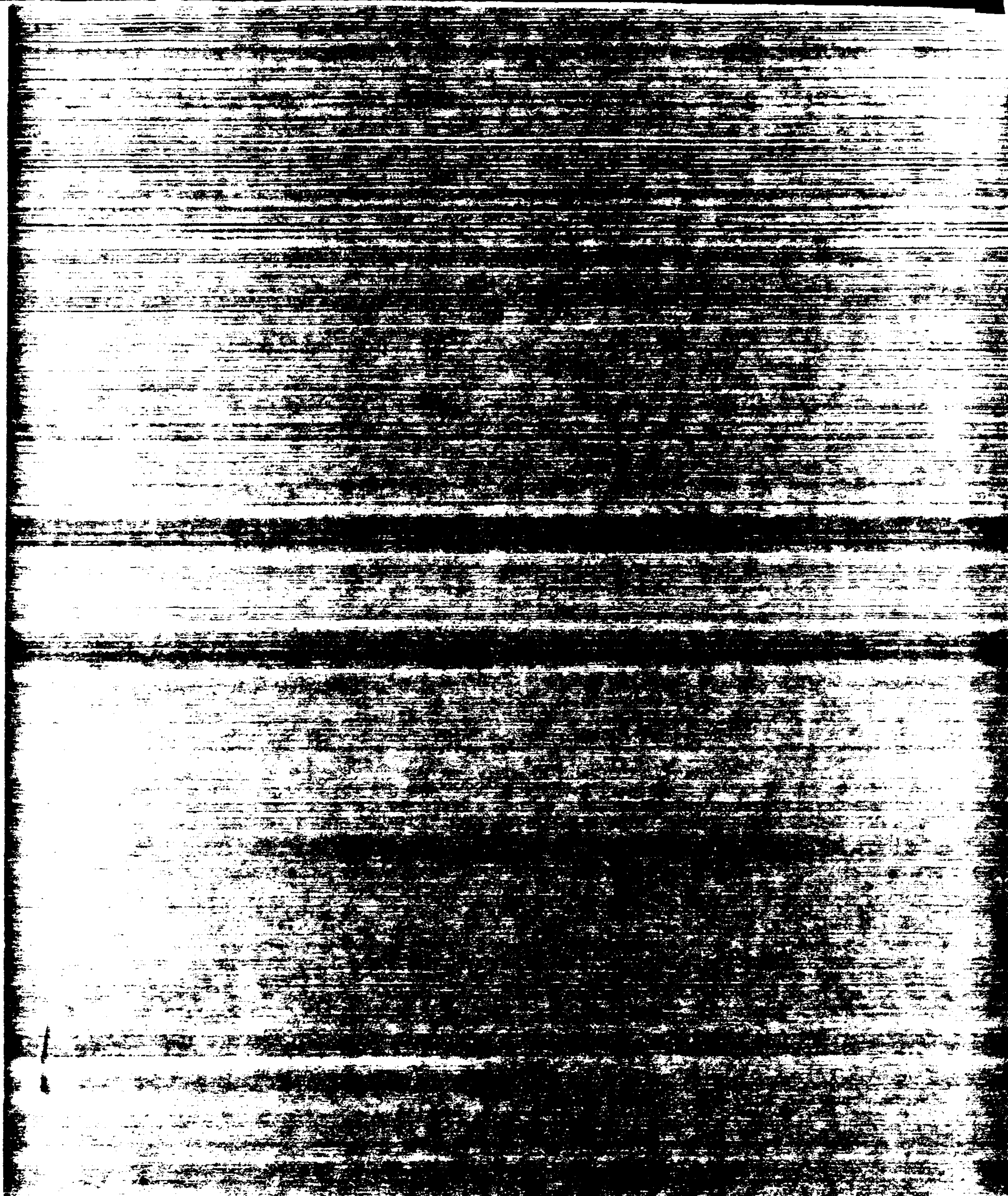


The seventy-sixth Annual [illegible] holders of National Lead Company [illegible] the Hotel Robert Treat, Newark, [illegible] April 18, 1968, at 2:00 P.M. All [illegible] cordially invited to attend.

National Lead Company *Seventy-Sixth Annual Report* 1967

Contents

To the Shareholders:

The year 1967 was one of significant change for National Lead Company. Important steps were taken, particularly in the areas of organization, planning, and policy, to lay the groundwork for growth in the future.

Changes were made in the Board of Directors, which heretofore had been entirely an inside Board. Edward J. Hanley, Chairman of the Board of Allegheny Ludlum Steel Corporation, and Morris H. Wright, General Partner of Kuhn, Loeb & Co., were elected to fill two vacancies.

A comprehensive review of the structure of the Company's organization, undertaken during 1967, has now been completed. The objective of the study is to improve the effectiveness of the Company's staff and operating personnel in order to exploit to the fullest degree present products of the Company and new business opportunities as they develop. Some organization changes have already taken place and others are contemplated.

Sales and earnings of National Lead declined from the high levels of 1966. Sales in 1967 were $752,627,965 compared with sales of $797,353,445 in 1966, as restated. Net earnings amounted to $54,309,422, or $4.53 per share, in 1967, compared with earnings of $61,633,767, or $5.11 per share in 1966, as restated.

Certain economic factors and seasonal conditions, such as the continued sluggishness in homebuilding, inventory adjustments by customers, reduced automotive production, and the unseasonable spring and summer weather all combined to depress sales and earnings in some of the Company's major product groups. In addition, many segments of our business continued to operate under the pressure of higher costs for raw materials and labor.

In the latter half of 1967 and early 1968, the Company completed several acquisitions and initiated a number of feasibility studies, all with a view to a planned program of diversification into related and nonrelated product lines.

The Amos-Thompson Corporation and its subsidiaries were acquired through an ex

Joseph A. Martino *(right) Chairman;* Edward R. Rowley *(left) President.*

Financial Highlights

	1967	1966 (Restated)
Net Sales	$752,627,965	$797,353,445
Net Earnings	$ 54,309,422	$ 61,633,767
Net Earnings Per Share	$ 4.53	$ 5.11
Cash Dividends	$ 38,785,956	$ 38,295,581
Dividends Per Share	$ 3.25	$ 3.25
Taxes:		
Income Taxes	$ 40,585,929	$ 49,154,111
Other Taxes	$ 15,880,717	$ 16,392,237
Retained Earnings	$ 15,523,466	$ 23,338,186

change of stock. Thus, National Lead became an important manufacturer of molded plastics and plastic products for the appliance, automotive, toy, radio, and television industries, and of hardwood lumber and veneers for the furniture and other industries.

Cochrane Foundry, Inc., a producer of high quality nonferrous sand castings, was also acquired through an exchange of stock. The facilities of Cochrane Foundry, Inc. will expand the range of casting capabilities of the Company.

Pointing toward further diversification, a feasibility study was completed contemplating the extraction of magnesium chloride and other salts by a chemical process from the brines of the Great Salt Lake in Utah. These salts would be converted subsequently into end products, including magnesium and chlorine. This study is currently being evaluated. Should the project proceed, it is estimated that a capital expenditure of approximately $60 million would be required.

