

National Lead Company, Inc. 1964

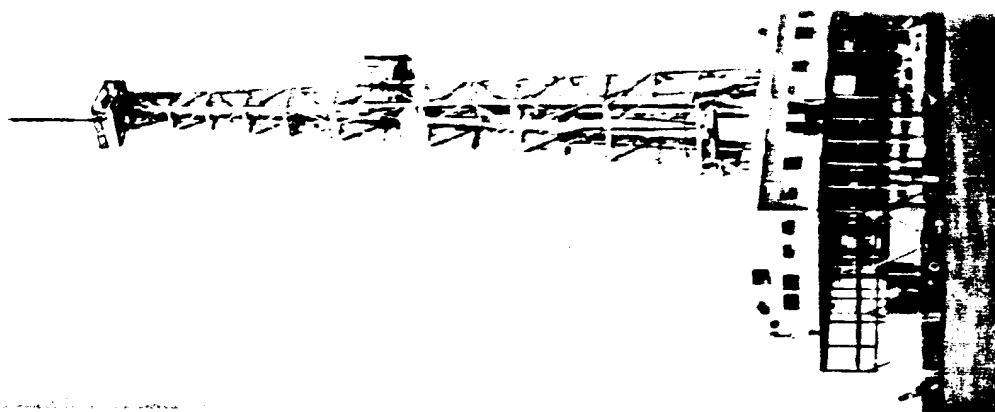
NATIONAL LEAD COMPANY

Seventy-third Annual Report
1964

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National Lead Company

Executive Offices: 111 Broadway, New York, N. Y. 10006

Board of Directors

George B. Coale
Graham W. Coddry
Alfred H. Drewes
John B. Heinrich
J. Paul Kirk
Joseph A. Martino
Claude M. Merrill
David A. Merson
Thomas F. Owens
Edward R. Rowley
William J. Welch
Harry C. Wildner

Executive Committee

Joseph A. Martino
Chairman
Graham W. Coddry
Alfred H. Drewes
John B. Heinrich
Claude M. Merrill
Thomas F. Owens
Edward R. Rowley
William J. Welch

General Counsel

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

Offshore oil well drilling operations in the Gulf of Mexico are supplied with drilling muds by Baroid Division.

Executive Officers

Joseph A. Martino
Chairman of the Board
Alfred H. Drewes
President
Alfred F. Bauer
Vice-President and General Manager of Doehler-Jarvis Division
George B. Coale
Vice-President and General Manager of Baroid Division
J. Murray Johnston
Vice-President and Manager of Titanium Alloy Manufacturing Division
Claude M. Merrill
Vice-President International Operations
William J. Welch
Vice-President and Manager of Metal Division
John B. Heinrich
Secretary
Thomas F. Owens
Treasurer
George A. Dewey
Comptroller
John J. Lawlor
Assistant Secretary
Thomas P. Mesick
Assistant Secretary
Archer D. Sargent
Assistant Treasurer and Assistant Comptroller
G. Warren Waite
Assistant Comptroller

Financial Highlights

	1964	1963
Net Sales	\$683,600,602	\$618,580,159
Net Earnings	\$ 56,196,018	\$ 49,592,590
Net Earnings Per Common Share	\$ 4.80	\$ 4.20
Cash Dividends	\$ 88,085,585	\$ 88,423,378
Common Dividends Per Share	\$ 3.25	\$ 3.25
Taxes:		
Income Taxes	\$ 49,516,462	\$ 45,087,815
Other Taxes	\$ 13,115,128	\$ 12,311,639
Retained Earnings	\$ 18,160,439	\$ 11,169,212

Common Stock	4 3/8% Subordinated Debentures
<i>Transfer Agents:</i>	<i>Trustee and Interest Paying Agent:</i>
The Chase Manhattan Bank One Chase Manhattan Plaza New York, N. Y. 10005	The Chase Manhattan Bank One Chase Manhattan Plaza New York, N. Y. 10005
Old Colony Trust Company 45 Milk Street Boston, Massachusetts 02106	The First National Bank of Boston 45 Milk Street Boston, Massachusetts 02106
National Trust Company Limited 21 King Street West Toronto 1, Canada	The Royal Trust Company 66 King Street West Toronto 1, Canada

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To the Shareholders:

National Lead Company experienced a highly satisfactory year in 1964, with sales at a record high, and with earnings per share second only to 1956.

These results reflected improvements and growth in Company operations which took place in an economic climate which was generally favorable throughout the world, and particularly so in the United States.

This 73rd Annual Report provides a review of the Company's activities and progress during 1964. As it is written, economic conditions augur well for an extension of the favorable trend of sales and earnings which has marked the last few years.

Sales and Earnings

Consolidated sales for 1964 were \$683,600,602, exceeding the 1963 figure by \$65,020,443 or 11 per cent. Net income was \$56,196,018, an improvement of 13 per cent over the previous year. The Company's earnings moved up from \$4.20 to \$4.80 per share.

The operations of National Lead Company are international in scope and its consolidated sales include those of all wholly owned subsidiaries in the United States and Canada as well as major wholly owned subsidiaries in South America, Europe and Australia.

Dollar sales in all quarters of 1964 were higher than in the corresponding quarter of 1963.

	1964	1963	Per Cent Increase
First Quarter	\$161,633,290	\$143,640,004	13
Second Quarter	\$177,418,196	\$159,948,046	11
Third Quarter	\$169,297,391	\$153,896,616	10
Fourth Quarter	\$175,251,725	\$161,095,493	9



Dutch Boy paints are manufactured at six strategic plants. A fleet of special tank cars is used for interplant shipments.

The primary reason for increased volume, with higher nonferrous metal prices, was the same factor as in 1963. All major products were in demand.

