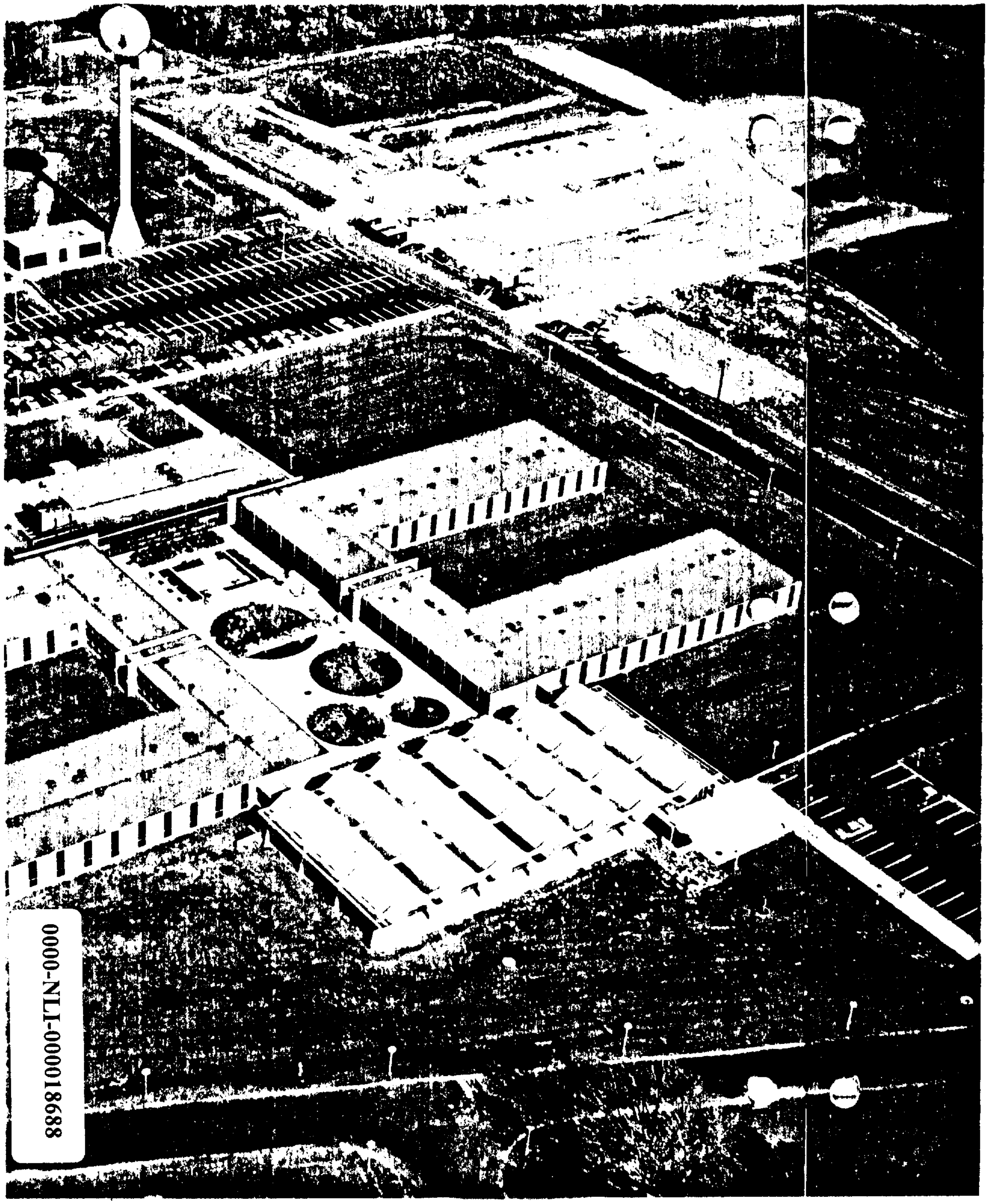

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National Lead Company

Board of Directors

George B. Coale
Graham W. Corddry
Alfred H. Drewes
John B. Henrich
J. Paul Kirk
Frank J. Koegler
Joseph A. Martino
David A. Merson
Joseph H. Reid
Winthrop Sargent, Jr.
William J. Welch
Harry C. Wildner

Executive Committee

Chairman
Joseph A. Martino

Graham W. Corddry
Alfred H. Drewes
John B. Henrich
David A. Merson
Joseph H. Reid
William J. Welch
Harry C. Wildner

Executive Officers

President
Joseph A. Martino

Vice-Presidents
George B. Coale
Graham W. Corddry
Alfred H. Drewes
Claude M. Merrell
David A. Merson
Joseph H. Reid
William J. Welch