The Company was also granted, by the Government of Thailand, a concession to explore the development of a major zinc deposit in Mae Sod, about 350 miles northwest of Bangkok. Feasibility studies, scheduled to be completed during the second quarter of 1968, are now being conducted to determine the economics of developing the ore body and of erecting a refinery for the production of zinc metal.

National Lead's research and technical laboratories throughout the world continued to work on the development of new product lines and more sophisticated processes to manufacture present products more efficiently and at less cost. Substantial sums of money, time, and effort were also invested in research programs designed to meet the changing requirements of industry in this era of rapid technological innovation and change.

As we look ahead in 1968, the year seems full of paradoxes. Leading economists, both in and out of government, predict the following factors: a resurgence in homebuilding; record volume of investment for new plant and equipment; automotive production second only to the 1965 record year; and a continued rise in steel production. Yet, the effects of the possible 10 per cent tax surcharge, the devaluation of the British pound and the subsequent pressure on the dollar, and the continuing conflict in Vietnam could modify some, if not all, of these predictions.

These conflicting factors render more difficult an accurate forecast of business for the Company in 1968. However, the plant investment programs of the past few years, the expansion of our traditional product lines, the introduction of new products, and the movement into new markets through recent acquisitions place National Lead in an encouraging position for the year ahead.

At the forthcoming annual meeting, a proposal will be submitted to authorize five million shares of a new preferred stock and to increase the authorized common stock to thirty million shares. It is believed that modern business financing requires greater flexibility in the Company's capital structure in order to take advantage of acquisition opportunities as they may occur, and to provide funding for future corporate growth and development.

A summary of 1967 would not be complete without a sincere tribute to the men and women of National Lead. The effort, cooperation, and initiative of National Lead people are the root strength of the Company.

It is with a deep sense of loss that we recorded on June 6, 1967, the death of Alfred H. Drewes, who had been our close associate for 32 years. Mr. Drewes had been president of National Lead since 1965. His constructive efforts on behalf of the Company will have a lasting effect.

Respectfully submitted,

J. A. Martino

Chairman of the Board

E. R. Rowley

President

March 18, 1968

Board of Directors

Alfred F. Bauer
Vice President, National Lead Company

George B. Coale
Vice President, National Lead Company

Edward J. Hanley
Chairman of the Board, Allegheny Ludlum Steel Corporation

John B. Henrich
Executive Vice President, National Lead Company

J. Murray Johnston
Vice President, National Lead Company

James MacGuffie
Vice President, National Lead Company

Joseph A. Martino
Chairman of the Board, National Lead Company

Claude M. Merrell
Vice President, National Lead Company

David A. Merson
Former Vice President, National Lead Company

Edward R. Rowley
President, National Lead Company

William J. Welch
Former Vice President, National Lead Company

Morris H. Wright
General Partner, Kuhn, Loeb & Company

Executive Committee

Joseph A. Martino
Chairman

John B. Henrich

J. Murray Johnston

James MacGuffie

Claude M. Merrell

Edward R. Rowley

Counsel

Alexander & Green
120 Broadway, New York, N.Y. 10005

Executive Officers

Joseph A. Martino
Chairman of the Board

Edward R. Rowley
President

John B. Henrich
Executive Vice President; General Counsel

Alfred F. Bauer
Vice President; General Manager, Doehler-Jarvis Division

George B. Coale
Vice President; General Manager, Baroid Division

J. Murray Johnston
Vice President; Manager, Titanium Alloy Manufacturing Division

James MacGuffie
Vice President; Manager, Titanium Division

Claude M. Merrell
Vice President—International Operations

Warren T. Trask
Vice President; Manager, Metal Division

Henry J. Whitson
Vice President; Manager, Pigments & Chemicals Division

Thomas P. Mesick
Secretary

Archer D. Sargent
Treasurer

George A. Dewey
Controller

John J. Lawlor
Assistant Secretary

Malte Ericson
Assistant Controller

G. Warren Waite
Assistant Controller

Common Stock

Transfer Agents:
The Chase Manhattan Bank, *One Chase Manhattan Plaza, New York, N.Y. 10015*
Old Colony Trust Company, *45 Milk Street, Boston, Massachusetts 02106*
National Trust Company Limited, *21 King Street East, Toronto 1, Canada*
Crocker-Citizens National Bank, *79 New Montgomery Street, San Francisco, Calif. 94105*

Registrars:
Bankers Trust Company, *16 Wall Street, New York, N.Y. 10015*
The First National Bank of Boston, *45 Milk Street, Boston, Massachusetts 02106*
The Royal Trust Company, *66 King Street West, Toronto 1, Canada*
United California Bank, *405 Montgomery Street, San Francisco, California 94104*

4⅜% Subordinated Debentures

Trustee and Interest Paying Agent:
The Chase Manhattan Bank, *One Chase Manhattan Plaza, New York, N.Y. 10015*

During 1967, the Company's top management group was expanded and broadened in order to carry out the corporate growth and development programs in progress, as well as those in the planning stage.

New Executive Officers

The election of Edward R. Rowley as president of the Company to succeed Alfred H. Drewes, was announced on June 27, 1967. Mr. Rowley was employed by National Lead in 1933 as an engineer. He was named production manager in 1948. In 1953, he was elected president of Titanium Metals Corporation of America, which position he held until he was elected executive vice president of National Lead in May 1967. Mr. Rowley was elected a director of National Lead Company in 1963 and a member of the executive committee the following year.

In July of 1967, John B. Henrich was elected executive vice president and general counsel. Mr. Henrich began his Company career in 1935 as a member of the patent department. He was named assistant secretary in 1943 and secretary in 1948. In 1960, he was elected a member of the Board of Directors and of the executive committee.

Henry J. Whitson, manager of the Pigments & Chemicals Division, was elected a vice president in September of 1967. Mr. Whitson was first employed by National Lead in 1932 as a member of the research laboratories.

Thomas P. Mesick was appointed secretary to succeed Mr. Henrich in July of 1967. Formerly assistant secretary, Mr. Mesick came to National Lead as a member of the law department in 1953.

In February of 1968, Archer D. Sargent was appointed as treasurer to succeed Thomas F. Owens who resigned. Mr. Sargent, formerly assistant treasurer and assistant controller, joined the Company in 1934.

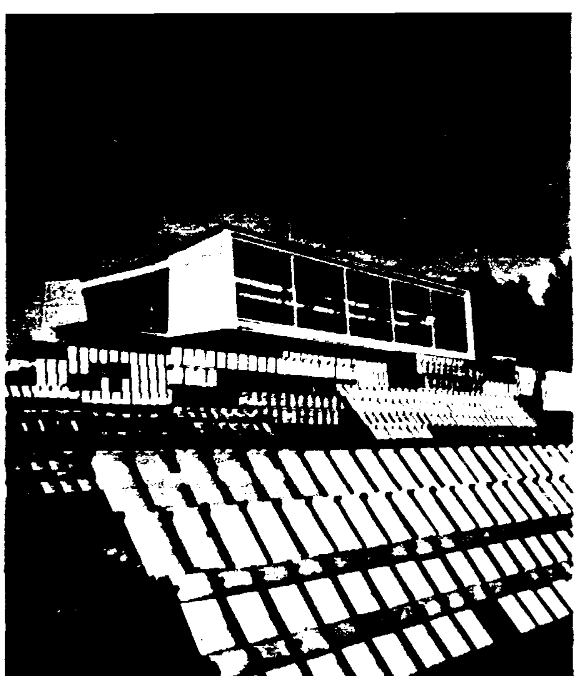
Changes in Reporting

In 1967, National Lead Company adopted a new method for reporting consolidated results. The new reporting procedure now includes the Company's equity in the current earnings of its majority owned domestic subsidiaries. Formerly, such earnings were reported only when received as dividends. Also included are the financial statements of the Amos-Thompson Corporation acquired during 1967. Comparative statements for 1966 have been restated to conform with 1967.

