared with $10,623,168 in 1956. While depreciation and depletion charges actually increased during 1957, the increase was more than offset by a reduction in amortization charges as a result of the turnback to the United States Government in 1956 of the metals refinery located at Fredericktown, Missouri. In this connection it is gratifying to report satisfactory operation of this refinery during 1957 under the Company's present lease arrangement.

Financial Position

The Company maintained a strong financial position during the year with a current ratio of 2.62 at year-end. Working capital was $113,819,522 at December 31, 1957, compared with $117,488,015 for the preceding year. Total assets increased to $358,369,280 at December 31, 1957.

The slight decline which took place in the Company's working capital was accompanied by a number of changes in the accounts which make up this category. Cash and proceeds from Government securities were applied to the reduction of current liabilities including the payment of Federal income tax. The decline in year-end business activity contributed to the decrease in accounts and notes receivable.

The increase in inventories occurred principally in the Titanium and Baroid divisions. At the end of 1956 finished stocks of titanium pigment were unusually low, having been depleted by customer purchases in anticipation of an impending price rise. Present stocks are on a more

Section of die production department at one of th two Toledo, Ohio, plants of Doehler-Jarvis Divisio

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normal basis and in line with expected demand for the coming months. The Baroid Division, with a larger volume of business in both domestic and foreign fields, also increased inventories.

Unconsolidated Subsidiaries

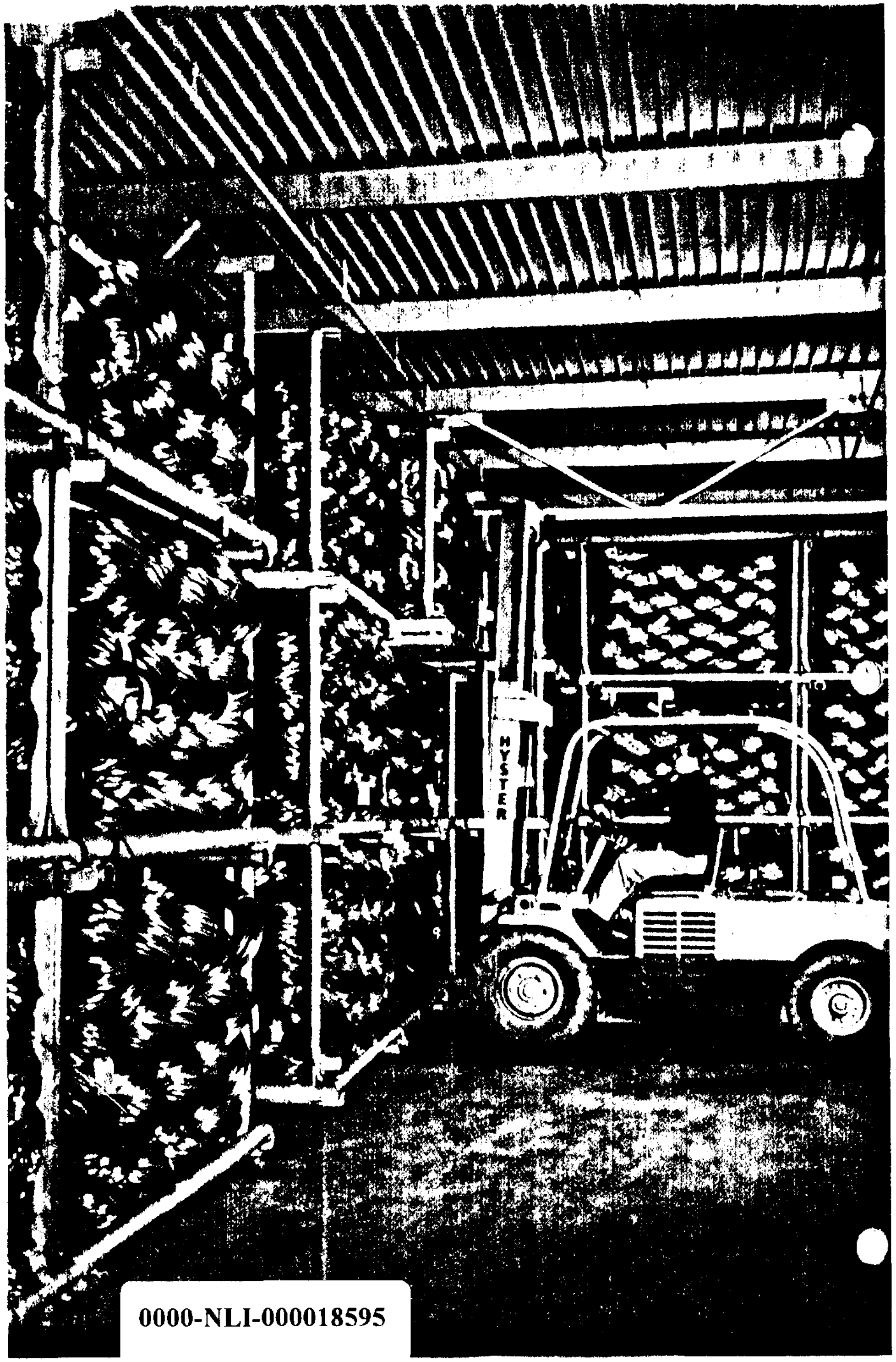
National Lead Company does not include in its consolidated financial statements any foreign subsidiaries or partially owned domestic subsidiaries. The operations carried on by these unconsolidated subsidiaries closely parallel the business activities of the parent company in the production and sale of die castings, fabricated metal products, ilmenite and rutile ores, lead oxides and chemicals, oil well drilling materials and titanium pigments. Business operations are carried on in the United States and the following foreign countries: Argentina, Australia, Belgium, Canada, Cuba, France, Germany (West), Great Britain, Mexico, Norway, Peru, Philippines and The Netherlands.

The total sales of these companies, converting foreign currencies into dollars at appropriate rates of exchange, approximated $144,000,000 for the latest available twelve-month period. National Lead Company's equity in the total combined net income of these companies was approximately $7,100,000 and dividends received were $2,929,370. The Company's equity in the net tangible assets of these subsidiaries exceeded the Company's investment in and advances to them by approximately $28,400,000.