Secretary
John B. Henrich

Treasurer
Thomas F. Owens

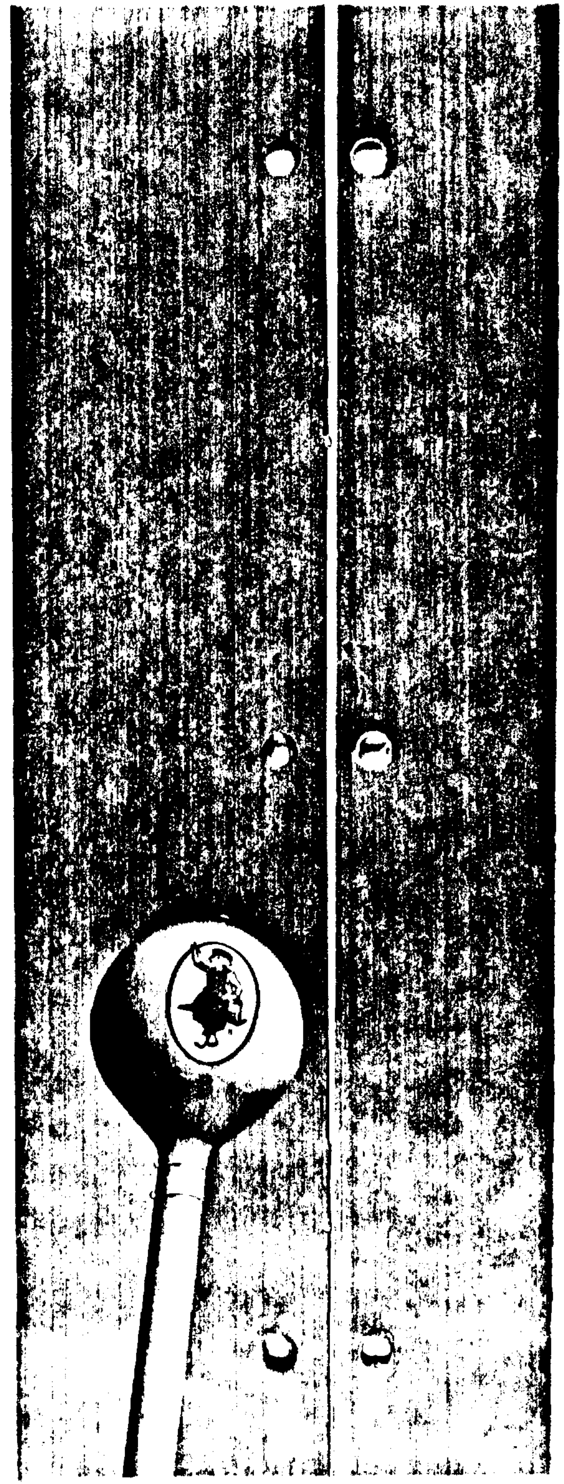
Comptroller
George A. Dewey

Assistant Secretaries
John J. Lawlor
Thomas P. Mesick

Assistant Treasurer
Michael Uss

Assistant Comptrollers
Albert H. Hoffman
Archer D. Sargent
G. Warren Waite

The seventy-first 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 18, 1963, at 11:00 a.m. All shareholders are cordially invited to attend.



Financial Highlights

	1962	1961
Net Sales	$570,721,363	$555,672,358
Net Earnings	$ 49,039,833	$ 51,741,753
Net Earnings Per Common Share	$ 4.01	$ 4.24
Cash Dividends	$ 40,139,526	$ 40,197,725
Common Dividends Per Share	$ 3.25	$ 3.25
Taxes:		
Income Taxes	$ 44,740,176	$ 46,695,016
Other Taxes	$ 11,240,199	$ 10,390,117
Retained Earnings	$ 8,900,307	$ 11,544,028

Executive Offices:
111 Broadway, New York 6, N. Y.

General Counsel:
Alexander & Green
120 Broadway, New York 5, N. Y.

Stock Transfer Agents:
The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York 15, N. Y.