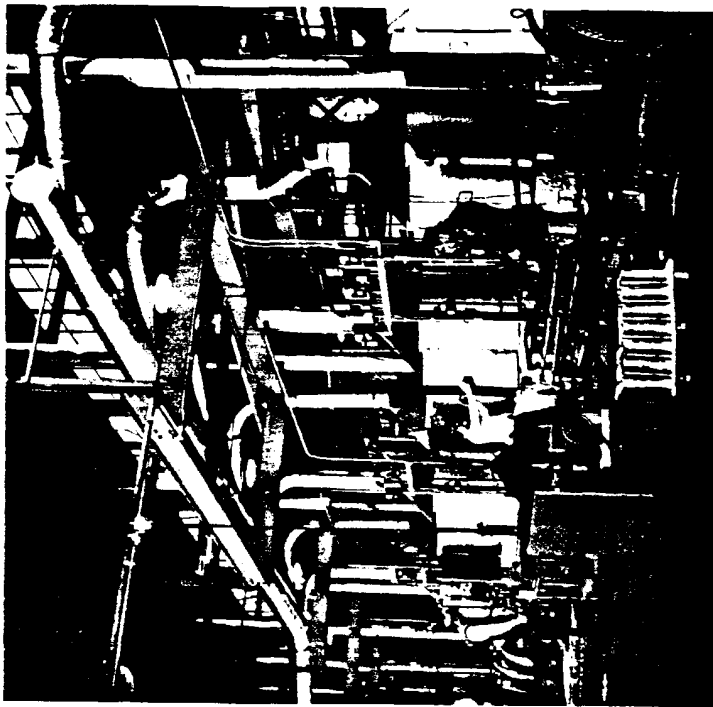
World-wide consumption of titanium pigment was high in 1964 and Company sales of titanium pigment were high with the growing demand in world markets. The Company has six titanium pigment plants in the United States and Europe. Sales offices are maintained in 15 countries.

areas and recently offices have been established in London and Stockholm. Successful marketing of titanium pigment requires not only quality products but also technically alert sales organizations, supported by technical service laboratories. The Company maintains such laboratories at Hightstown, New Jersey; Montreal, Canada; Leverkusen, West Germany and Fredrikstad, Norway. Thus situated, the Company is equipped to strengthen and further its sales position in this significant field of business.

In the category of die castings, the noteworthy showing of Doehler-Jarvis Division and a Canadian subsidiary, Barber Die Casting Co., was due largely to unprecedented activity in the automotive and appliance fields. Leaders in these industries long have recognized Doehler's experience in the production of complex metal parts. Many of these high volume buyers also depend on Doehler's post-casting operations — machining, finishing and assembly. The demand for Doehler's services has been rising and currently sales are running at the highest level in recent years. Virtually all production equipment in all Doehler plants is operating at close to capacity.

Sales of oil well drilling materials and services by the Company's Baroid Division increased in 1964, even though drilling activity by the petroleum industry in the United States and Canada has been markedly curtailed in the past several years. Quality products and prompt effective service have strongly influenced sales growth. Baroid furnishes drilling mud products and technical services to customers anywhere in the world. Complete stocks are maintained in strategic locations and modern equipment insures prompt delivery to any rig on land or water. This Division pioneered the use of specially designed vessels and recently launched a new member of the fleet, the Baroid Rocket, to meet the needs of increased offshore drilling in the Gulf of Mexico.

The increase in general industrial activity in 1964, particularly in the steel and glass industries, created a strong demand for refractories, and the sales of The Chas. Taylor's Sons Company were the highest in history. There was also an increase in the sales of bearings



Melting and casting facilities for nonferrous metal alloys at Cincinnati, Ohio. These include solder, type metals, bearing metals and alloys made to customers' specifications.

by both American Bearing and Magnus Divisions. Gains in sales volume were recorded by Southern Screw Company, a subsidiary manufacturing metal screws and fasteners, and by Floating Floors, Inc., a subsidiary providing elevated floors and site environmental systems, primarily for use in data processing installations.

The Company's Metal Division, which embraces a broad range of nonferrous manufactured items, played an important part in the 1964 improved sales volume. Increases were especially marked in automo-

nial lead, zinc, all forms of solder, tin and precious metal products.

National Lead Company's interest in the nonferrous metal field is concerned largely with fabrication and marketing rather than mining. Metal products are generally sold at fixed differentials over market prices. For this reason, in years such as 1964, when metal prices increase, the percentage improvement in dollar sales is greater than in net earnings.

During 1964 rising prices for primary lead, tin and zinc were accompanied by world-wide shortages. The Company was successful in obtaining its requirements of metal although this became increasingly difficult. As this report is being written the shortage of lead and zinc has become more critical and businesses depending on these metals are faced with a supply problem. Although at the present time the situation is serious, primary producers of lead and zinc are expanding mining and refining operations to meet the increased requirements of industry.

The Company operates refining facilities at a number of locations throughout the United States and Canada for the recovery of nonferrous metals from scrap. These plant units, which furnish a substantial portion of the Company's lead requirements, were expanded and improved in 1964.

So far as the Company's non-metallic product lines are concerned, there were no basic raw material shortages. And, with respect to the manufacture of such products as paint, pigments, drilling muds, chemicals and refractories, the Company's basic integration in these areas makes it unlikely that shortages will be a problem.

It is gratifying to note that all of the Company's larger operating units reported improved earnings for 1964.

Dividends

National Lead Company has paid cash dividends on its common stock in every year beginning with 1906. In 1964, dividends totalling \$38,035,585, amounted to \$3.25 per share or 68 per cent of net earnings.

As in 1963, quarterly payments of 75¢ per share were made in March, June and September, with a year-end payment of \$1.00 per share.

During the ten year period, 1955 to 1964 inclusive, National Lead Company shareholders have received \$391,057,091 in cash dividends on the common and preferred stock. This amount is 75 per cent of total net income reported for the same period.

Taxes

Taxes charged to operations in 1964 amounted to \$62,631,590, of which \$49,516,462 represented provisions for United States and foreign income taxes. The latter figure constituted an increase of \$4,428,647 over 1963. However, as a percentage of income before deduction of income taxes, the provisions for 1964 were lower than in 1963.

As set forth in the Annual Report for 1962, the Company adopted the Depreciation Guidelines, made available by the U.S. Treasury Department in that year, in calculating its income tax payments. Therefore, a portion of the Company's provision for Federal income tax is not currently payable. This appears as Deferred United States Income Tax in the balance sheets and increased \$3,100,000 during 1964 to \$8,800,000.

State and local taxes amounted to \$13,115,128 in 1964, an increase of \$803,489.