The foregoing figures do not include those of Titanium Metals Corporation of America which are commented upon in a subsequent section of this report.

Employee Relations

A very satisfactory relationship with employees and their various labor organizations prevailed throughout the year and contract agreements were reached at 51 locations. The Company experienced two minor work stoppages which were settled with no interruption of deliveries to customers.



These coils of brass wire at the Southern Screw Company plant, Statesville, North Carolina, will be converted into screws for many industries.

Company progress is highly dependent on the skill and efficiency of its employees and increasing emphasis is being placed on training and development programs. The number of applications for the Company's employee educational aid plan continues to increase. Under the plan, which provides reimbursement of tuition costs, many eligible employees are pursuing courses of study which will equip them to perform their duties more proficiently and increase their capacity for added responsibilities.

Group life insurance totaling $1,075,000 was paid on 195 death claims. During the year 220 employees retired, increasing the ranks of pensioners to 1,540. The employees profit-sharing trust again received a contribution out of earnings.

At the end of 1957, The Company had 21,667 employees on the payroll, 8,666 or 40 per cent of them with ten or more years of service.

Changes In Organization

George B. Coale was elected a Company vice-president in April 1957. Mr. Coale joined the Titanium Division in 1935 and became chief engineer of the Company in 1948. In 1949 he was transferred to the Baroid Division as an assistant general manager. He was appointed general manager of that division in 1954, a position he continues to hold.

J. Paul Kirk was elected a director of the Company in September 1957, succeeding Herman T. Warshow. Mr. Kirk is president and a director of Morris P. Kirk & Son, Inc., founded in 1922 and now a Company subsidiary. He also is president and a director of Pioneer Aluminum, Inc., another subsidiary.

Herman T. Warshow, who retired in September 1957 after 36 years of service, joined the Company as comptroller in 1921. He was elected to the Board of Directors in 1933, became a member of the Executive Committee in 1936 and a vice-president in 1937.

Shareholders

In 1957 the total number of owners of Common and Preferred shares increased from 35,460 to 37,899. Within the past five years the number of shareholders has increased by 14,086, or 59 per cent.

Seventy-nine per cent of the outstanding stock was represented at the Annual Meeting of shareholders on April 18, 1957. This continued interest of shareholders in the Company's business activities is encouraging. The Management also appreciates the increased response by shareholders to the various communications mailed to them during the year.

New Products and Processes

The Company's continuing research and development program is aimed at maintaining a strong competitive position by improving existing products and processes and by creating new products.

Considerable progress was made in 1957 in both the technical and customer contact phases of the R-N project which utilizes a direct reduction process for the recovery of metallic iron from a wide variety of iron ores. National Lead Company and Republic Steel Corporation participate jointly in this undertaking. Over 50 different ores submitted by steel companies in the United States and foreign countries were evaluated in the R-N laboratory and approximately 100,000 tons of various ores have been processed in the R-N pilot plant at Birmingham, Alabama. The possibilities of the process which have been confirmed by the test program are being considered by a number of the leading steel producers.

The Company has introduced a new metal protective paint pigment with outstanding weather resistance and rust-inhibitive properties, sold under the trademark M50. The pigment consists of basic lead chromate fused on the surface of a silica core. M50 pigment may be used in all coats of a painting system for steel and other metal surfaces, greatly improving the protective value of the coatings.

A new zinc base alloy for metal forming dies has been developed by the Company and its subsidiary, Morris P. Kirk & Son, Inc. This alloy, sold under the trademark Hi-Phy Kirksite, has considerably greater impact strength and hardness than existing alloys, and is marketed in the aircraft and automotive industries as a premium quality tooling material.

Zirconium carbonitride, a feed material for the production of zirconium metal, is being produced in increasing quantities by Titanium Alloy Manufacturing Division at Niagara Falls in facilities expanded in 1957. Processing is carried out in electric arc furnaces also utilized in the manufacture of titanium alloys for the steel industry.

The Company is collaborating with Celanese Corporation of America on a program designed to develop improved plastics in the polyethylene and polypropylene fields, through the use of catalysts developed in the Company's laboratories after years of research on organic compounds of titanium, zirconium and other metals. The use of the new catalysts makes possible a major step toward the production of plastics and fibers with improved strength and stability in wide temperature ranges. The most important applications of these products are in the fields of plastic film, textiles and molding resins.