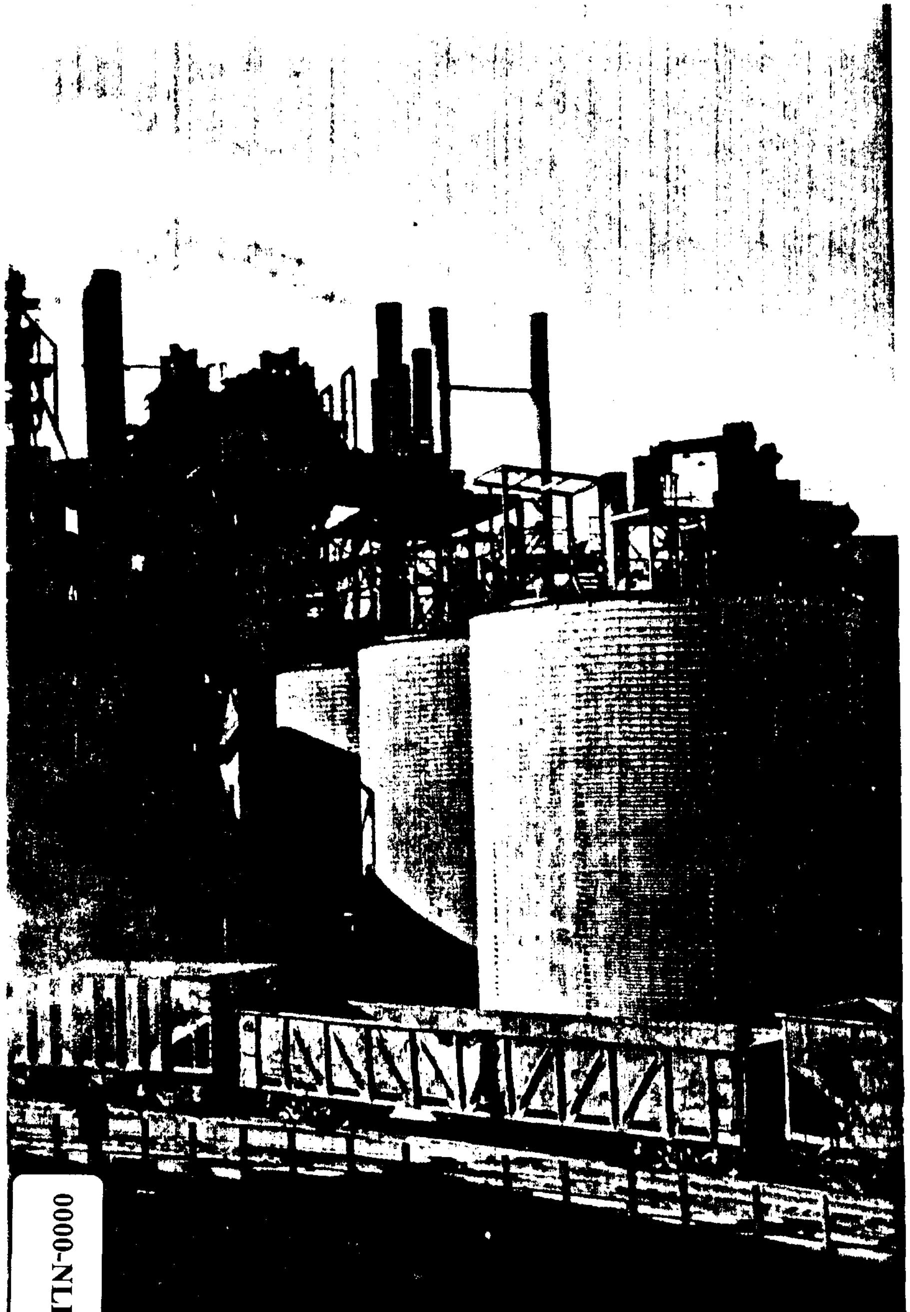
Old Colony Trust Company
45 Milk Street, Boston, Mass.

National Trust Company Limited
14 King Street East
Toronto, Canada

Registrars of Stocks:
Bankers Trust Company
16 Wall Street, New York 15, N. Y.

The First National Bank of Boston
45 Milk Street, Boston, Mass.

The Royal Trust Company
66 King Street West
Toronto, Canada



Installation of new ore drying and storage facilities at the St. Louis titanium pigment plant was completed in 1962.

To the Shareholders:

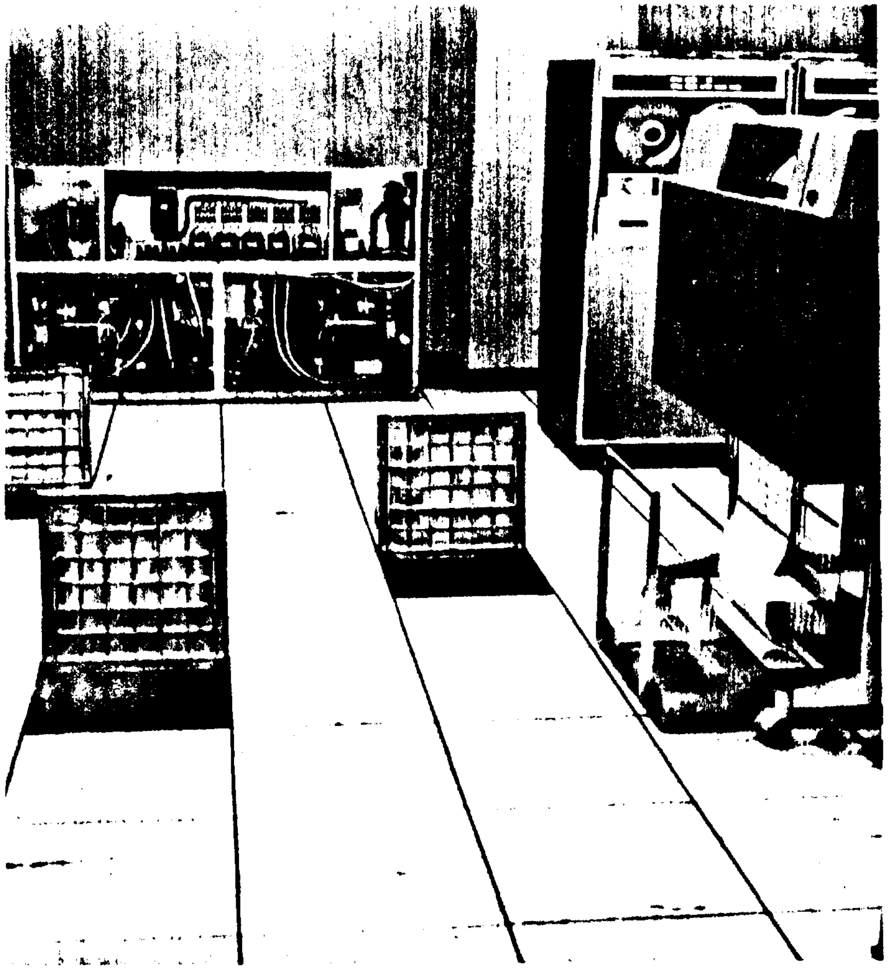
Economic activity during 1962 in the United States and in most of the other countries in which National Lead Company does business continued at a generally high level. For the most part these conditions were reflected in Company operations and, in comparison with 1961, virtually all of the Company's operating divisions showed increased sales and earnings. However, net income of the Company was adversely affected by a number of nonrecurring items of income and expense which are discussed later in this report, and by increased general expenses, which to a large extent reflected stepped-up programs for research, development and marketing.

Sales and Earnings

For 1962 National Lead Company's consolidated sales and earnings were $570,721,363 and $49,039,833 respectively. Corresponding figures reported for the prior year were $555,672,358 and $51,741,753. Earnings for 1962 declined about 5 per cent and amounted to $4.01 per share of common stock after deducting $2,105,562 for preferred stock dividends. Earnings per share were $4.24 in 1961. There were 11,703,797 shares of common stock outstanding at the end of 1962, as compared with 11,698,412 shares the year before.

All of the Company's major divisions including Doehler-Jarvis Division operated profitably in 1962 and the Company's competitive position was well maintained. Gains in sales volume were recorded for a number of Company product groups, including metals, oil well drilling materials, lead chemicals and oxides, screws and fasteners, titanium and zirconium compounds, high temperature refractory materials, precision bearings and silver chemicals.

Paints and pigments, including titanium dioxide, represent an important segment of the Company's business and in 1962 showed a satisfactory gain in sales volume. In foreign areas, the per capita usage of titanium dioxide is growing at a relatively faster rate and in 1962, the Company's sales in Europe and Canada showed gratifying increases.



Typical computer room installation by Floating Floors Inc., a Company subsidiary which markets die cast aluminum flooring and specially designed site environmental systems. These products are manufactured by Doehler-Jarvis Division.

The most significant factors in the 1962 picture as against 1961 were the items of nonrecurrent nature already mentioned. All of the operating units of the Doehler-Jarvis Division were closed down by a strike which lasted seven weeks. The impact of the strike on the earnings of the division was serious and continued for several months after the settlement of the issues. The devaluation of the Canadian dollar in 1962 brought about exchange losses related to