Financial Position

The accompanying certified balance sheet as of December 31, 1964 shows the Company's continuing strong financial position with working capital of \$185,828,345, up \$16,429,237 during the year. Cash, certificates of deposit and marketable securities increased \$2,918,103 during the year and amounted to \$64,021,710 at year end. Inventories and receivables increased in line with the greater sales volume and higher metal prices.



The Company's new plant at Fredrikstad, Norway, supplies titanium pigments to Scandinavian manufacturers of paint, paper, plastics and other industrial products.

The Company's conservative normal stock method of valuing lead, tin and antimony inventories has been employed for many years. The effects of metal price fluctuations on reported earnings are minimized in this way. The inventory reserve, shown on the liability side of the balance sheet, increased from \$10,795,841 to \$11,308,744 in 1964 due principally to increases in the prices of these metals.

Interest of \$1,390,684 on debentures was charged against earnings in 1964. Since the debentures were not issued until the latter part of April of 1963, interest charges were only \$1,024,290 for that year. In 1964, \$853,000 of debentures were retired in accordance with the provisions of the indentures under which they were issued.

In 1964 the Company acquired all of the stock of American Tansul Company, a producer of specialized clay products. Also in 1964 Missouri-Illinois Railroad Company stock held by the Company was sold to Missouri Pacific Railroad Company, the principal stockholder.

Plant Investment

The Company's net investment in plant property and equipment was \$169,381,420 at the end of 1964 as compared with \$164,493,160 at the end of the previous year. Capital expenditures in 1964 totalled \$21,258,648, while the charges for depreciation, depletion and amortization amounted to \$15,657,395. During 1964 the gross value of fully depreciated disposals amounted to \$5,546,164.

Work was undertaken on a number of important projects for expansion and improvement of the Company's world-wide facilities for the production of titanium pigments. A new titanium pigment plant, located at Fredrikstad, Norway, and owned by a subsidiary, Titan Co. A/S, started production in midyear. To meet the growing demand for this product by Scandinavian industry, the installation of additional capacity was authorized early in 1965 which will result in the doubling of the plant's output by late 1966.

Processing changes are under way at titanium pigment plants at Sayreville, New Jersey, and Varennes, Quebec, Canada, which will provide increased capacity and improvements in product quality. Titangesellschaft m.b.H. increased the production capacity of its plant at Leverkusen, West Germany, and also substantially expanded its technical service facilities to provide increased services to its European titanium pigment customers.

Anticipating steadily growing markets for die cast components in the automotive, appliance, business machine and recreation device fields, the Company's Doehler-Jarvis Division moved to step up its production capacity and increase operating efficiencies. At the Grand Rapids, Michigan, plant, facilities were added in the zinc alloying, die casting and cleaning sections.

A major expansion of one of Doehler's Toledo plants is scheduled for completion by mid-1965. A fully automated plating unit is being installed, along with other equipment, to handle the large and complex components which more and more are becoming the hallmarks of Doehler-Jarvis engineering capabilities.

For some years, Doehler has operated two plants at Pottstown, Pennsylvania. In the interest of operating economies, these facilities are being consolidated at the newer of the two locations. A concentration of activities in the larger up-to-date plant will enable Pottstown to handle an anticipated increase in business.

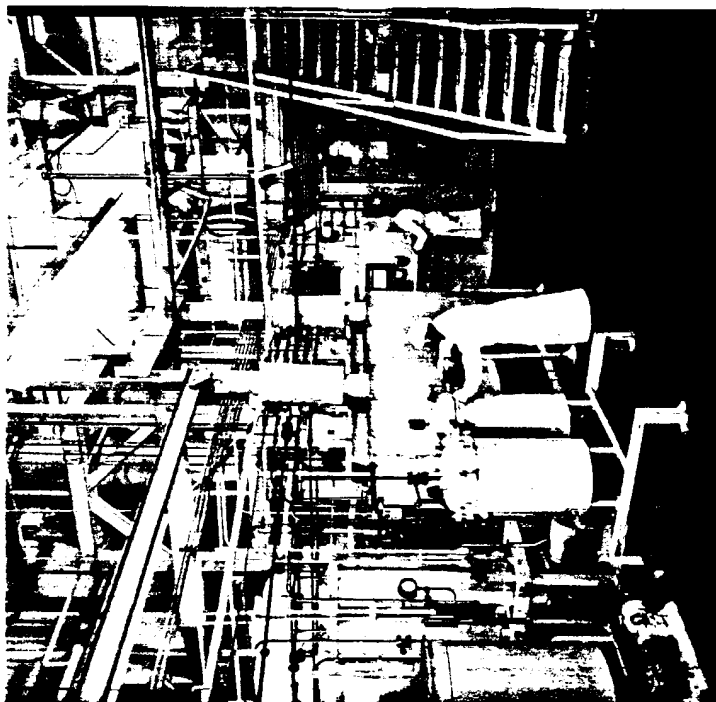
The Company's Baroid Division, producer of oil well drilling materials and chemical products, operates mines and plants in the United States and foreign areas. In 1964 a number of these facilities were enlarged and improved. Operations were begun in Nigeria and a new plant is nearing completion in Libya. An expansion of facilities for the production of Ben-A-Gel at Newberry, California, will be completed this year. Ben-A-Gel is a thickening and suspending agent which has earned wide acceptance in the manufacture of pharmaceuticals, emulsion paints and other products. Similarly, an addition to the facilities for producing Bentone gelling agents at the St. Louis plant is under construction.

An agreement has been signed with The Bunker Hill Company, a leading producer of nonferrous metals, for development and mining of the Company's Higdon lead-zinc property near Fredericktown, Missouri. Both companies will share equally in the profits after exploration and development costs have been recovered. Drilling tests have shown proven reserves of several million tons of lead-zinc ore.

An expansion and modernization program for the refining of precious metals and the manufacture of related products was completed in 1964 by the Company's Goldsmith Division at Chicago.

During 1964 Magnus Metal Division, a producer of railroad journal bearings, started installation of centrifugal casting equipment at its Fremont, Nebraska plant. This plant, one of eight operated by Magnus at railroad centers throughout the country, was opened in 1961 and was designed to take advantage of the latest developments in material handling and production techniques.