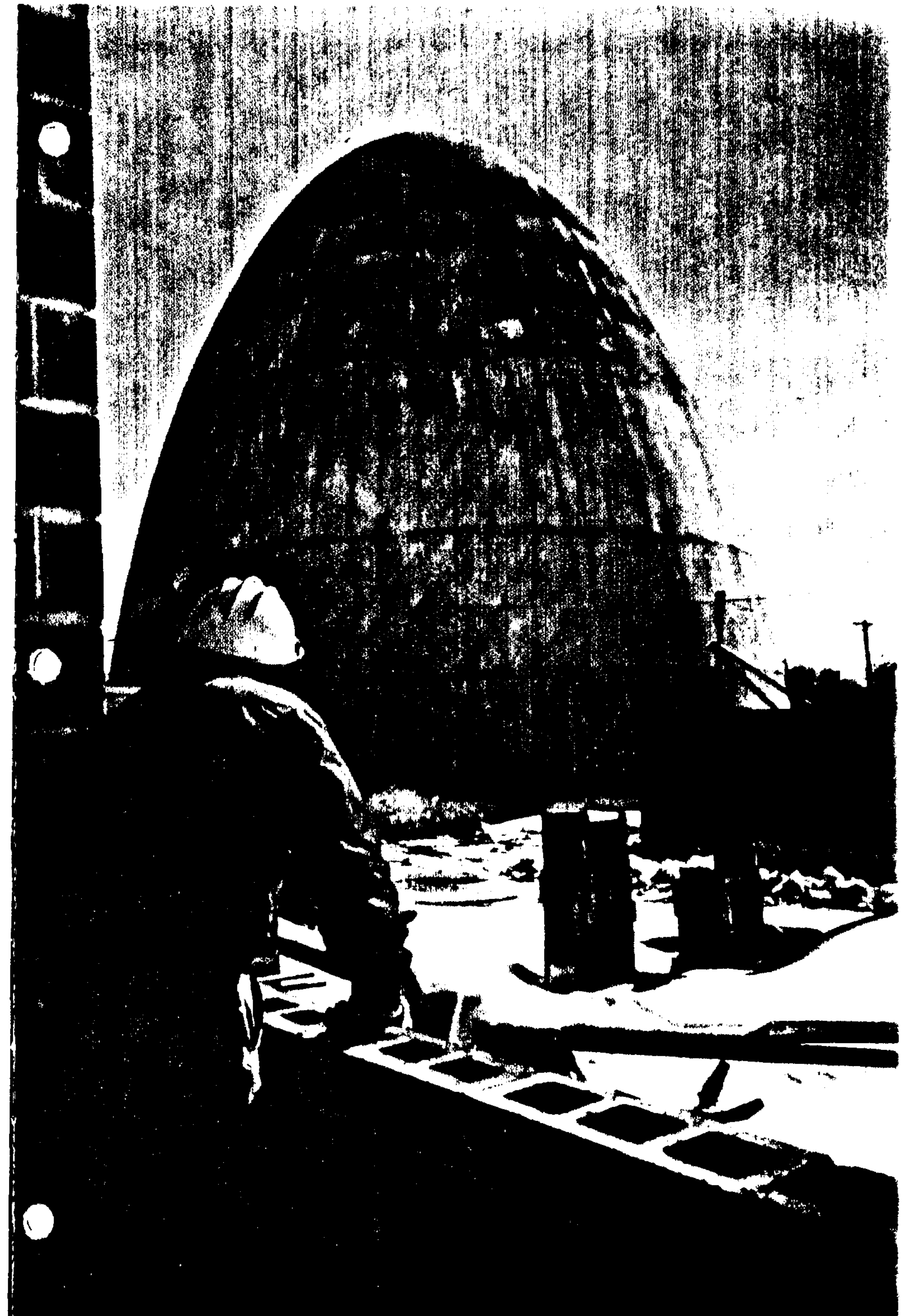
Nuclear Energy Activities

The Company took steps to strengthen its position in the nuclear energy field by consolidating activities into a newly formed Nuclear Metals Division. This unit is concerned with research and development work on industrial applications of atomic energy, improvement of uranium ore processing techniques and the recovery of nuclear waste materials. The division also provides the Company's branches and divisions with technical information and services concerning specialized applications of their products in the nuclear energy industry.

The Nuclear Metals Division also supervises the operation of Atomic Energy Commission installations at Fernald, Ohio; Winchester, Massachusetts; Grand Junction, Colorado, and Monticello, Utah. These facilities, which are Government-owned, have been operated by the Company for several years on a fee basis.

The Company has joined with nine other companies to build and operate a reactor laboratory at Plainsboro, New Jersey. Operation of the reactor and allied facilities is scheduled to begin about July 1. The Company plans to utilize this facility as a research tool in the development of new and improved products and in the solution of process control, technical service and other problems.

The Company actively participates in the industrial market for nuclear metal products, supplying materials to



The Company's lead bricks, special fabricated lead shapes and paint products are being used in the construction of Industrial Reactor Laboratories, Inc.'s nuclear research facility in Plainsboro, New Jersey.

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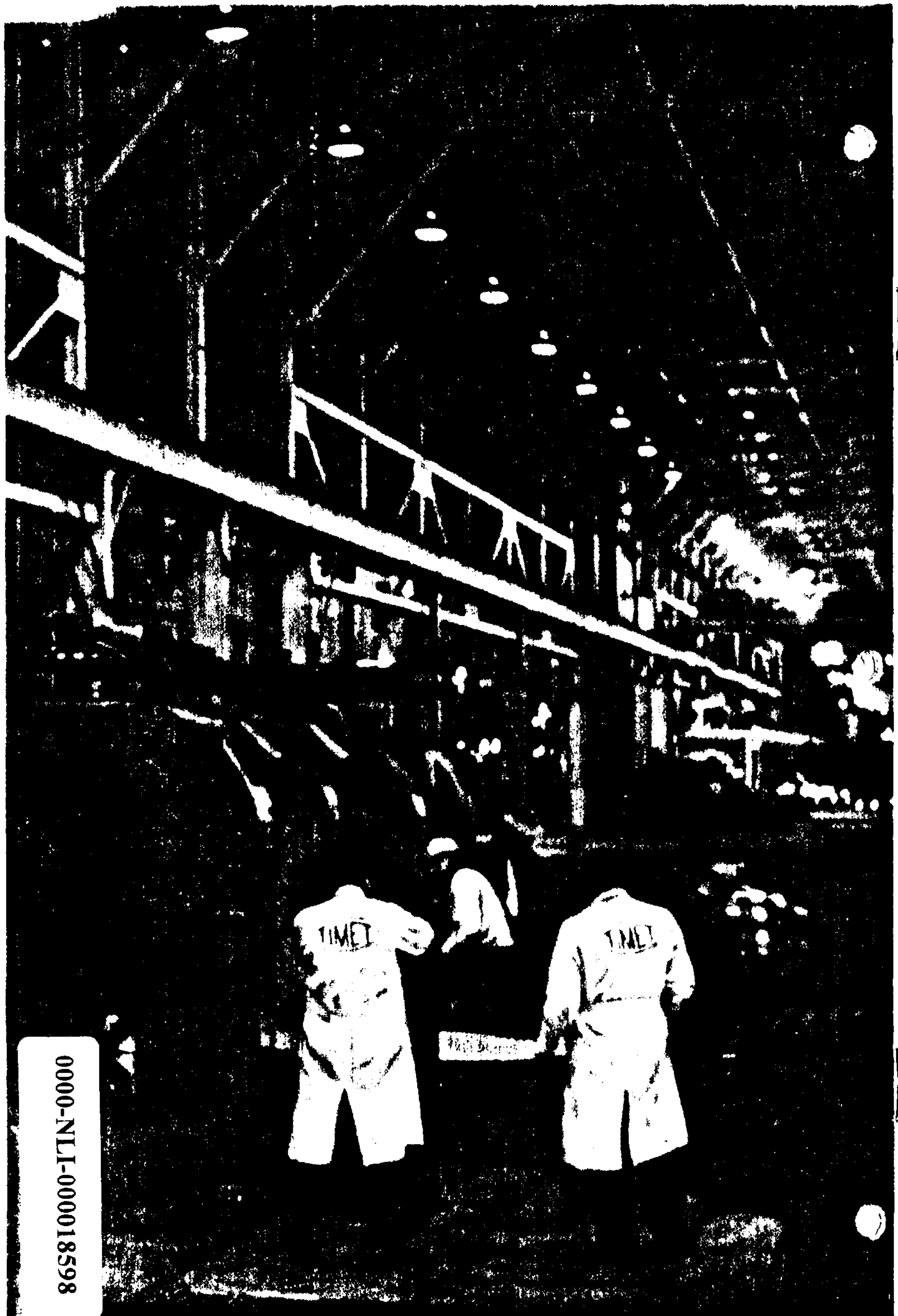