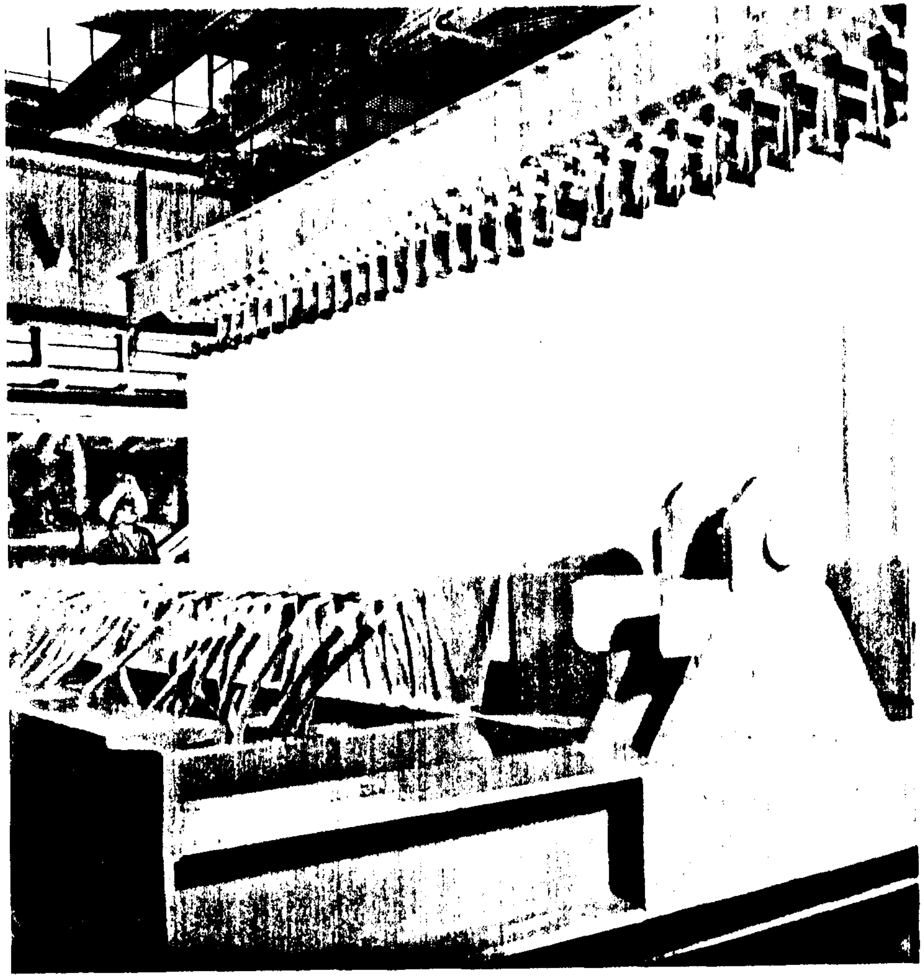
the Canadian subsidiaries. In 1961 the Company received a substantial dividend from Minnesota Linseed Oil Company and realized a profit on the disposition of its holdings in that company. A dividend of $500,000 was received in 1961 from Titanium Metals Corporation of America. Committed to a substantial capital expansion program, TMCA decided to omit payment of a dividend in 1962.

Dividends

In 1962 the Company continued payments on the same basis as in 1961, with annual dividends of $7.00 per share on the Class A preferred stock, $6.00 per share on the Class B preferred stock and $3.25 per share on the common stock. A total of $40,139,526, or 82 per cent of net income was paid in dividends, with $38,033,964 going to the common stockholders. Cash dividends on the common stock have been paid for 57 consecutive years. During the year the earned surplus of the Company was increased by $8,900,307 representing the excess of net income over dividends paid.

Taxes

During 1962 $55,980,375 was provided for taxes. United States and foreign income taxes accounted for $44,740,176 of the total, while the remaining $11,240,199 covered state, local and other direct taxes. Expressed in terms more significant to the shareholder, the total provision for taxes amounted to $4.78 per share of common stock outstanding and exceeded dividends by $15,840,849. For a number of years there has been a steady increase in state and municipal tax rates. This has been accompanied by a substantial increase in administrative expenses for preparing and filing the ever increasing number of governmental returns and reports.



Battery of vacuum filters at Titangesellschaft m.b.H. titanium pigment plant at Leverkusen, West Germany.

Financial Position

National Lead Company's financial position as of December 31, 1962 is shown in detail in the consolidated balance sheet on page 22. Measured by any of the customary financial ratios, this position continues to be strong. Total assets of the Company increased $7,432,809 at the year end to $438,593,911 while net working capital increased $7,889,009 to $174,802,236 during the year.

The total of cash, government obligations and other marketable securities remained virtually unchanged. However, as the balance sheet indicates, a greater proportion of these items was invested in interest bearing securities. Increases in accounts receivables and inventories were in line with the higher dollar sales enjoyed in 1962.