Advanced automated equipment was installed at the Statesville, North Carolina, plant of Southern Screw Company.

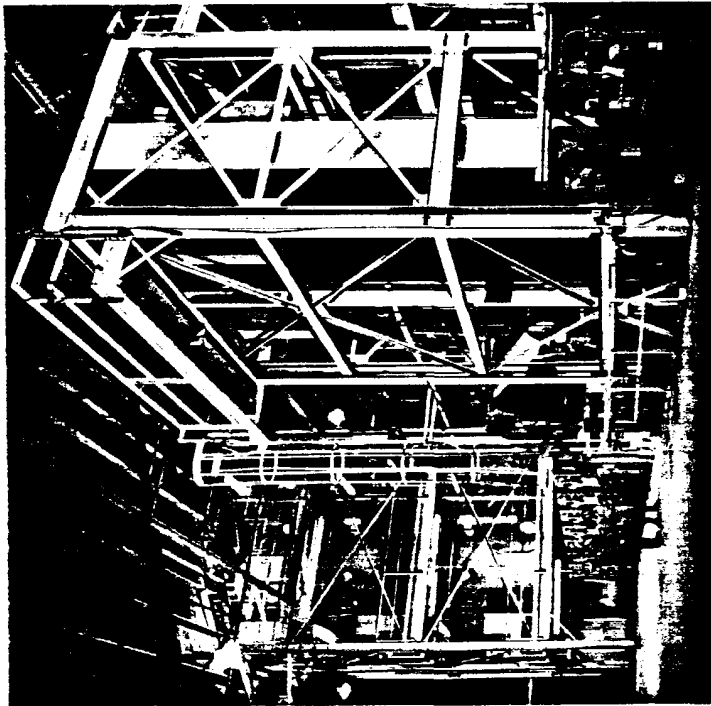


New manufacturing facilities of Goldsmith Division at Chicago provide precious metals and related chemicals of highest standards of purity and uniformity.

Capital items already approved for 1965 indicate that the upward trend of these expenditures will continue during the year.

Unconsolidated Affiliated Companies

Titanium Metals Corporation of America, jointly owned with Allegheny Ludlum Steel Corporation, reported improvement in sales and net income in 1964, its fifteenth year of operation, and again



Titanium sheet, 48 inches in width, after rolling passes through an accumulator (center) prior to entering a seven story vacuum annealing furnace at TMCA's Toronto, Ohio, plant.

paid dividends to both parent companies. During the year TMCA expended \$6,452,551 in further carrying out its expansion program for finished titanium metal products.

Shipments of titanium metal mill products were at a record high in 1964. This was primarily due to the growth of the airframe market and the beginning of sales for such programs as the CH-53A marine helicopter, the C-141 United States Air Force cargo plane, test sections for supersonic transports and for the F-111 United States Air

Force-Navy airplane. The latter contains some 1,500 pounds of titanium in its fuselage. Also significant is the intensified activity on the part of the United States Navy in building deep-diving submarines which could require substantial quantities of the metal in the years to come. Of interest was the statement by the President of the United States that the 2,000 mile per hour A-11 plane was made possible by "the mastery of the metallurgy and fabrication of titanium".

TMCA moved to strengthen its competitive position by opening an application development center in West Caldwell, New Jersey. This unit is designed to conduct specialized metallurgical investigations for its customers, and to build and test prototype parts for the chemical process industry, a prime market for titanium.

Steps were taken to assure an adequate supply of rutile ore, the raw material for titanium metal, when, in October 1964, TMCA joined with National Lead Company in an Australian rutile mining enterprise, Queensland Titanium Mines Pty. Ltd.

In October 1964 R-N Corporation and The Steel Company of Canada signed an agreement with Lurgi Gesellschaft fur Chemie und Huttenwesen m.b.H. at Frankfurt, West Germany, under which the latter was licensed to market an improved process for direct reduction of iron ores. This process was developed as a result of pioneering work by the respective companies over a long period of years. The established world wide relationship of Lurgi with the steel industry is expected to result in effective commercialization of the new process. R-N Corporation is jointly owned by National Lead Company and Republic Steel Corporation.

Enenco, Incorporated, formed late in 1963, and jointly owned with National Dairy Products Corporation, started production of fatty amines and related products which are used by manufacturers of textiles, paints, rubber and chemical specialties. This facility serves National Lead Company an adequate supply of one of the raw materials for its production of Bentone gelling agents.

Both Morris P. Kirk & Son, Inc., a west coast producer of fabricated lead products and lead oxide, and its subsidiary, Pioneer Aluminum,

Inc., which markets fabricated aluminum products, reported higher sales and net income. Kirk started construction of new lead oxide facilities at Portland, Oregon, which are scheduled for completion in mid-1965.

The Baker Castor Oil Company, which produces castor oil and a wide variety of chemical derivatives had another excellent year with substantially increased sales and net income. Baker's agronomy program provides a continuing increase in domestic castor bean production. It is anticipated that further progress will be made in the development of new chemical applications for castor oil derivatives. One example of the latter is the wide acceptance now enjoyed by castor urethane compounds in the casting and encapsulating of electrical components.

A sizable portion of the Company's foreign business in die castings and in oil well drilling materials is carried on by subsidiaries in which National Lead Company holds a majority interest. The foreign die casting companies, located in Argentina, Brazil, Canada and England, all reported improved 1964 earnings. Aluminum die casting facilities in England are being enlarged to meet the growing demand.

The sale of oil well drilling muds and technical services in the Mediterranean area and the Middle East showed encouraging improvements in volume and earnings. This was also true in Trinidad, while operations in Venezuela were at approximately the same level that prevailed in 1963.

The Company has purchased a 93 per cent interest in Schraubenfabrik Neustadt Goetz & Cie. G.m.b.H., at Neustadt, West Germany, a manufacturer of screws and related fasteners. This new acquisition will, of course, have the benefit of the know-how and resourcefulness which have long characterized the operations of Southern Screw Company, a domestic subsidiary.



The Company's improved Dutch Boy Nalplex wall paint, recently introduced, offers convenient application, superior hiding power and a highly decorative finish.

New Products and Processes

During 1964 the Company increased its support of research and development programs so vital to growth in this era of fast-moving technological change. The search for new and improved products and for more efficient processing, proved successful in a number of areas.