companies now engaged in nuclear power programs. Fabricated lead products, barytes and magnetite are supplied for shielding purposes. Lead-lined containers for storing and shipping radioactive substances are also produced. A facility for the fabrication of fuel elements for both research and power reactors is presently in operation and expansion of its scope is under consideration.

Titanium Metal

Titanium Metals Corporation of America, jointly owned with Allegheny Ludlum Steel Corporation, reported net sales of $52,564,000 for 1957, a decline of 4 per cent from the $55,128,000 in 1956. Net earnings after taxes were $4,347,000, as compared with $11,026,000 in the preceding year. A combination of factors adversely affected the earnings of this subsidiary—reduction of customers' inventories as defense purchasing schedules were curtailed in the last half of the year, lower selling prices and start-up costs of new facilities.

Expansion programs have now been substantially completed, but with the Government's uncertain requirements, an excess of production capacity is indicated for the present. The new mill at Toronto, Ohio, the first specialized all-titanium facility, began operation in late 1957 and is expected to make valuable contributions to the techniques of rolling and forging titanium metal.

Activity in the titanium metal business shows signs of recovery but on a somewhat lower level. Encouraging uses of the metal in commercial aircraft became a factor in 1957, with the leading domestic manufacturers of jet or prop-jet transports using significant quantities of titanium. In the missile field, applications are expanding, especially in the larger, long-range weapons. The use of the metal in the chemical field broadened when TMCA received an order for 7½ miles of seamless tubing for use in a nickel refinery.

During the year TMCA further reduced its debt to the Government and it is expected that the $14,872,000 loan on the original Henderson, Nevada plant facilities will

Mills for rolling titanium metal sheet and plate at the Toronto, Ohio, plant of Titanium Metals Corporation of America.

have been repaid in full by the early part of 1958.

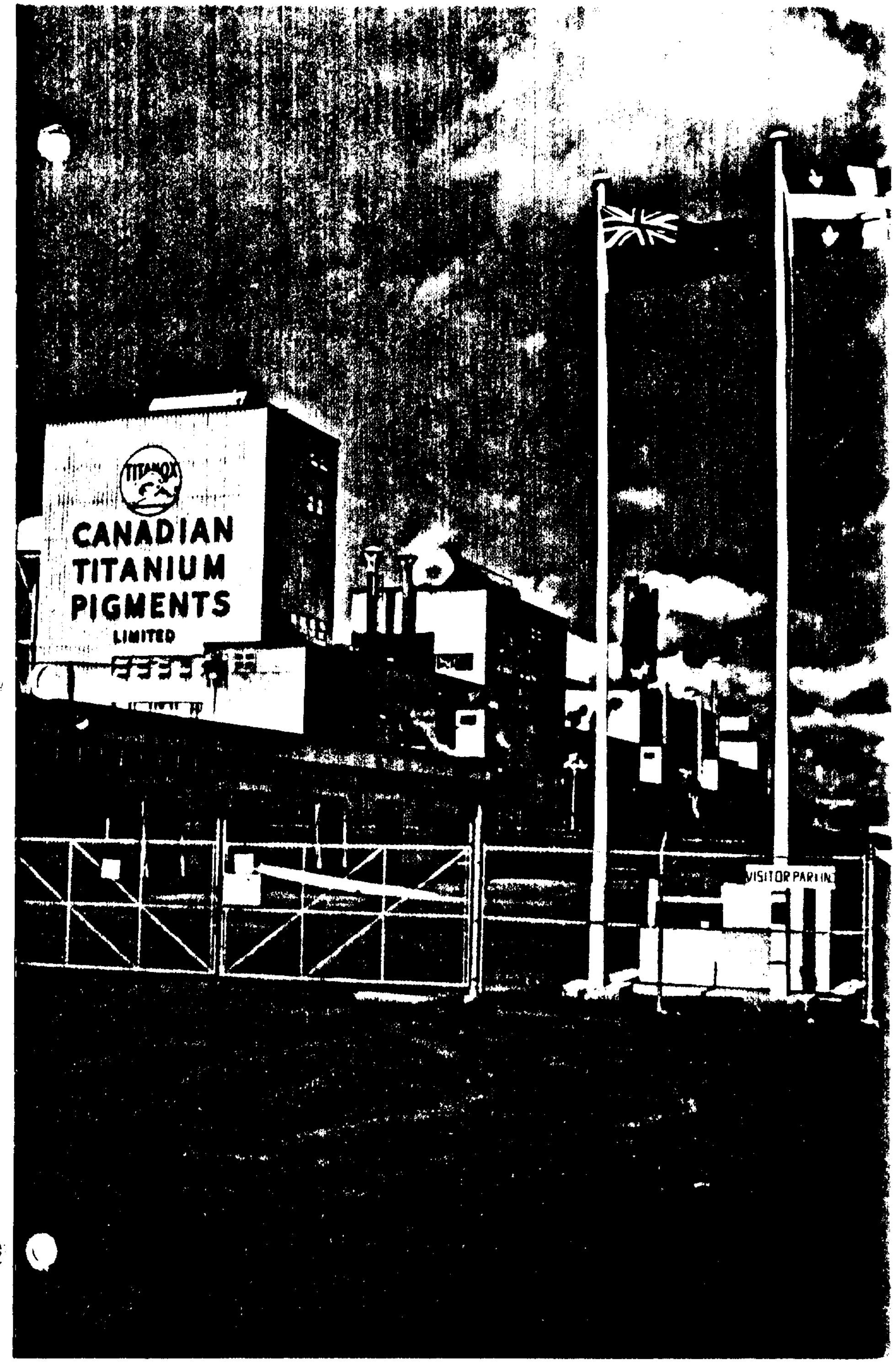
Up to the present time, National Lead Company has not reflected any part of the earnings of this subsidiary in its financial statements.