The shareholders' equity in the Company at the end of 1962 increased from $344,640,634 to $350,269,868 reflecting primarily the portion of net income for the year retained after payment of dividends, and the open-market purchases of 20,300 shares of Class A preferred and 2,836 shares of Class B preferred stock.

Plant Investment

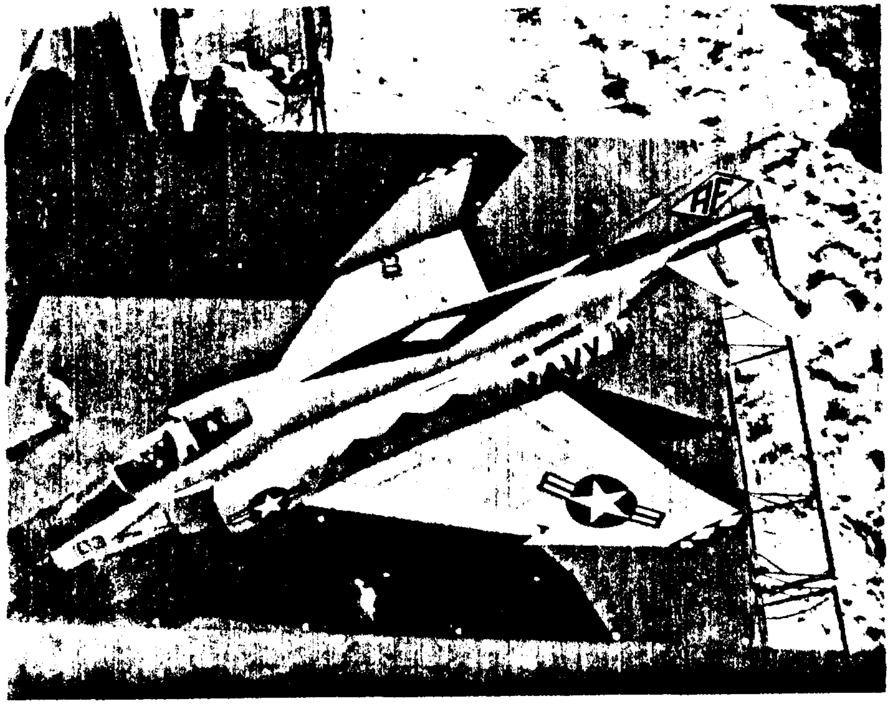
At the end of 1962 the Company's net investment in plant, property and equipment amounted to $165,855,569. The gross cost of these facilities was $358,753,647, while the reserves for depreciation, depletion and amortization set up over the years totalled $192,898,078. The charge against 1962 earnings for additions to these reserves totalled $14,537,571, an increase of $793,723 over the 1961 provision.

Gross additions to plant investment during the year aggregated $15,403,039 as compared with $17,643,615 for the prior twelve months.

Southern Screw Company, a wholly owned subsidiary, added substantially to its productive capacity during 1962. The additional output resulting from this expansion should be available for the market during 1963. This marks the third major enlargement of facilities of Southern Screw since 1955.

The Chas. Taylor's Sons Company increased and modernized its facilities for production of dense zircon refractories. Domestic demand for these and other high temperature refractory materials used by the glass and steel industries has been rising steadily in recent years.

The Company's new research laboratories located at Hightstown, New Jersey, construction of which started in May 1961, were completed by September 1962. The research facility at Brooklyn was



The U. S. Navy F4H Phantom incorporates substantial quantities of titanium metal in its engines and in such fuselage areas as bulkheads, frames, access doors, stiffeners, straps and fuel tank insulation.

then closed and all personnel were transferred to the new location. Included in 1962 plant additions was the remainder of the cost of the Hightstown facilities.

A titanium dioxide plant is being built at Fredrikstad, Norway, adjacent to existing facilities which produce paints and composite pigments. This new plant to be constructed by Titan Co. A/S, a wholly owned subsidiary, will be the Company's sixth titanium pigment plant. In addition, capacity expansions were completed at titanium pigment facilities in West Germany and Belgium. A wholly owned subsidiary, Kronos Titanium Pigments Limited, was formed in 1962 to distribute titanium pigments in Great Britain. Equipment for the improvement of pigment quality was installed at both domestic titanium pigment plants and also new ore handling facilities were constructed at the St. Louis plant.

Additional facilities were added for the production of Bentone

gelling agents and Oncor pigments at St. Louis and silver chemicals at Chicago.

The Company has elected to take the benefit of the investment credit over the life of the equipment acquired rather than in the year of purchase. This credit was provided for the first time under the Federal Revenue Act of 1962.