Dividends

Dividend payments by the Company to shareholders during 1967 remained at the 1966 level of $3.25 per share. Total dividend payments during 1967, including those paid by Amos-Thompson prior to acquisition, totaled $38,785,956, representing 71 per cent of total net earnings.

National Lead Company has paid cash dividends on its common stock every year since 1906.



Section of completely modern exposure center at Engstenberg, West Germany, for accelerated testing of Kronos titanium pigments.

Taxes

United States and foreign income tax provisions amounted to $40,585,929 during 1967. In addition, $15,880,717 was provided by the Company for state income, franchise, and other direct taxes. The total for all types of taxes was $56,466,646, or $4.71 per share.

As a result of the suspension of the Investment Tax Credit program by Congress, which ended March 9, 1967, and the completion of a number of major expansion projects, the Company's investment credit declined in 1967.

Capital Investment

To improve the potential of present operations, the Company invested $32,189,040 in new plant and equipment during 1967. This is part of National Lead's coordinated program to raise the level of productivity and profitability of existing facilities and to increase capacity to meet anticipated market demands.

In order to assist the United States Government's voluntary program for improving its balance of payments position, National Lead Overseas Capital Corporation was formed in 1967. Deutsche Mark Bearer Bonds amounting to $15 million were issued in Germany through Deutsche Bank AG. Proceeds of the bonds, which are traded on the Frankfurt am Main and Düsseldorf stock exchanges, are to be used for expansion programs overseas.

Extraordinary Item

During 1967, the Company reported extraordinary after tax income of $3,048,639.

This resulted from the sale to Titanium Metals Corporation of America of properties at Henderson, Nevada, and all shares owned by National Lead in Basic Management Inc., which furnishes certain services and utilities to these properties.

Financial Condition

The Company maintained its strong financial position during 1967. As of December 31, 1967, National Lead's capitalization consisted of $52,043,702 of long-term debt and $399,639,174 of common equity. Total assets amounted to $576,418,153, an increase of 6 per cent over the amount of $544,324,194 at December 31, 1966, as restated. Working capital was $206,045,721 compared with the 1966 level of $194,168,946. The ratio of current assets to current liabilities was 3.1 to 1.

Both inventories and receivables showed an increase over the 1966 levels.

Shareholders

As of December 31, 1967, there were 11,981,052 shares outstanding, compared with 11,684,600 shares outstanding as shown in last year's report. The number of shareholders increased by 1,123 during 1967 to a total of 52,121.

On October 31, 1967, the common stock of National Lead Company was listed for trading on the Pacific Coast Stock Exchange. The step was taken for two reasons. Los Angeles and San Francisco, the major financial centers of the Pacific Coast, are steadily increasing their share of the nation's institutional and individual trading, and approximately 15 per cent of National Lead's shareholders now live in the western United States.

Statement of Source and Application of Funds

	Year 1967 (*In Thousands*)
Source of Funds	
Net Income	$54,309
Depreciation, Depletion and Amortization	19,719
Increase in Long Term Debt	15,006
Total	$89,034
Application of Funds	
Dividends Paid	$38,786
Additions to Plant, Property and Equipment (Net)	28,993
Increase in Investments and Advances	3,508
Increase in Treasury Stock	4,416
Deferred Income Taxes	700
Other-Principally Deferred Charges	754
Total	$77,157
Working Capital Increased	$11,877

0000-NLI-000018796

...a Doehler-Jarvis ... zinc die casting ... at Toledo, Ohio used ... component panels for a ... automotive manufacturer.

Die Castings

Die casting and die casting metals accounted for approximately 21 per cent of consolidated sales in 1967.

Reduced automobile production, intensified by automotive work stoppages, restrained the rate of growth of the Doehler-Jarvis Division's sales to the automotive industry. This, in part, was offset by a higher volume of orders placed by other industries.

During 1967, Doehler-Jarvis continued its aggressive program of pioneering new die casting applications and marketed a number of significant new products. The Division helped to develop frameless windows for automobiles in which the glass is adhesively bound directly to a zinc die casting. Large assembly orders for this new type of window have been obtained. Die cast parts were also supplied for the advanced warning radar system which is part of the nation's missile defense.

The Doehler-Jarvis Research and Engineering Department has developed a program for testing die steels under controlled conditions which will be of significant benefit to the die casting and steel industries. Expanded engineering and development programs have increased the division's ability to provide complete prototype service.

Completion of multimillion-dollar expansion programs at plants of Doehler-Jarvis closed a decade of expansion for this division.

At Grand Rapids, Michigan, 131,000 square feet of additional plant manufacturing space was put into operation including new platers and conveyors.

At Toledo, Ohio, casting capacity was increased by 20 per cent with the addition of four 2,000-ton aluminum and two 1,400-ton zinc casting machines.

At Pottstown, Pennsylvania, six new aluminum bays went into operation and markedly increased production and productivity.

At Batavia, New York, renovation of part of the manufacturing facilities and the construction of a new warehouse addition were completed.

To supply the growing needs of Canadian industry for zinc and aluminum die castings, the Company's subsidiary, Lakeshore Die Casting, Limited, moved its operations from Oakville to Guelph, Canada, into a new plant built at a cost of $1,250,000. The facility will provide increased capacity, including large zinc and aluminum die casting machines.

Metal Products

Metal products in pigs, alloys, and fabricated forms accounted for about 24 per cent of consolidated sales in 1967.

Although dollar volume in the Company's traditional metal product lines was lower, due primarily to the decreased market price of metal, earnings showed an upward trend.

The sale of screws and metal fasteners produced by the Southern Screw Division was down from the high levels of 1966, reflecting the general trend of the economy.

The Company put into operation a refinery at Beech Grove, Indiana, to produce antimonial lead and lead alloys. This plant, which replaced a former facility in Indianapolis, is the most modern secondary smelting installation in existence. It has greater capacity than the former facility and has been designed, engineered, and constructed to conform to the highest environmental health standards.

Pigments

In 1967, pigment sales contributed about 24 per cent to the consolidated sales of National Lead.

In the United States, sales of TITANOX titanium dioxide pigment declined slightly. However, in foreign markets, sales of TITANOX and KRONOS titanium pigments

[redacted]

...on microscope in ...of National Lead ...any of Ohio is capable of ...ous magnification up to ...times.

continued to move ahead. Higher costs for labor and materials in an increasingly competitive market have resulted in reduced earnings over the past few years.