Operations Outside the United States

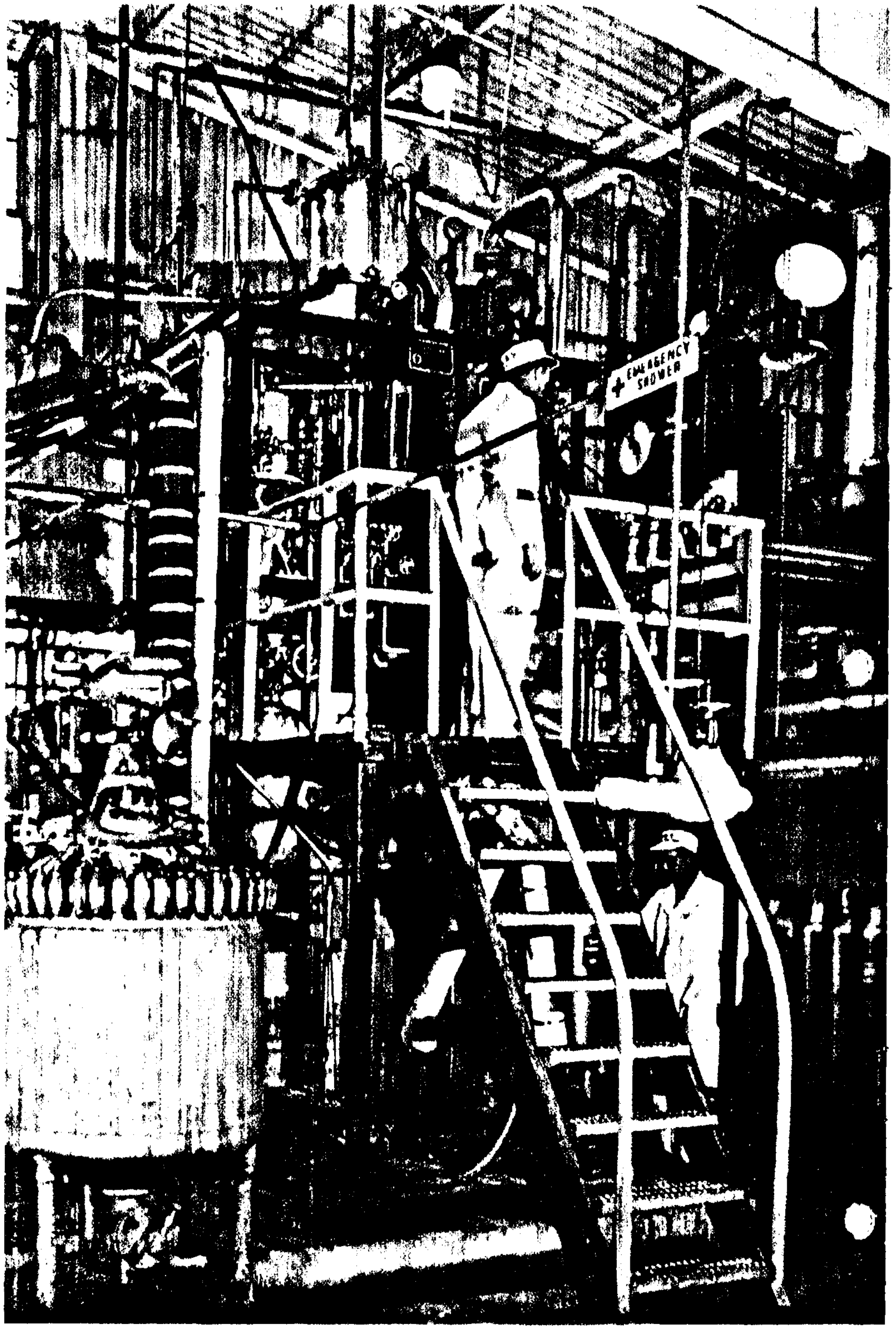
The Baroid Division has expanded its activities in foreign countries, in the production and sale of oil well drilling materials. Baritina de Venezuela, S. A., in which the Company has a substantial interest, opened two new modern barytes processing plants in Venezuela last year. The plants are capable of meeting the expanding ground barytes requirements of that country. Raw materials for the new operations are supplied by a mine and processing plant operated by the Company on the island of Camamu, off the coast of Brazil. Baritina also distributes a complete line of Baroid's other products in Venezuela. The Company acquired a one-half interest in Barytes & Minerals, Ltd. in Trinidad, where a barytes processing plant and deep-water dock are under construction. Baroid of Canada, Ltd. has under construction a mill to process bentonite at Onoway, Alberta.

Canada's first titanium pigment plant, at Varennes, Quebec, was opened in September 1957. The plant was built by Canadian Titanium Pigments Limited, a wholly owned Company subsidiary, to supply titanium dioxide to the Canadian paint, rubber, paper, plastics, roofing and floor covering industries. The cost of construction was financed by loans from the Company and is reflected in the balance sheet in advances to unconsolidated subsidiaries.