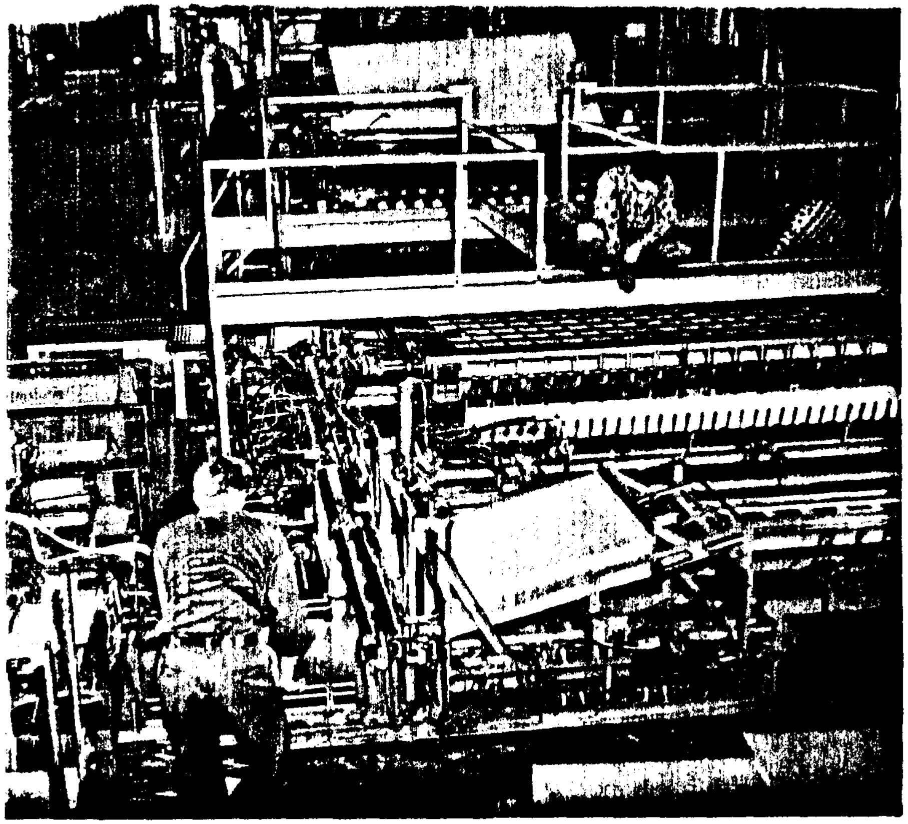
Depreciation and income tax provisions for the year 1962 have been recorded on the same basis as in the past. In the preparation of the Company's tax returns, it is the intention of the Management to utilize the shorter estimated service life permitted under the newly authorized Depreciation Guidelines. There will be no effect on reported earnings as this results merely in a deferral of income tax payments. From a cash flow viewpoint, however, there will be a substantial benefit to the Company.

Unconsolidated Affiliated Companies

Tonnage of titanium metal sold in 1962 by the Company's jointly owned subsidiary, Titanium Metals Corporation of America, showed a satisfactory increase over the prior year, although earnings declined. As in 1961, a major share of production went for growing uses such as aircraft engines, missiles and space vehicles. The requirements of the chemical industry for titanium metal are proving to be another important factor for future growth. In 1962 TMCA made a shipment to a petrochemical company which represented the largest single industrial use of the metal ever reported.

TMCA has embarked upon a program for the expansion of its finished product facilities at its Toronto, Ohio, plant. In 1962 the installation of equipment for the production of welded-redrawn and also seamless titanium tubing was completed. For the next phase of the program, special equipment has been designed for the continuous vacuum annealing and electrolytic pickling of titanium sheets.

R-N Corporation, another jointly owned subsidiary, has licensed Yawata Iron & Steel Co., Ltd., on a royalty basis to use the R-N direct reduction process to treat Japanese iron bearing sands. Yawata,



Storage battery separators made from polyethylene encapsulated cellulose are automatically packaged at a new plant at Sayreville, New Jersey.

Japan's largest steel company, will build two plants to process iron sand concentrates from underwater deposits in Ariake Bay at Kyushu, Japan. These plants will have a combined annual production capacity of over 200,000 tons of metallic iron.

In 1962 earnings of The Baker Castor Oil Company showed a substantial increase over those of 1961. Morris P. Kirk & Son, Inc., a west coast producer of lead and zinc products, and its subsidiary, Pioneer Aluminum Inc., a Los Angeles producer of tooling plate and a distributor of aluminum aircraft extrusions and sheet, also enjoyed a successful year.