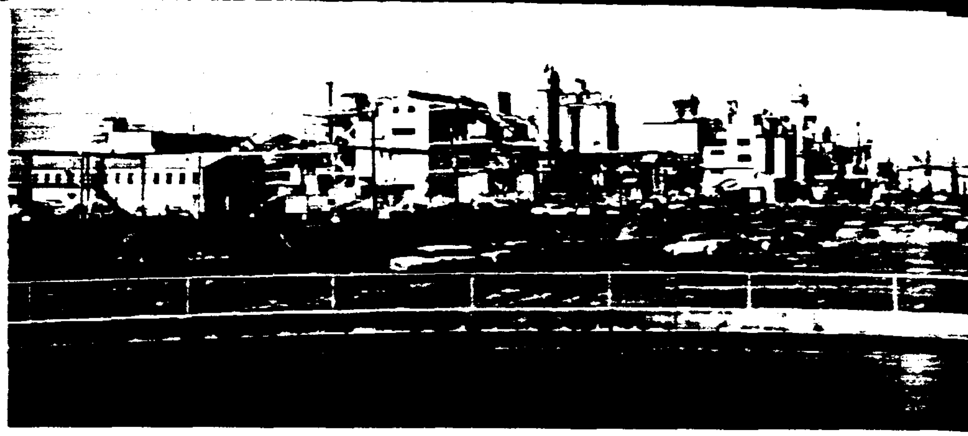
Production of titanium dioxide was successfully initiated at the Company's chloride process plant in Sayreville, New Jersey. Multimillion-dollar expansion programs were started in Canada and West Germany for the construction of chloride process plants to produce titanium dioxide. The facility in West Germany will be on stream during the first half of 1968, while the plant in Canada should be completed late in 1968.

The Company also began construction of a new sulfate process titanium dioxide plant near Nordenham in West Germany on the North Sea. The plant, which is scheduled to be completed in mid-1969, will utilize ilmenite ore from the Company's mine in Norway.

An important contribution to sales in 1967 was made by TITANOX CL-NC, an outstanding nonchalking, chloride process titanium pigment introduced early in 1967. This pigment retains gloss, resists fading, and has a higher hiding power and tinting strength than any other nonchalking titanium dioxide pigment on the market today. It is easy-dispersing, fast-grinding, and is perfectly suited for industrial product finishes. During the year, substantial progress was also made in upgrading the Company's traditional titanium pigment product lines.

The need for a paint system for metal structures that results in minimal maintenance continues to be the significant factor in the rise in sales of ONCOR M50, one of the Company's Basic Lead Silico Chromate pigments. M50's ability to resist rust and corrosion and its color retentive characteristics have made it the standard pigment specified by many bridge and highway departments as well as by numerous municipalities and toll road authorities. The remainder of the ONCOR group of pigments, which includes Basic Silicate White Lead and Antimony Silico Oxide, continued to show progress during 1967. Cur-

Section of sophisticated environmental control system at new secondary lead refinery at Beech Grove, Indiana.



New plant unit at Sayreville, New Jersey for the production of titanium pigments by the chloride process.

rently under development is a group of new ONCOR pigments that is expected to have widespread use in industrial and traffic marking applications.

Bearings

The sale of bearings accounted for about 5 per cent of National Lead's 1967 consolidated sales.

The Magnus Metal Division maintained its share of the replacement market for solid journal bearings used by the railroad industry in 1967. Due to technological changes, solid journal bearings are gradually being replaced by roller bearings. A modern prototype plant has been completed for the manufacture of roller bearings for the railroad industry at Cincinnati, Ohio. Equipment and machinery are now being installed to increase the production of this facility. Full-scale testing of the new Magnus roller bearings has been successfully completed under the supervision of the American Association of Railroads. It is expected that quantity deliveries will begin during the first half of this year. The American Bearing Division, manufacturer of precision bearings, maintained its rate of growth in both sales and earnings.

Chemicals and Plastics

These areas accounted for approximately 8 per cent of consolidated sales.

Lead, titanium, and zirconium compounds, manufactured by the Pigments & Chemicals Division and the TAM Division, found increasing use in the plastics, electronics, and chemical industries. The growing use of rigid vinyl materials in building materials is also providing a new market for the Company's lead chemicals.

Ilmenite ore is transferred from storage area through a conduit to ore carriers at Jossingford, Norway.

0000-NLI-000018801

Opacifiers manufactured by the TAM Division maintained their level of sales in the important ceramic market. Dielectric product sales declined due to inventory adjustments in the consumer electronics industry.

With the Amos-Thompson acquisition, National Lead's marketing position in radio, television, appliance, and automotive industries has been strengthened. The Company now has the capacity to supply molded plastic parts to these and other industries, and is well placed in an industry with good growth potential.

Oil Well Materials and Services

Sales by the Baroid Division of oil well materials and services made up about 8 per cent of consolidated sales.

The division recorded a moderate decline in sales for 1967, due primarily to the continuing decrease in the number of oil wells drilled in the United States. At the same time, Baroid was accelerating its rate of expansion in overseas markets. Two factors provide a bright, long-term outlook for this segment of National Lead's business. They are the types and locations of oil wells being drilled, and the enlargement of the product line and services offered.

Research efforts by the Baroid Division are leading to new products that are expected to more than offset the reduction in the number of wells drilled. Introduction of these products comes at a time when the trend to deeper drilling, both inland and offshore, is becoming more pronounced. Deeper drilling requires not only larger quantities of the materials produced by Baroid but also greater quantities of the division's more sophisticated materials and services.

In 1967, a capital investment program was completed to increase both the capacity and productivity of the division's plant at Newberry, California. The facility processes clays

Research is conducted at sixteen Company laboratories throughout the country.

An Amos-Thompson inspector at the Edinburg, Indiana plant examines molded plastic frame for a 21-inch portable television.

for use as gelling agents in paints, pharmaceuticals, and cosmetics and as a clarifying agent in brewing.

Paints

Sales of National Lead's DUTCH BOY line of quality paints amounted to approximately 5 per cent of consolidated Company sales.

This line, which reflects the fluctuations in the civilian economy, recorded somewhat lower sales in 1967.

The trend toward greater use of latex wall paint has created a demand for a latex enamel for interior trim. Asserting its leadership, the Paint Division introduced DUTCH BOY Latex Satin Gloss Enamel, an acrylic latex for interior woodwork, cabinets, and kitchen and bathroom walls. This new product received quick acceptance by dealers and users and is expected to have a good effect upon sales in 1968.

This strengthens the division's marketing position in the rapidly expanding latex field. With DUTCH BOY NALPLEX, one of the first 100 per cent acrylic latex interior wall paints, and DUTCH BOY Latex Satin Gloss Enamel, the division now has a complete acrylic interior system to augment its DUTCH BOY Latex House Paint.

Miscellaneous

The miscellaneous category, which includes such divisions and subsidiaries as The Chas. Taylor's Sons Company, Nuclear Division.

and the Tool and Engineering Division, accounted for approximately 5 per cent of the Company's consolidated sales.