In the paint field, an improved Dutch Boy Nalplex acrylic wall

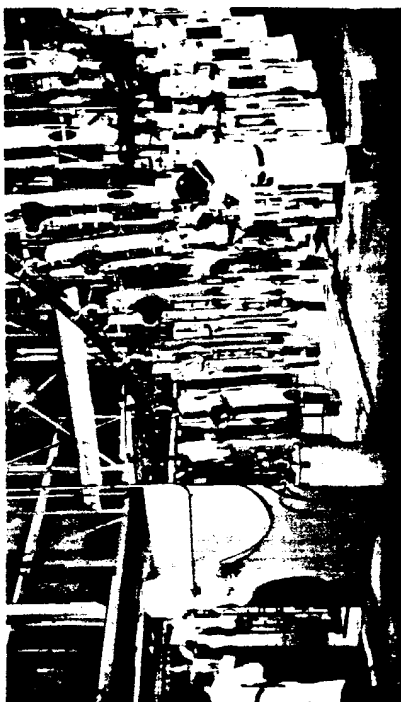
paint was introduced. The new formulation offers convenient application, superior hiding power and a highly decorative finish.

Two new lead oxides have been developed and placed on the market. One is an improved litharge for use by the chemical industry for the manufacture of insecticides, colored pigments and other industrial products. The other is a special lead oxide for use in storage batteries which improves electrical properties and extends service life. Patents are pending on these new products.

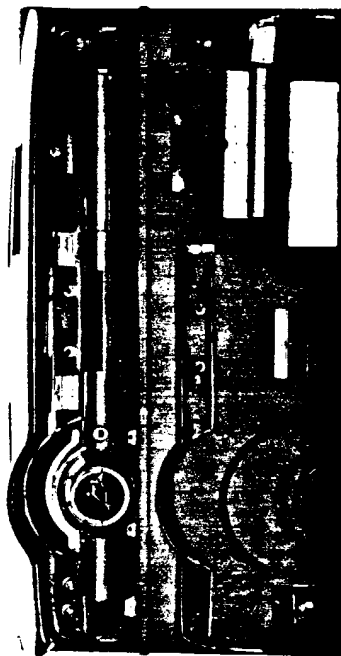
Also, in the storage battery component field, separators marketed under the trademark Polysep, continue to gain acceptance by battery manufacturers. These separators are made by an encapsulation process at the Tennents Brook plant at Sayreville, New Jersey. Company research people are working with Nalco encapsulated material exploring other possibilities for commercial applications.

In its specialized field, Doehler-Jarvis Division brought into production a unique instrument panel, designed and engineered in cooperation with one of the Division's important automotive customers. The panel is the largest zinc die casting ever produced. It is 64 inches long, 12 inches high and 12 inches deep. Despite its size, the casting weighs only 36 pounds, due to the unusually thin wall sections and numerous openings. This job is one more example of Doehler's ability to hurdle the size barrier in die casting. The Division now has to its credit the largest parts thus far die cast in three alloys — aluminum, magnesium and zinc.

The Company has had an active participation in the development of nuclear energy since 1951, when it was initially selected as the contract operator of the Fernald, Ohio, feed material plant. In 1964 this Atomic Energy Commission contract was extended until June 30, 1966. Net earnings of the Albany, New York, plant of the Nuclear Metals Division, a producer of fuel elements, shielding materials, services and equipment, showed a satisfactory increase in 1964 as a result of the wider line of products and services offered by this Division. Industrial Reactor Laboratories, Inc., owned by National Lead Company and nine other major concerns, operates an experimental



Die cast automobile instrument panels pass through a conveyorized painting and baking system at Doehler's Toledo, Ohio, plant. These panels are the largest zinc die castings yet produced. (below) Assembled automobile instrument panel with component parts, also die cast by Doehler.



nuclear reactor located in Plainsboro, New Jersey. Development work continued in 1964 on shielding and on the effect of radiation on various materials of interest to the Company.

A subsidiary, The Canada Metal Company, Limited entered the powdered metal business in 1964. Technical work, aimed at the de-

velopment of a broad product line, has begun. Powdered metals have entered some new and promising fields and it is principally to these markets, on both sides of the border, that the Company will direct its efforts.

Since the early twenties the Company has devoted intensive technical effort toward the development of quality and process improvements in the production of titanium pigments. Over the years the product line has been greatly widened to meet the specific needs of customers and quality has steadily improved. As a result the Company offers a line of titanium pigments which is unsurpassed in the industry. This complex technical work continued unabated in 1964.

The Baroid Division continued its policy of innovation by introducing three new products for use with Baroid oil base drilling muds. To carry forward the expansion of its group of chemicals used in production of petroleum, Baroid introduced inhibitors to combat corrosion in pipe lines, tanks and other production equipment; a biocide for control of micro-organisms, and an emulsion breaker which permits recovery of oil from water-in-oil emulsions.

To meet the ever-changing needs of the electronics industry, the Titanium Alloy Manufacturing Division accelerated its research into improved types of barium, lead and calcium titanates required in making capacitors and transducers.

The Chas. Taylor's Sons Company, has found strong acceptance for its synthetic mullite refractory, Tamul, by the steel industry in blast furnace stoves and electric furnace roofs. This product effectively withstands the higher temperatures encountered in modern steel technology. Taylor pioneered the development of synthetic mullite and, in anticipation of future markets, installed a continuous rotary kiln for its manufacture at Taylor, Kentucky, which began operations in 1964. This new facility has increased Taylor's mullite capacity threefold and yields a more uniform product of better quality.

With experience as a producer of magnesium, both during World War II and as a by-product of the manufacture of titanium metal by

Titanium Metals Corporation of America at Henderson, Nevada, the Company in 1964 began an investigation of the potential for entry into the magnesium business. A joint research and development program with the H-K Company of Salt Lake City, Utah, was initiated. A large scale experimental facility was set up at Lakepoint, Utah. Its purpose is to study the extraction of magnesium chloride and other salts from the brines of Great Salt Lake. Concurrently, a large prototype cell is being constructed at Henderson, Nevada, to be used in testing the electrolytic conversion of anhydrous magnesium chloride into chlorine gas and metallic magnesium.