A mine and mill is being constructed by Titania A/S, a Company subsidiary, at the ilmenite ore body which has been developed at Hauge-Dalane, Norway, and which is within three miles of the present shipping facilities at Jossingfjord. The operation, scheduled for completion in 1960, will employ open-pit mining methods. The deposit is now estimated to contain more than 175,000,000 tons of ilmenite ore. Initially, the new operation will yield 300,000 tons of ilmenite concentrates per year containing 44 per cent titanium dioxide. This material will be used



The new titanium pigment plant in Varennes Quebec, went on stream in September 1957



by the Company's titanium dioxide plant at Leverkusen, Germany (West), and will be sold to other pigment producers in Europe.

Abbey Chemicals, Ltd., a partially owned subsidiary in England, has completed and is operating a plant to produce stabilizers for vinyl plastics. The new plant adjoins Abbey's facilities which have been producing Bentones for the paint, grease, foundry and printing industries.

Nickel Processing Corporation, a Company subsidiary and since 1951 contract-operator of the United States Government nickel plant at Nicaro, Cuba, brought expanded facilities on stream in 1957, increasing production to the new rated capacity of 50,000,000 pounds per year. Nickel oxide sinter from Nicaro is converted into metallic nickel at Nickel Processing Corporation's refinery in Crum Lynne, Pennsylvania. Nickel Processing Corporation's operating agreement has been extended to June 30, 1958, and the Government has indicated that it intends to solicit bids for the sale of the Nicaro plant in the near future. It is the intention of Nickel Processing Corporation to make an offer at the proper time to acquire the plant and facilities.

The Year Ahead

The Company's business in the early months of 1958 shows moderate improvement over late 1957. While demand for Company products over the next few months may well continue to be affected by general business conditions, there seems to be no reason at this time to modify our long-range projections.

In conclusion, the Management pays tribute to the initiative, cooperation and hard work of the employees whose efforts have contributed immeasurably to the growth and progress of National Lead Company.

By Order of the Board of Directors

J. A. Martino

President

March 20, 1958

In this pilot plant improved types of polymers for plastics are prepared with new catalysts developed in the Company's research laboratories.

National Lead Company

and its wholly owned domestic subsidiaries

Consolidated Balance Sheets

DECEMBER 31, 1957 AND 1956

ASSETS

	1957	1956
Current assets:		
Cash	$ 34,219,895	$ 47,172,875
United States Government, state and municipal obligations, at cost (at market quotations: 1957, $3,588,748; 1956, $8,028,740) (Note 1)	3,818,994	8,407,836
Other marketable securities, at cost, less reserves of: 1957, $91,265; 1956, $109,181 (at market quotations: 1957, $2,219,708; 1956, $3,676,564)	561,182	957,971
Accounts and notes receivable, less reserves of: 1957, $1,247,678; 1956, $2,150,799	46,529,428	54,453,355
Notes receivable from employees	523,465	492,328
Inventories (Note 2)	98,342,475	86,928,910
Total current assets	183,995,439	198,413,275
Notes receivable under Stock Purchase Plan (Note 3)	388,159	451,678
Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserves of: 1957, $3,549,744; 1956, $3,801,088 (Note 4)	26,529,187	19,153,435
Miscellaneous investments and advances, at cost or below, less reserve of $40,955 (Note 5)	4,611,230	3,837,272
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: 1957, $121,775,325; 1956, $111,224,536	138,817,185	127,384,769
Prepaid expenses, deferred charges, etc.	4,028,080	3,935,585
	$358,369,280	$353,176,014

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

National Lead Company

and its wholly owned domestic subsidiaries

Consolidated Balance Sheets

DECEMBER 31, 1957 AND 1956

LIABILITIES

	1957	1956
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,770,060	$ 29,603,968
Payable to unconsolidated subsidiaries	22,302	136,337
Provisions for taxes, including federal taxes on income	41,248,278	51,049,678
Dividends on Class B preferred stock	135,277	135,277
Total current liabilities	$ 70,175,917	$ 80,925,260
Inventory reserve (Note 2)	$ 11,386,492	$ 11,636,272

CAPITAL

	1957	1956
Capital stock:		
Preferred Class A, 7 per cent cumulative, noncallable, par value $100; shares authorized 250,000, issued 243,676	$ 24,367,600	$ 24,367,600
Preferred Class B, 6 per cent cumulative, noncallable, 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 11,653,562	58,267,810	58,267,810
	92,963,110	92,963,110
Capital surplus	31,108,169	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	146,063,889	129,871,500
	279,439,474	263,247,085
Less, Reacquired capital stock, at cost (Note 6)	2,632,603	2,632,603
	$276,806,871	$260,614,482
	$358,369,280	$353,176,014

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

National Lead Company

and its wholly owned domestic subsidiaries

Consolidated Statements of Income and Earned Surplus Unappropriated

FOR THE YEARS ENDED DECEMBER 31, 1957 AND 1956

	1957	1956
Sales, less returns and allowances	$535,343,270	$576,292,383
Cost of sales (Notes 2 and 8)	$346,716,455	$377,261,169
Depreciation, depletion and amortization	9,750,499	10,623,168
Administrative, selling and general expenses (Note 8)	76,759,914	77,836,318
Taxes, other than federal taxes on income	7,698,070	7,432,561
	$440,924,938	$473,153,216
	$ 94,418,332	$103,139,167
Other income (Note 7)	7,119,568	4,537,131
	101,537,900	107,676,298
Other charges	—	155,197
Income before provisions for federal taxes on income	101,537,900	107,521,101
Provisions for federal taxes on income (less, in 1956, $6,688,151 prior years' provisions no longer required) (Note 9)	45,306,394	44,369,014
Net income for the year	$ 56,231,506	$ 63,152,087
Earnings per share of common stock	$4.64	$5.34

Earned surplus unappropriated, January 1	$129,871,500	$130,881,752
Net income for the year	56,231,506	63,152,087
	$186,103,006	$194,033,839
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:		
In cash, $3.25 per share	37,857,956	37,074,569
In stock, 2 per cent in 1956; paid by issuance of 228,501 shares of common stock capitalized at $109 per share	—	24,906,609
	$ 40,039,117	$ 64,162,339
Earned surplus unappropriated, December 31	$146,063,889	$129,871,500

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

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National Lead Company

and its wholly owned domestic subsidiaries

Notes to Consolidated Financial Statements

1. United States Government, state and municipal obligations include cost amounts of securities on deposit in connection with self-insurance of workmen's compensation risks and a bank loan of an unconsolidated subsidiary: 1957, $3,119,400; 1956, $3,132,328.