The specialized refractories based upon zircon and mullite, manufactured by Chas. Taylor's Sons Company, continued to make progress against the more conventional materials used in the high temperature furnaces of the steel and glass industries. These new products offer improved performance, hence significant cost savings.

A $6-million capital investment program to expand the refractory manufacturing facilities of the Chas. Taylor's Sons Company at South Shore, Kentucky, was begun in 1967. The project includes a 34,000-square-foot building to house a 480-foot continuous tunnel kiln and auxiliary dryer, and a 39,000 square-foot press building. Completion is scheduled for mid-1968.

The Company's Nuclear Division has assimilated into its Albany, New York, operations the equipment and expertise acquired from the Sylcor Division of Sylvania Electric Products in 1966. This provides the Albany plant with the additional capability of supplying nuclear fuel and other components for test and research reactors. This acquisition, together with the purchase of a plant in Wilmington, Delaware, from Knapp Mills, augmented and broadened the division's initial nuclear manufacturing capability of fabricating radiation shielding material and mechanisms from depleted uranium.

The division's activities in the nuclear energy field include an expanding activity in the shipment and handling of irradiated nuclear fuel and in the production of feed materials for the United States Atomic Energy Commission. Since 1951, the Company has been the contract operator for the AEC's Feed Materials Production Center at Fernald, Ohio.

Research and development activities in the nuclear energy field were expanded during 1967. National Lead initiated an intensive engineering study for the reprocessing of spent fuels from nuclear reactors, used by the electric utility industry.

The Company's Tool and Engineering Division, which provides dies for prototype parts for future models of automobiles, experienced another good year despite conditions prevailing in the automobile industry.

[illegible]

Titanium Metals Corporation of America, jointly owned by National Lead Company and Allegheny Ludlum Steel Corporation, continued as the leading producer of titanium metal in 1967. Income was lower as total industry shipments decreased from the 1966 level to 27.2 million pounds. This was due primarily to inventory liquidation by users, who had accumulated a considerable reserve of titanium in 1966, when shipments increased by 45 per cent over those for the previous year. This factor tended to mask the actual growth in utilization of titanium metal during 1967.

For 1967, TIMET reported earnings of $3,274,436 after taxes. A cash dividend of $750,000, the same as in 1966, was paid both to National Lead Company and to Allegheny Ludlum Steel Corporation. The shipment to and usage by the military and consumer markets followed the patterns of 1966.

Mineral Deposits Ltd. plant at Crescent Head, Australia, for the separation of rutile and zircon ores.

0000-NLI-000018804


The first cosmetic for walls.
Dutch Boy® Nalplex® is a
cosmetic for walls...it's
latex flat wall finish that
you create beautiful rooms.
Nalplex has great
power that makes one coat
like two. There's beauty in
smooth stroke. Nalplex
to a beautiful finish
stays perfect.
PAINT

... Dutch Boy paints
... featured in national
...es and on prime-time
...n reaching over 90 per
... all U.S. households.

The $50-million capital expansion program initiated in 1966 is continuing. Part of this investment is directed toward the development of more sophisticated products to meet the future demands of users.

The long-range outlook for the titanium metal market is excellent, demanding an aggressive program by TIMET both in the market place and in capital investment to maintain its position of leadership.

The Baker Castor Oil Company, in which National Lead owns a 70 per cent interest, experienced another fine year. The continuing emphasis on research in the rapidly expanding field of urethane technology resulted in the introduction of a plastic which is both fire and high-voltage resistant and can be used for plugging and splicing telephone communication cables.

New products for use in paints were developed and are finding commercial use as weather-resistant vehicles and factory-coated finishes. These are also used to impart better paint application properties. With regard to Baker's progress in removing the toxicity from the residue remaining after the pressing of castor beans, the United States Food and Drug Administration is now considering Baker's request for a regulation to permit the utilization of detoxified castor seed meal in cattle feeds.

Morris P. Kirk & Son, Inc., continued to show progress during 1967. This Los Angeles-based affiliate of National Lead produces fabricated lead products and lead oxides for the industrial west. Pioneer Aluminum Inc., a subsidiary of Kirk, is a nationwide supplier of aluminum extrusions and sheet to the aircraft industry.

The Company's Canadian affiliate, Canada Metal Company, Ltd., a producer of lead oxides and fabricated lead products, recorded lower sales and earnings, reflecting the uncertainties in the Canadian economy. Affiliates producing oil well drilling materials in South America, the Caribbean area, and North Africa recorded increased sales in 1967.

Manipulator positions 15,000-pound titanium ingot for forging by TIMET's 2,500-ton press at Toronto, Ohio.

The Company's wholly owned subsidiary, Titanium Alloy Manufacturing Co. Pty. Limited, reduced its equity in Mineral Deposits Limited to 85 per cent through a public offering of common shares. The offering was made to satisfy the desire of Australian nationals to participate in this Australian operation.

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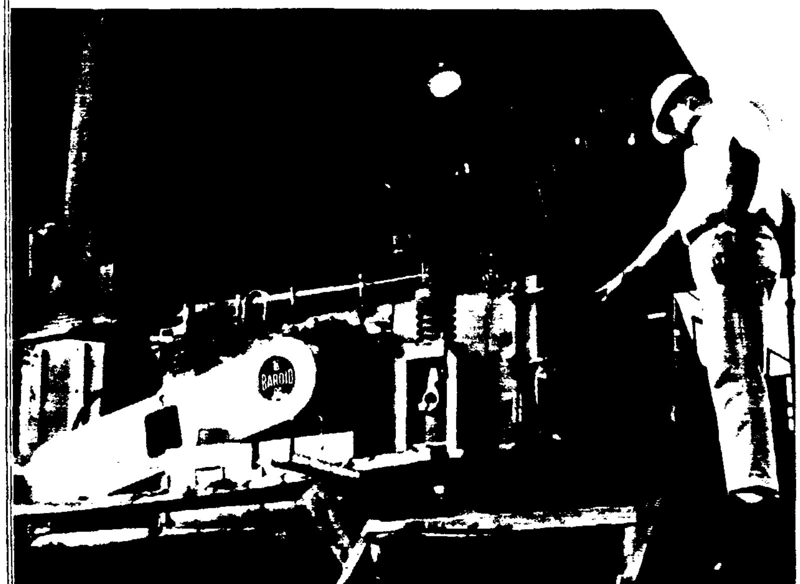

Baroid double deck shaker, at rig site, removes shale and other fine solids before drilling mud is recirculated.

Nuclear Division technician at Albany, New York conducts fluoroscopic inspection of the internal structure of a nuclear fuel plate.

The year of 1967 marked the fourth year of the Company's Plans for Progress policy in cooperation with the President's Committee on Equal Employment Opportunity. During the year, National Lead reaffirmed its Plans for Progress pledge on equal opportunity employment. The interrelated program to assign members of minority groups to positions of greater responsibility for which they are qualified, and to expand general employment opportunities, continued to show progress.

The Company's awareness of and progressive attitude toward air and water emissions were expressed with the formation of a corporate Environmental Health Department. The new department is staffed by engineers and scientists directly responsible for the control of air and water emissions at all National Lead Company plants.