It is expected that the pilot plant investigations will essentially be completed in 1965 and will provide the information necessary to proceed with commercial exploitation.

Shareholders and Employees

The number of holders of the Company's common stock reached a new high at the end of 1964, and totalled 40,550, an increase of 4,570 over the corresponding figure at the end of 1963. National Lead Company shareholders are located in many foreign countries as well as in every one of the fifty states.

The Company's annual meeting was held on April 16, 1964 at Sayreville, New Jersey, and 81.4 per cent of the outstanding stock was represented either in person or by proxy. Management appreciates this continued interest in the Company's affairs and looks forward to welcoming all shareholders who can attend the 1965 meeting which will take place on April 15, 1965 at the same location.

The increased volume of business done in 1964 required the employment of additional personnel bringing the total to 22,750 at year end.

The Company continued to have satisfactory relations with the numerous union organizations around the country in 1964. Work stoppages were relatively few and of short duration, and did not affect the flow of goods to customers.

National Lead Company maintains active and effective safety programs at all locations, several of which received national or local awards during the year.

Since World War II, National Lead Company has continuously supported the United States Government's Savings Bond program through payroll deductions. In 1959, 1962 and 1964 the Company conducted nationwide campaigns to stimulate the purchase of U.S. Savings Bonds by its employees. The 1964 campaign resulted in a 74 per cent participation by Company employees, an achievement recognized by the Treasury Department through the presentation of an award to the Company.

Changes in Organization

On January 26, 1965 the board of directors elected Joseph A. Martino chairman of the board and chief executive officer and Alfred H. Drewes president of the Company. Mr. Martino had been president since 1947. Mr. Drewes was named a vice president in 1951 and had been executive vice president since 1963.

In April 1964 Claude M. Merrill and Edward R. Rowley were appointed members of the executive committee succeeding David A. Merson and Harry C. Wildner. Mr. Merrell, a Company vice president and director, is responsible for international operations. Mr. Rowley, a member of the board of directors, is president of Titanium Metals Corporation of America. Mr. Merson and Mr. Wildner continue as board members.

Graham W. Corddry retired as Company vice president on January 1, 1965. He continues as a member of the board of directors. Mr. Corddry started with the Company in 1932, became a director in 1959 and a vice president in 1961.

Albert H. Hoffman, assistant comptroller, retired on January 1, 1965. Mr. Hoffman had been associated with the Company in a number of capacities for a period of 47 years.



Since 1951 National Lead Company has been contract operator for the United States Atomic Energy Commission's uranium processing plant at Fernald, Ohio.

Outlook

As this report is written, the Company continues to operate in the same favorable economic environment that prevailed during 1964. Expansion plans for 1965 call for increased capital expenditures which bespeak management's optimism for the future. In anticipation of increased production stemming from expansion of many facilities, marketing efforts, which include advertising and sales pro-

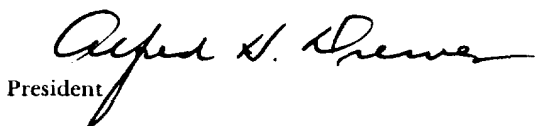
motion, will be stepped up. Determined efforts will continue to assure economy in all phases of the Company's business and to maintain the pace of process and product improvements.

To reach its growth objectives, the Company now, as always, counts on the support of shareholders and on the enthusiastic, resourceful and whole-hearted efforts of employees in their respective jobs. It is fitting to conclude this report with a word of deep appreciation for the help of everyone concerned in making possible the gratifying results here recorded.

By Order of the Board of Directors



Chairman of the Board



President

March 16, 1965

The seventy-third 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 15, 1965, at 11:00 a.m. All shareholders are cordially invited to attend.

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National Lead Company and its Consolidated Subsidiaries

Balance Sheets

December 31, 1964 and 1963

Assets	1964	1963
Current assets:		
Cash and certificates of deposit	\$ 31,733,195	\$ 36,297,137
Government, state and municipal obligations, at cost (approximates market)	17,484,747	11,181,681
Other marketable securities, at cost (at market quotations: 1964, \$16,540,000; 1963, \$15,520,000)	14,803,768	13,624,789
Accounts and notes receivable, less reserves: 1964, \$2,083,168; 1963, \$1,915,793	85,319,999	74,593,053
Inventories (Note 2)	129,709,767	117,408,546
Total current assets	279,051,476	253,105,206
Notes receivable under Stock Option Incentive Plan (Note 6)	474,471	481,589
Investments in, at cost or below, and advances to un- consolidated subsidiaries, less reserve of \$3,193,775 (Note 3)	11,381,789	12,871,213
Miscellaneous investments and advances, at cost or below, less reserve of \$826,199 (Note 4)	6,865,890	6,249,277
Plant, property and equipment (including intangibles of \$20,692,311 not being amortized) at cost, less reserves for depreciation, depletion and amortization: 1964, \$208,974,265; 1963, \$198,150,041	169,381,420	164,493,160
Prepaid expenses and deferred charges	5,950,315	5,279,629
	<u>\$473,105,361</u>	<u>\$442,480,074</u>

Liabilities	1964	1963
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 49,145,175	\$ 43,773,494
Provisions for taxes.....	44,077,956	39,932,604
Total current liabilities.....	\$ 93,223,131	\$ 83,706,098
4½% subordinated debentures, due April 1, 1988 (Note 5).....	\$ 31,564,400	\$ 32,416,400
Deferred United States income tax.....	\$ 8,800,000	\$ 5,700,000
Inventory reserve (Note 2).....	\$ 11,308,774	\$ 10,795,841
Capital (Note 6)		
Common stock, par value \$5; shares authorized 20,000,000, issued: 1964, 11,713,757; 1963, 11,709,222.....	\$ 58,568,785	\$ 58,546,110
Capital surplus.....	37,096,859	36,816,950
Earned surplus.....	232,672,097	214,511,664
	328,337,741	309,874,724
Less, Reacquired common stock, at cost:		
1964, 2,484 shares; 1963, 1,000 shares.....	128,685	12,989
	\$328,209,056	\$309,861,735
	\$473,105,361	\$442,480,074

part of the financial statements.