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. Under the Company's Stock Purchase Plan for Officers and Other Key Employees, adopted in 1950, certain officers and employees contracted to purchase common stock of the Company. The purchase prices are evidenced by promissory notes bearing interest at 3 per cent, payable within 10 years from dates thereof, the shares serving as collateral. Shares held as collateral aggregated 33,093 at December 31, 1957 and 36,261 at December 31, 1956.

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

	1957	1956
Equity in net tangible assets	$40,576,000	$32,029,000
Excess of equity over the Company's net investments and advances	15,798,000	14,662,000
Increase in excess equity during year	1,136,000	457,000

The equity in net tangible assets, shown in the preceding paragraph, includes $26,863,000 for 1957 and $18,187,000 for 1956, 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 $1,751,055 and $1,786,797 at December 31, 1957 and 1956, respectively. Unaudited financial statements as of September 30, 1957 and 1956 received from the Continental European subsidiaries indicate that the Company's equity in the net assets thereof approximated the following foreign currency amounts at the respective dates:

	1957	1956
Norwegian kroner	20,662,000	16,945,000
Belgian francs	33,975,000	29,312,000
Dutch florins	3,471,000	2,825,000
French francs	71,295,000	70,514,000
German deutsch marks	40,624,000	34,735,000

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

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

	1957	1956
Subsidiaries other than Continental European	$1,460,632	$2,136,229
Continental European subsidiaries	1,468,738	634,667
	$2,929,370	$2,770,896

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 $11,614,000 at December 31, 1957 and $9,440,000 at December 31, 1956.

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:

	1957	1956
Dividends received (including dividends from unconsolidated subsidiaries, see Note 4)	$3,166,966	$3,000,371
Inventory and investment reserves no longer required	272,931	—
Gain on sales of securities and fixed assets	1,853,763	—
Adjustments in connection with acquisitions of capital stocks of other companies, etc.	—	209,027
Interest and miscellaneous, net	1,825,908	1,327,733
	$7,119,568	$4,537,131

8. During 1957 the Company made adjustments in certain fixed assets and related depreciation reserves and in the reserve for doubtful accounts to accord with findings of the Internal Revenue Service in examinations of prior years' tax returns. As a result, cost of sales for 1957 was reduced $3,209,517 and administrative expenses were reduced $1,152,674.

9. Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserves, percentage depletion and depreciation charges.

General:

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.

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.

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 and individual balance sheets of NATIONAL LEAD COMPANY and its Wholly Owned Domestic Subsidiaries as of December 31, 1957 and the related statements of income and surplus for the year then ended. We have also examined or have received reports of other public accountants upon their examinations of the balance sheets and related statements of income and surplus of the major domestic subsidiaries more than 50, but less than 100 per cent owned and the major foreign subsidiaries other than Continental European, for their respective 1957 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 1956 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 wholly owned domestic subsidiaries at December 31, 1957 and 1956 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 28, 1958.

National Lead Company

and its wholly owned domestic subsidiaries

Ten year review of operations

	1957	1956	1955	1954	1953	1952	1951	1950
Net Sales	**$535,343,270**	$576,292,383	$533,728,730	$419,333,961	$436,050,592	$358,048,435	$389,941,313	$342,727,9
Net Income before Taxes	**101,537,900**	107,521,101	89,436,792	67,153,316	62,836,357	48,386,163	59,607,540	54,557,7
Federal Taxes on Income	**45,306,394**	44,369,014	41,546,851	30,534,665	31,987,429	25,326,109	36,613,823	28,067,1
Net Income	**56,231,506**	63,152,087	47,889,941	36,618,651	30,848,928	23,060,054	22,993,717	26,490,6
Preferred Dividends	**2,181,161**	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,157,806	2,134,4
Common Dividends	**37,857,956**	37,074,569*	32,417,308	23,735,838	19,779,867	14,729,644	14,381,756	13,430,6
Total Cash Dividends	**40,039,117**	39,255,730	34,598,469	25,916,999	21,961,028	16,910,805	16,539,562	15,565,1
Retained Earnings	**16,192,389**	23,896,357	13,291,472	70,701,652	8,887,900	6,149,249	6,454,155	10,925,5
Earnings Per Common Share	**4.64**	5.34	4.02	3.05	2.58	2.06	2.05	2
Cash Dividends Per Common Share	**3.25**	3.25*	2.85	2.10	1.75	1.45	1.41⅔	1.33
Total Current Assets	**183,995,439**	198,413,275	196,758,738	178,569,448	164,812,640	122,870,494	133,634,210	131,450,8
Total Current Liabilities	**70,175,917**	*80,925,260*	*83,598,897*	*73,980,730*	*72,983,811*	*53,767,414*	*66,051,113*	*56,402,7*
Working Capital	**113,819,522**	117,488,015	113,159,841	104,588,718	91,828,829	69,103,080	67,583,097	75,048,1
Gross Property Account	**260,592,510**	238,609,305	228,267,837	210,718,867	203,511,823	161,540,966	154,012,668	135,578,7
Reserves for Depreciation, Depletion and Amortization	**121,775,325**	111,224,536	105,437,451	97,553,116	91,281,692	75,944,349	71,215,202	67,390,0
Net Property Account	**138,817,185**	127,384,769	122,830,386	113,165,751	112,230,131	85,596,617	82,797,466	68,188,7
Total Assets	**358,369,280**	353,176,014	336,411,632	310,468,896	294,647,263	223,910,550	230,315,668	211,681,5