The Company, including its divisions, and wholly and majority owned United States and foreign subsidiaries, employed approximately 26,000 persons at year end 1967. This was a slight increase over the 1966 level. Labor relations with the unions representing National Lead employees remained satisfactory in 1967. During the year, 18 new agreements with labor unions were negotiated with minimal interruption of operations.

National Lead Company ■ Financial Statements for **1967**

Contents

0000-NLI-000018808

National Lead Company and its Consolidated Subsidiaries

Balance Sheets

December 31, 1967 and 1966

Assets

	1967	1966 (Restated)*
Current assets:		
Cash, including time deposits	$ 43,564,514	$ 26,614,105
Government, state and municipal obligations, at cost (approximates market)	6,022,493	14,214,690
Other marketable securities, at cost (at market quotations: 1967, $9,570,000; 1966, $5,770,000)	7,112,902	3,824,344
Accounts and notes receivable, less reserves: 1967, $2,089,377; 1966, $2,120,271	99,463,475	98,489,307
Inventories (Note 2)	148,837,680	143,324,437
Total current assets	305,001,064	286,466,883
Notes receivable under Stock Option Incentive Plan (Note 7)	266,906	368,526
Investments in and advances to unconsolidated subsidiaries, less reserves: 1967, $3,052,675; 1966, $3,193,775 (Note 3)	29,661,822	29,888,674
Miscellaneous investments and advances, at cost or below, less reserves: 1967, $948,372; 1966, $1,034,897 (Note 4)	15,801,260	12,065,822
Plant, property and equipment (including intangibles of $20,692,311 not being amortized) at cost, less reserves for depreciation, depletion and amortization: 1967, $250,826,958; 1966, $234,583,557	218,487,512	209,212,927
Prepaid expenses and deferred charges	7,199,589	6,321,362
	$576,418,153	$544,324,194

*See Note 1.

The accompanying notes

0000-NLI-000018809

Liabilities

	1967	1966 (Restated)*
Current liabilities:		
Notes payable to banks	$ 11,673,750	
Accounts payable and accrued liabilities	54,303,080	$ 52,714,874
Provisions for taxes	32,978,513	39,583,063
Total current liabilities	$ 98,955,343	$ 92,297,937
Long term debt (Note 5)	$ 52,043,702	$ 37,037,319
Deferred United States income tax (Note 6)	$ 14,100,000	$ 14,800,000
Inventory reserve (Note 2)	$ 11,679,934	$ 11,602,629

Capital

Common stock, par value $5; shares authorized 20,000,000, issued 12,086,309 (Note 7)	$ 60,431,545	$ 60,431,545
Capital surplus (Note 1)	36,114,730	36,169,257
Earned surplus	309,872,992	294,349,526
	406,419,267	390,950,328
Less, reacquired common stock, at cost: 1967, 105,257 shares; 1966, 35,957 shares	6,780,093	2,364,019
	$399,639,174	$388,586,309
	$576,418,153	$544,324,194

notes ... part of the financial statements.

0000-NLI-000018810

National Lead Company and its Consolidated Subsidiaries

Statements of Income and Earned Surplus

For the years ended December 31, 1967 and 1966

	1967	1966 (Restated)*
Net sales	$752,627,965	$797,353,445
Cost of sales	$529,502,180	$556,776,051
Depreciation, depletion and amortization	19,718,639	17,826,669
Selling, administrative and general expenses	104,327,670	102,178,728
Taxes, including state income taxes	15,880,717	16,392,237
	$669,429,206	$693,173,685
	$ 83,198,759	$104,179,760
Equity in net earnings of unconsolidated domestic subsidiaries (Note 1)	2,274,340	2,226,395
Other income, net	7,082,112	5,639,224
	92,555,211	112,045,379
Interest on bonds	1,791,688	1,257,501
Income before United States and foreign income taxes	90,763,523	110,787,878
Provision for United States and foreign income taxes	39,502,740	49,154,111
Income before extraordinary item	51,260,783	61,633,767
Extraordinary item, net of applicable income tax (Note 9)	3,048,639	
Net income	$ 54,309,422	$ 61,633,767
Per share of common stock:		
Income before extraordinary item	$4.28	$5.11
Extraordinary item, net of tax	.25	
Net income	$4.53	$5.11

	1967	1966 (Restated)*
Earned surplus at beginning of year as previously reported		$249,355,152
Adjustment of investment in unconsolidated domestic subsidiaries from cost to equity basis (Note 1)		12,518,575
Adjustment relating to acquisition of Amos-Thompson Corporation (Note 1)		9,137,613
Restated balance at beginning of year	$294,349,526	$271,011,340
Net income	54,309,422	61,633,767
	$348,658,948	$332,645,107
Less, Cash dividends paid by:		
National Lead Company—$3.25 per common share	$ 38,409,741	$ 37,981,849
Amos-Thompson Corporation prior to acquisition	376,215	313,732
	$ 38,785,956	$ 38,295,581
Earned surplus at end of year	$309,872,992	$294,349,526

*See Note 1.

The accompanying notes are an integral part of the financial statements.

0000-NLI-000018811

Notes to Financial Statements

1. The consolidated financial statements include the accounts of the Company, all wholly-owned domestic subsidiaries and major wholly-owned foreign subsidiaries translated at appropriate rates of exchange.

To conform with recent developments in accounting principles, commencing in 1967 the Company adopted the practice of reporting its investments in unconsolidated domestic subsidiaries at its equity in their underlying net assets, and including in income its equity in the net income of such subsidiaries, both as shown by the latters' financial statements. Previously, such investments had been carried at cost, and income thereon was reflected only to the extent received as dividends.

In August, 1967 all the outstanding stock of Amos-Thompson Corporation was acquired in exchange for shares of the Company's capital stock. For accounting purposes, the acquisition has been treated as a pooling of interests and accordingly the accounts of Amos-Thompson have been included in the financial statements for both years. Capital surplus previously reported was reduced by $1,352,547 representing the excess of the par value of the shares issued over the stated value of the Amos-Thompson stock outstanding, and, in 1967, was charged with the cost of issuing the Company's stock.

The financial statements for 1966 included herein have been restated to conform with the foregoing change in accounting practice and to include the accounts of Amos-Thompson.

The financial statements include the following with respect to consolidated foreign subsidiaries:

	1967	1966
Net assets	$76,064,000	$67,843,000
Net current assets	36,474,000	35,243,000
Net income	10,408,000	9,003,000

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. Unconsolidated subsidiaries comprise subsidiaries more than 50 per cent but less than 100 per cent owned and certain minor wholly-owned foreign subsidiaries. The principal portion of the total investments and advances represents investments in domestic subsidiaries, which are carried at the Company's equity in the related underlying net assets (see Note 1). Investments in foreign subsidiaries are carried at cost less reserves which, in the aggregate, is somewhat less than the Company's equity in related underlying net assets.

4. The Company's equity in the underlying net assets of its 50 per cent owned companies, as shown by the latters' financial statements, exceeded the cost of its investments and advances (included in miscellaneous investments) by approximately $20,900,000 at December 31, 1967 and $19,930,000 at December 31, 1966.