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National Lead Company and its Consolidated Subsidiaries

Statements of Income and Earned Surplus

For the years ended December 31, 1964 and 1963

	1964	1963
Net sales	\$683,600,602	\$618,580,159
Cost of sales	\$461,696,453	\$414,950,139
Depreciation, depletion and amortization	15,657,395	14,899,748
Selling, administrative and general expenses	91,072,693	87,316,338
Taxes, including state income taxes	13,115,128	12,311,639
	<u>\$581,541,669</u>	<u>\$529,477,864</u>
	\$102,058,933	\$ 89,102,295
Other income, net	5,044,231	6,602,400
	107,103,164	95,704,695
Interest on debentures	1,390,684	1,024,290
Income before United States and foreign income taxes	105,712,480	94,680,405
Provision for United States and foreign income taxes	49,516,462	45,087,815
Net income	<u>\$ 56,196,018</u>	<u>\$ 49,592,590</u>
Per share of common stock	<u>\$4.80</u>	<u>\$4.20</u>
Earned surplus at beginning of year	\$214,511,664	\$226,827,238
Net income	56,196,018	49,592,590
	<u>\$270,707,682</u>	<u>\$276,419,828</u>
Less:		
Dividends:		
Class A preferred stock, \$1.75 per share	\$ —	\$ 374,488
Common stock, \$3.25 per share	38,035,585	38,048,890
	38,035,585	38,423,378
Excess of cost over par value of preferred stocks retired	—	23,484,786
	<u>\$ 38,035,585</u>	<u>\$ 61,908,164</u>
Earned surplus at end of year	<u>\$232,672,097</u>	<u>\$214,511,664</u>

Notes to Financial Statements

1. The consolidated financial statements include the accounts of the Company and all wholly owned domestic subsidiaries and of the major wholly owned foreign subsidiaries. Foreign currency amounts have been translated at appropriate rates of exchange.

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 but less than 100 per cent owned, and certain minor wholly owned foreign subsidiaries.

Based principally upon audited financial statements, the equity of the Company in the net assets of the major unconsolidated subsidiaries and amounts relating to such equity approximated:

	1964	1963
Equity in net assets	\$26,076,000	\$26,253,000
Excess of equity over the Company's net investments and advances	15,230,000	14,197,000
Increase in excess equity during year	1,033,000	2,090,000

4. The equity of the Company in the net assets of 50 per cent owned companies, as shown principally by audited financial statements, exceeded the cost of the Company's investments and advances, included in miscellaneous investments, by approximately \$14,382,000 at December 31, 1964 and \$13,057,000 at December 31, 1963.

5. The indenture provides for a purchase fund into which the Company is required to pay \$850,000, on April 1 of each year through April 1, 1973, which sum is to be used by the trustee to purchase debentures at or below their principal amount. The Company may apply debentures acquired by it against all or any part of these payments. Amounts unexpended by the trustee at July 31 of each year are to be returned to the Company.

6. 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 1964 under the Plan are summarized as follows:

	<i>Range of Option Prices per Share</i>	<i>Shares</i>
Under option		
January 1, 1964	\$67.568	
	to \$116.375	215,200
Less:		
Options exercised . . .	67.568	4,535
Options terminated . .	67.568	
	to 89.775	13,625
Under option,		
December 31, 1964		<u>197,040</u>

At December 31, 1964, the unpaid balances of the purchase prices of 10,250 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.

Additions to capital surplus consist of the excess of the net proceeds over par value of common stock sold upon exercise of stock options (1964, \$279,909; 1963, \$275,929).

General:

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

No provision has been made for such taxes as may be paid if and when accumulated earnings of subsidiaries are distributed to the parent company, since such taxes may never accrue.

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, 1964 and the related 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. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon such reports. We made a similar examination for the year 1963.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1964 and 1963 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 25, 1965.

National Lead Company and its Consolidated Subsidiaries

Ten Year Review of Operations

	1964	1963	1962	1961
Net Sales	\$683,600,602	\$618,580,159	\$570,721,363	\$555,672,358
Income before Taxes	105,712,480	94,680,405	93,780,009	98,436,769
Taxes on Income	49,516,462	45,087,815	44,740,176	46,695,016
Net Income	56,196,018	49,592,590	49,039,833	51,741,753
Preferred Dividends	—	374,488	2,105,562	2,181,161
Common Dividends	38,035,585	38,048,890	38,033,964	38,016,564
Total Cash Dividends	38,035,585	38,423,378	40,139,526	40,197,725
Retained Earnings	18,160,433	11,169,212	8,900,307	11,544,028
Earnings Per Common Share ..	4.80	4.20	4.01	4.24
Cash Dividends Per Common Share	3.25	3.25	3.25	3.25
Total Current Assets	279,051,476	253,105,206	248,997,917	242,107,203
Total Current Liabilities	93,223,131	83,706,098	74,195,681	75,193,976
Working Capital	185,828,345	169,399,108	174,802,236	166,913,227
Gross Property Account	378,355,685	362,643,201	358,753,647	347,040,211
Reserves for Depreciation, Depletion and Amortization ..	208,974,265	198,150,041	192,898,078	181,569,212
Net Property Account	169,381,420	164,493,160	165,855,569	165,470,999
Total Assets	473,105,361	442,480,074	438,593,911	431,161,102

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

**Plus 2% stock dividend.

1960 Restated*	1959	1958	1957	1956	1955
\$562,021,983	\$530,550,817	\$457,592,886	\$535,343,270	\$576,292,383	\$533,728,730
100,569,991	101,174,233	84,395,289	101,537,900	107,521,101	89,436,792
48,163,860	48,712,722	39,673,891	45,306,394	44,369,014	41,546,851
52,406,131	52,461,511	44,721,398	56,231,506	63,152,087	47,889,941
2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161
38,011,864	37,947,176	37,865,038	37,857,956	37,074,569**	32,417,308
40,193,025	40,128,337	40,046,199	40,039,117	39,255,730	34,598,469
12,213,106	12,333,174	4,675,199	16,192,389	23,896,357	13,291,472
4.29	4.30	3.65	4.64	5.34	4.02
3.25	3.25	3.25	3.25	3.25**	2.85
227,558,122	205,350,494	184,392,427	183,995,439	198,413,275	196,758,738
69,229,892	66,689,074	64,240,475	70,175,917	80,925,260	83,598,897
158,328,230	138,661,420	120,151,952	113,819,522	117,488,015	113,159,841
335,069,506	292,122,311	287,800,726	260,592,510	238,609,305	228,267,837
172,980,588	145,220,190	135,107,065	121,775,325	111,224,536	105,437,451
162,088,918	146,902,121	152,693,661	138,817,185	127,384,769	122,830,386
413,535,074	380,511,351	361,213,437	358,369,280	353,176,014	336,411,632