*Plus Stock Dividend. 1956, 2% and 1948, 5%

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; nuclear fuel elements
(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 and 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; nuclear research and development services

ST. LOUIS SMELTING & REFINING DIVISION
Fredericktown, Missouri
Lead, zinc 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

ANCHOR SCREW PRODUCTS COMPANY Los Angeles

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, sheet, strip, foil, plate, bar, rod, wire, forging billets, tubing, extruded and rolled shapes

Affiliates outside the United States

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

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

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

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

NATIONAL LEAD COMPANY, S. A. Buenos Aires
Metallic 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

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

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

SOCIETE BELGE DU TITANE, S. A.* Brussels

TITANIA A/S* Hauge-Dalane, Norway

TITAN COMPANY, INC.* New York
Titanium pigments

SOCIETE INDUSTRIELLE DU TITANE Paris

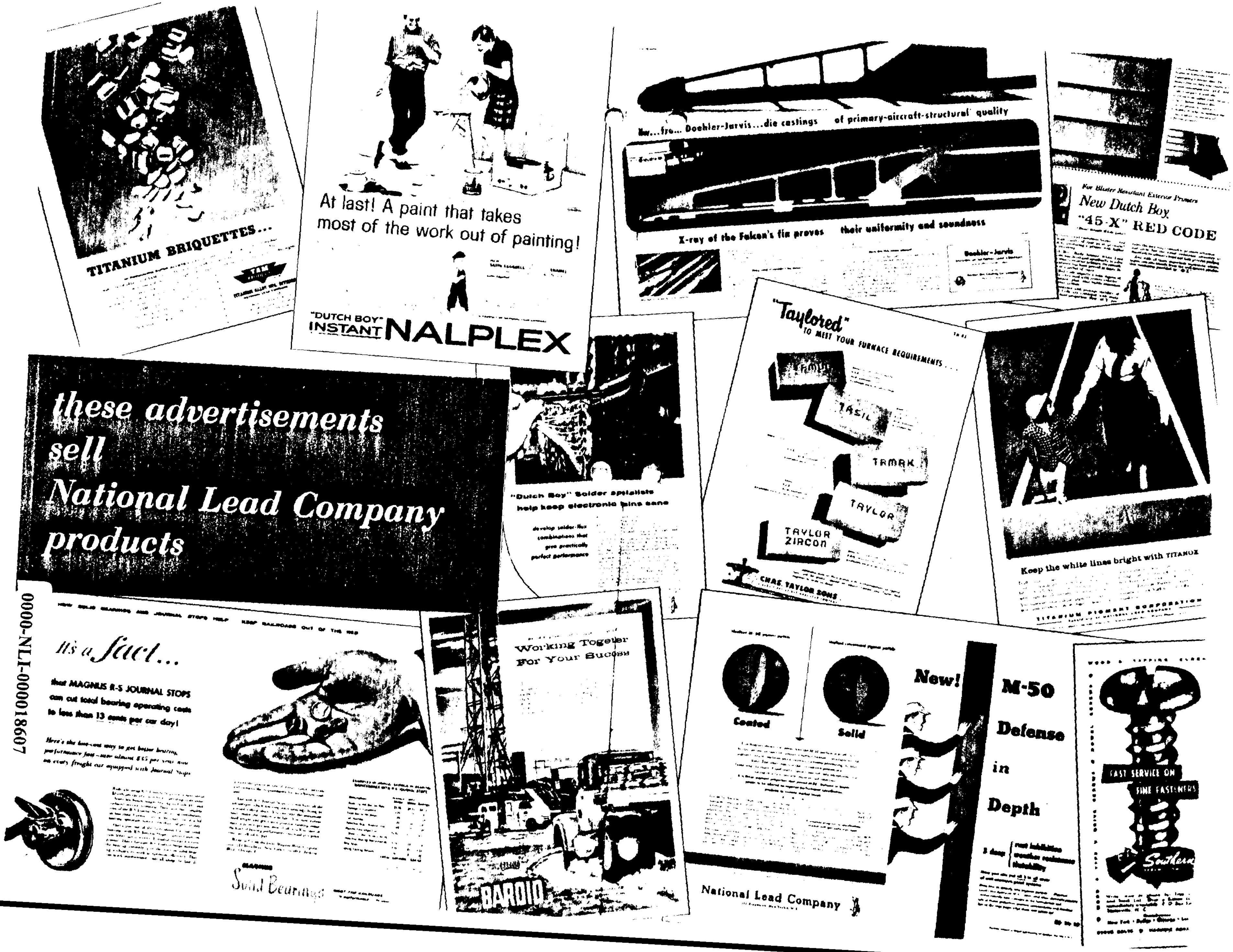
TITAAN N. V.* Rotterdam

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

THE TITANIUM ALLOY MANUFACTURING CO. PTY. LIMITED* Tweed Heads, Australia
Rutile and zircon ores

MINERAL DEPOSITS PTY. LIMITED Sydney, Australia

*Wholly owned



these advertisements sell National Lead Company products
TITANIUM BRIQUETTES...
At last! A paint that takes most of the work out of painting!
"DUTCH BOY" INSTANT NALPLEX
...die castings of primary-aircraft-structural quality
X-ray of the Falcon's fin proves their uniformity and soundness
Doehler-Jarvis
For Blister Resistant Exterior Primers
New Dutch Boy "45-X" RED CODE
"Dutch Boy" Solder specialists help keep electronic brains sane
develop solder-flux combinations that give practically perfect performance
"Taylored" to meet your furnace requirements...
TASIL
TRMAK
TAYLOR
TAYLOR ZIRCON
CHAS. TAYLOR SONS
Keep the white lines bright with TITANOX
TITANIUM PIGMENT CORPORATION
It's a fact...
that MAGNUS R-S JOURNAL STOPS can cut total bearing operating costs to less than 13 cents per car day!
Solid Bearings
Working Together For Your Success
BAROID
Coated
Solid
National Lead Company
New!
M-50 Defense in Depth
FAST SERVICE ON FINE FASTENERS
Southern