5. Long term debt comprises:

	1967	1966
4⅜% subordinated debentures, due April 1, 1988	$26,150,600	$28,272,400
6½% Deutsche Mark bearer bonds, due 1972 through 1979	15,000,000	
Miscellaneous notes and other items	10,893,102	8,764,919
	$52,043,702	$37,037,319

The indenture governing the subordinated debentures provides for payment of $850,000 into a purchase fund annually through 1973 for purchase and retirement of debentures at or below their principal amount, and $1,297,000 into a sinking fund annually thereafter for redemption of debentures at their principal amount. The Company may apply debentures purchased by it against all or any part of these payments. The debentures outstanding at December 31, 1967 and 1966 are net of $2,862,900 and $1,591,100 face amount of debentures held by the Company.

6. Deferred taxes relate to the excess of depreciation claimed for federal income tax purposes over amounts provided in the financial statements.

7. Under the Stock Option Incentive Plan adopted in 1958 options have been granted to certain officers and other key employees to purchase shares of the common stock of the Company at 95 per cent of the fair market value of the stock on the dates of granting such options. The options are exercisable over a period of seven years from date of grant. The period during which options could be granted expired in 1963.

Changes during 1967 under the Plan are summarized as follows:

	Range of Option Prices per Share	Shares
Under option, January 1, 1967	$67.568 to $92.150	71,240
Less, Options expired	67.568 to 92.150	5,250
Under option, December 31, 1967	67.568 to 89.775	65,990

At December 31, 1967, the unpaid balances of the purchase prices of 6,850 shares are evidenced by promissory notes bearing interest at 3 per cent and payable within 10 years from the dates thereof. These shares are pledged as collateral with the Company.

8. The Company and its subsidiaries have various pension plans covering the majority of their employees. Total pension costs approximated $7,800,000 in 1967 and $7,100,000 in 1966.

Current service costs under the plans are charged to income as they accrue and are funded as to the major plans. The major portion of prior service costs is being charged to income and funded over a period of thirty years. Unfunded vested benefits at December 31, 1967 amounted to approximately $13,000,000.

9. The Company sold certain fixed property and related assets, on which it realized a profit of $3,048,639 after applicable federal income taxes of $1,083,189.

Lybrand, Ross Bros. & Montgomery
Certified Public Accountants
2 Broadway, New York, N.Y.

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, 1967 and the related consolidated statements of income and earned surplus for the year then ended. Our examination was 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. We were furnished reports of other public accountants upon their examinations of the financial statements of certain consolidated and major unconsolidated subsidiaries and fifty per cent owned companies. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries and companies, is based solely upon such reports. We made a similar examination of the financial statements of the Company and its Consolidated Subsidiaries for the year 1966, which have been restated, with our approval, as indicated in Note 1 to the financial statements.

In our opinion, the afore-mentioned financial statements present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1967 and 1966 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 23, 1968

0000-NLI-000018814

National Lead Company and its Consolidated Subsidiaries

Ten Year Review of Operations

	1967	1966 Restated**	1965	1964
Net Sales	$752,627,965	$797,353,445	$758,321,939	$683,60[illegible]
Income before Taxes	94,895,351	110,787,878	108,477,446	105,71[illegible]
Taxes on Income	40,585,929	49,154,111	49,788,166	49,51[illegible]
Net Income	54,309,422*	61,633,767	58,689,280	56,19[illegible]
Preferred Dividends	—	—	—	—
Common Dividends	38,785,956	38,295,581	38,072,217	38,03[illegible]
Total Cash Dividends	38,785,956	38,295,581	38,072,217	38,03[illegible]
Retained Earnings	15,523,466	23,338,186	20,617,063	18,16[illegible]
Earnings Per Common Share	4.53*	5.11	5.01	[illegible]
Cash Dividends Per Common Share	3.25	3.25	3.25	[illegible]
Total Current Assets	305,001,064	286,466,883	273,407,737	279,051[illegible]
Total Current Liabilities	98,955,343	92,297,937	90,597,957	93,22[illegible]
Working Capital	206,045,721	194,168,946	182,809,780	185,82[illegible]
Gross Property Account	469,314,470	443,796,484	409,116,090	378,35[illegible]
Reserves for Depreciation, Depletion, and Amortization	250,826,958	234,583,557	218,840,019	208,97[illegible]
Net Property Account	218,487,512	209,212,927	190,276,071	169,381[illegible]
Total Assets	576,418,153	544,324,194	494,790,749	473,10[illegible]

* Includes extraordinary income of $3,048,639 (after income taxes of $1,083,189) or $.25 per share.

** 1966 restated to conform to new 1967 method for reporting consolidated results which now include the Company's equity in the earnings of its majority-owned domestic subsidiaries. Also included are the financial statements of Amos-Thompson Corporation acquired during 1967.

*** 1960 restated to conform to new 1961 basis of consolidation. Prior to 1960, certain wholly owned foreign subsidiaries are not consolidated.

1964	1963	1962	1961	1960 Restated***	1959	1958
,600,	618,580.159	$570,721,363	$555,672,358	$562,021,983	$530,550,817	$457,592,886
,712	94,680,405	93,780,009	98,436,769	100,569,991	101,174,233	84,395,289
,516,	45,087,815	44,740,176	46,695,016	48,163,860	48,712,722	39,673,891
,196,	49,592,590	49,039,833	51,741,753	52,406,131	52,461,511	44,721,398
—	374,488	2,105,562	2,181,161	2,181,161	2,181,161	2,181,161
,035,	38,048,890	38,033,964	38,016,564	38,011,864	37,947,176	37,865,038
,035,	38,423,378	40,139,526	40,197,725	40,193,025	40,128,337	40,046,199
,160,4	11,169,212	8,900,307	11,544,028	12,213,106	12,333,174	4,675,199
4	4.20	4.01	4.24	4.29	4.30	3.65
3	3.25	3.25	3.25	3.25	3.25	3.25
051,4	253,105,206	248,997,917	242,107,203	227,558,122	205,350,494	184,392,427
223,	83,706,098	74,195,681	75,193,976	69,229,892	66,689,074	64,240,475
828,	169,399,108	174,802,236	166,913,227	158,328,230	138,661,420	120,151,952
355,6	362,643,201	358,753,647	347,040,211	335,069,506	292,122,311	287,800,726
974,	198,150,041	192,898,078	181,569,212	172,980,588	145,220,190	135,107,065
381,	164,493,160	165,855,569	165,470,999	162,088,918	146,902,121	152,693,661
105,3	442.480,074	438,593,911	431,161,102	413,535,074	380,511,351	361,213,437

Divisions, Subsidiaries, and Affiliates

Divisions

AMERICAN BEARING DIVISION. Indianapolis, Ind. *Precision bearings (Sold through American Bearing Corporation)*

BAROID DIVISION. Houston, Tex. *Oil well drilling materials, well logging services and testing equipment; chemicals for the petroleum industry and gellants for grease*

DELORE DIVISION. St. Louis, Mo. *Barium and calcium pigments*

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

EVANS LEAD DIVISION. Charleston, W. Va. *Lead oxides*

GOLDSMITH DIVISION. Chicago, Ill. *Precious metals*

LANDOVER MANUFACTURING DIVISION. Landover, Md. *Cast acrylic sheeting*

MAGNUS METAL DIVISION. New York, N. Y. *Brass and bronze bearings and castings, aluminum castings (Sold through Magnus Metal Corporation)*