National Lead Company

Branches

Atlanta Branch
 Atlantic Branch (New York)
 Baltimore Branch
 Chicago Branch
 Cincinnati Branch
 Cleveland Branch
 National Lead Company
 of Massachusetts (Boston)
 Pacific Coast Branch
 (San Francisco)
 Philadelphia Branch
 St. Louis 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 and separators,
 paints, varnishes, enamels,
 gellants, stabilizers for
 vinyl plastics.*

Primary Metals:
*Antimony, cadmium, lead, tin
 and zinc.*

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

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

Divisions

American Bearing Division
 Indianapolis
*Precision bearings (Sold through
 American Bearing Corporation)*

Baroid Division
 Houston, Texas
*Oil well drilling materials,
 well logging services and
 testing equipment; chemicals
 for the petroleum industry
 and gellants for greases*

DeLore Division
 St. Louis
Barium and calcium pigments

Doehler-Jarvis Division
 Toledo
*Aluminum, brass, magnesium
 and zinc die castings*

Evans Lead Division
 Charleston, West Virginia
Lead oxides

Goldsmith Division
 Chicago
Precious metals

Magnus Metal Division
 Chicago
*Brass and bronze bearings and
 castings
 (Sold through Magnus Metal
 Corporation)*

Nuclear Metals Division
 New York
*Uranium ore concentrates and
 nuclear feed materials,
 fuel elements, fabricated
 uranium products, nuclear
 research, development and
 transportation services*

Steel Package Division
 St. Louis
Small steel containers

Texas Mining and
 Smelting Division
 Laredo, Texas
*Antimony and antimony
 oxide*

Titanium Alloy
 Manufacturing
 Division
 New York
*Zirconium oxide, silicates
 and chemicals; electronic
 titanates, zirconates and
 stannates; ferrous and
 nonferrous alloys*

Titanium Division
 New York
*Titanium pigments and
 chemicals, ilmenite and
 magnetite iron ore
 (Sold through Titanium
 Pigment Corporation)*

Wholly Owned Domestic Subsidiaries

American Tansul
Company
Houston, Texas
Specialized clay products

Floating Floors Inc.
New York
*Elevated floors and site
environmental systems*

Master Metals, Inc.
Cleveland
Lead and lead alloys

National Lead Company of
Ohio
New York
*Contract-operator,
Atomic Energy Commission*

Southern Screw
Company
Statesville, North Carolina
Screws and metal fasteners

The Chas. Taylor's
Sons Company
Cincinnati
*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
*Oil well drilling materials,
well logging services and
testing equipment*

Canadian Titanium
Pigments Limited
Montreal
Titanium pigments

Chas. Taylor Sons S.A.
Brussels
High temperature refractories

Hoyt Metal Company of
Great Britain, Ltd.
London
Antifriction metals

Industrias Deriplom S.R.L.
Buenos Aires
Lead oxides

Kronos Titaan N.V.
Rotterdam
Titanium pigments

Kronos Titanium Pigments
Limited
London
Titanium pigments

Pigmentos Minerais
Industrial e Comercial
Pigmina S.A.
Salvador, Brazil
Oil well drilling materials

Societe Belge du Titane S.A.
Brussels
Titanium pigments

The Canada Metal
Company, Limited
Toronto
*Lead oxides; fabricated lead
products; lead and zinc
alloys; brass and bronze
products*

The Titanium Alloy
Manufacturing Co.
Pty. Limited

Tweed Heads, Australia
Rutile and zircon ores

Titan Co. A/S
Fredrikstad, Norway
*Titanium pigments
and paints*

Titangesellschaft
m.b.H.
Leverkusen, West Germany
Titanium pigments

Titania A/S
Hauge i Dalane, Norway
Ilmenite

National Lead Company

Partially Owned Domestic Affiliated Companies

Enenco, Incorporated
Memphis, Tennessee
Fatty amines

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
and aluminum tooling plate*

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

The Baker Castor Oil
Company
Bayonne, New Jersey
*Castor oil, chemicals derived
from castor oil and other oils
and fats, chemical specialties*

Titanium Metals
Corporation of
America
New York
*Titanium metal sponge, ingot
and mill products*

Partially Owned Foreign Affiliated Companies

Abbey Chemicals Limited
London
*Gellants; stabilizers for vinyl
plastics*

Baroid de Venezuela, S.A.
Caracas
Oil well drilling materials

Baroid International,
S.p.A.
Rome
Oil well drilling materials

Barytes & Minerals
Limited
Trinidad
Oil well drilling materials

Derives du Titane S.A.
Langerbrugge, Belgium
Titanium pigments

Doehler Argentina S.A.
Buenos Aires
Aluminum and zinc die castings

Industrias Doehler do
Brasil, S.A.
São Paulo, Brazil
Aluminum and zinc die castings

Lakeshore Die Casting
Limited
Oakville, Canada
Aluminum and zinc die castings

Metal Castings Doehler
Limited
Worcester, England
Aluminum and zinc die castings

Mineral Deposits Pty.
Limited
Sydney, Australia
Rutile and zircon ores

National Lead
Company
(Philippines)
Manila
Paints, varnishes and enamels

National Lead Company
S.A.
Buenos Aires
Lead and lead products

Roto-Cast Limited
Montreal
Bronze castings

Schraubenfabrik
Neustadt Goetz & Cie
G.m.b.H.
Neustadt, West Germany
Screws and metal fasteners

Societe Industrielle
du Titane
Paris
Titanium pigments

The Carter White
Lead Company of
Canada, Ltd.
Montreal
*Lead pigments, lead
oxides and stabilizers
for vinyl plastics*