METAL DIVISION. New York, N.Y. *Antimony, cadmium, lead, and zinc metals; fabricated lead products and alloys*

NUCLEAR DIVISION. Albany, N.Y. *Uranium ore concentrates and nuclear feed materials, fuel elements, fabricated uranium products, nuclear research, development, and transportation services*

PAINT DIVISION. New York, N.Y. *Dutch Boy Paints*

PIGMENTS & CHEMICALS DIVISION. New York, N.Y. *Antimony oxide; lead pigments and chemicals; battery oxides and separators; gellants; stabilizers*

SOUTHERN SCREW DIVISION. Statesville, N.C. *Screws and metal fasteners (Sold through Southern Screw Company)*

STEEL PACKAGE DIVISION. St. Louis, Mo. *Small steel containers*

TEXAS MINING AND SMELTING DIVISION. Laredo, Tex. *Antimony and antimony oxide*

TITANIUM ALLOY MANUFACTURING DIVISION. New York, N.Y. *Zirconium oxide, silicates and chemicals; electronic titanates, zirconates, and stannates; ferrous and nonferrous alloys*

TITANIUM DIVISION. New York, N.Y. *Titanium pigments and chemicals, ilmenite and magnetite iron ore (Sold through Titanium Pigment Corporation)*

TOOL AND ENGINEERING DIVISION. Chicago, Ill. *Tools for sheet metal forming, complete models, prototypes, assembly operations and engineering services*

Wholly Owned Domestic Subsidiaries

ALUMINUM MATCH PLATE CORPORATION. Kenmore, N.Y. *Aluminum castings*

AMOS-THOMPSON CORPORATION. Edinburg, Indiana. *Molded plastics; wood veneer and lumber*

FLOATING FLOORS, INC. New York, N.Y. *Elevated floors and site environmental systems*

MASTER METALS, INC. Cleveland, O. *Lead and lead alloys*

NATIONAL LEAD COMPANY OF OHIO. New York, N.Y. *Contract-operator, Atomic Energy Commission*

NATIONAL LEAD OVERSEAS CAPITAL CORPORATION. New York, N.Y. *European subsidiary financing*

THE CHAS. TAYLOR'S SONS COMPANY. Cincinnati, O. *High temperature refractories*

Wholly Owned Foreign Subsidiaries

BARBER DIE CASTING CO. LIMITED. Hamilton, Canada. *Aluminum, brass, magnesium, and zinc die castings*

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

BAROID INTERNATIONAL S.p.A. Rome, Italy. *Oil well drilling materials*

BAROID OF NIGERIA, LTD. Lagos, Nigeria. *Oil well drilling materials*

BAROID (U.K.) LTD. London, England. *Oil well drilling materials*

CANADIAN TITANIUM PIGMENTS LIMITED. Montreal, Canada. *Titanium pigments; gellants; lead pigments; stabilizers; zirconium and titanium compounds*

CHAS. TAYLOR SONS S.A. Brussels, Belgium. *High temperature refractories*

HOYT METAL COMPANY OF GREAT BRITAIN, LTD. London, England. *Antifriction metals*

INDUSTRIAS DERIPLOM S.A. Buenos Aires, Argentina. *Lead oxides*

KRONOS TITAAN N.V. Rotterdam, The Netherlands. *Titanium pigments; gellants; lead pigments*

KRONOS TITANIUM PIGMENTS LIMITED. London, England. *Titanium pigments*

LAKESHORE DIE CASTING LIMITED. Guelph, Canada. *Aluminum and zinc die castings*

PIGMENTOS MINERAIS INDUSTRIAL E COMERCIAL PIGMINA S.A. Salvador, Brazil. *Oil well drilling materials*

SOCIÉTÉ BELGE DU TITANE S.A. Brussels, Belgium. *Titanium pigments; gellants; lead pigments*

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

TITAN CO. A/S. Fredrikstad, Norway. *Titanium pigments; gellants; lead pigments; stabilizers*

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

TITANIA A/S. Hauge i Dalane, Norway. *Ilmenite*

Partially Owned Domestic Affiliated Companies

MORRIS P. KIRK & SON, INC. Los Angeles, Calif. *Aluminum, lead, and zinc alloys; fabricated lead products; lead oxides (76%)*

PIONEER ALUMINUM INC. Los Angeles, Calif. *Aluminum aircraft extrusions and aluminum tooling plate (71%)*

R-N CORPORATION. New York, N.Y. *Direct reduction and beneficiation of iron ores (50%)*

THE BAKER CASTOR OIL COMPANY. Bayonne, N.J. *Castor oil, chemicals derived from castor oil and other oils and fats, chemical specialties (70%)*

TITANIUM METALS CORPORATION OF AMERICA. New York, N.Y. *Titanium metal sponge, ingot and mill products (50%)*

Partially Owned Foreign Affiliated Companies

ABBEY CHEMICALS LIMITED. London, England. *Gellants; stabilizers for vinyl plastics (52%)*

BAROID OF LIBYA, LTD., Benghazi, Libya. *Oil well drilling materials (49%)*

BAROID DE VENEZUELA, S.A. Caracas, Venezuela. *Oil well drilling materials (87%)*

BARYTES & MINERALS LIMITED. Trinidad, British West Indies. *Oil well drilling materials (50%)*

DERIVES DU TITANE S.A. Langerbrugge, Belgium. *Titanium pigments (82%)*

INDUSTRIAS DOEHLER DO BRASIL, S.A. São Paulo, Brazil. *Die castings (80%)*

METAL CASTINGS DOEHLER LIMITED. Worcester, England. *Die castings (99%)*

MINERAL DEPOSITS LIMITED. Sydney, Australia. *Rutile and zircon ores (85%)*

NATIONAL LEAD COMPANY (PHILIPPINES). Manila, Philippines. *Paints, varnishes, enamels, and lacquers (51%)*

NATIONAL LEAD COMPANY S.A. Buenos Aires, Argentina. *Lead and lead products (100%)*

NATIONAL LEAD COMPANY (THAILAND) LIMITED. Bangkok, Thailand. *Paints, varnishes, enamels, and lacquers (51%)*

QUEENSLAND TITANIUM MINES PTY. LTD. Tin Can Bay, Queensland, Australia. *Rutile and zircon ores (75%)*

SCHRAUBENFABRIK NEUSTADT GOETZ & CIE G.m.b.H. Neustadt, West Germany. *Screws and metal fasteners (99%)*

SOCIÉTÉ INDUSTRIELLE DU TITANE. Paris, France. *Titanium pigments (91%)*

THE CANADA METAL COMPANY LIMITED. Toronto, Canada. *Lead oxides; fabricated lead products; lead and zinc alloys; brass and bronze products (50%)*

THE CARTER WHITE LEAD COMPANY OF CANADA, LTD. Montreal, Canada. *Lead pigments, oxides; stabilizers for vinyl plastics (50%)*

Figures in parentheses represent percentage of voting securities owned.