The Company's Baroid Division, a producer of oil well drilling materials, carries on certain of its foreign operations through subsidiaries which are not consolidated. Affiliates of this nature with headquarters in Italy, Trinidad and Venezuela produced satisfactory profits in 1962.

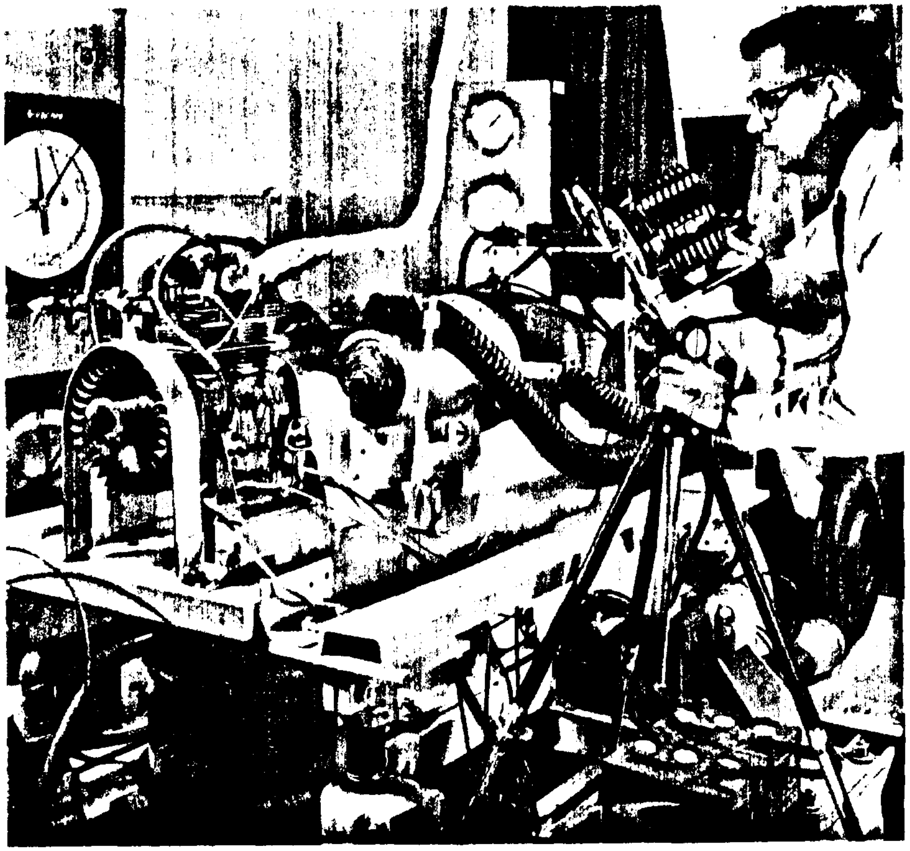
Similarly, the Company carries on some of its foreign die casting business through affiliated companies. Profit in 1962 from such operations in England, Brazil and Canada showed encouraging increases over the prior year. Another die casting plant which started in 1961 and is located in Argentina finds its operations affected by the unsettled business conditions which prevail in that country. During the year new die casting equipment was added to the plant at Worcester, England.

The new paint factory of National Lead Company (Philippines) came into full production during 1962 and will substantially increase the capacity for manufacturing paint, lacquer and waxes for the growing market in its area. Local fiscal conditions show signs of stabilizing and it is expected that this improvement will have a favorable effect on the outlook for this operation.

New Products and Processes

The Company's Baroid Division has been a foremost supplier of drilling mud products and services to the oil well drilling industry for over thirty years. Recently, it has added chemicals to its product lines for refinery and other areas of the petroleum industry. This new line of chemicals includes corrosion inhibitors, emulsion breakers, paraffin solvents, rust preventers, water system chemicals and degreasers. During 1962 Baroid also took steps to further integrate its production of starch type drilling materials and Bentone gelling agents.

Scientists at the Hightstown Laboratories continue a broad program of research dealing with the encapsulation of individual particles of various materials with polyethylene. After encapsulation, the end product retains the outward shape and dimensions of the original material, but takes on unique chemical and physical properties, including substantial resistance to the harmful effects of sul-



Doehler-Jarvis Division's research laboratories conduct dynamic stress tests on die castings of complicated design, such as the crankcase of the small general purpose aluminum engine shown here.

furic acid and certain other chemicals. Since the process is flexible, in that it permits the encapsulation of a broad line of materials, it would appear that there are important potential uses for it. As the first application of this important development, a commercial plant has been completed which produces encapsulated cellulose and forms it into storage battery separators.

The Company has a continuing interest in its development of the technology for the growing of single crystals for optical systems, with emphasis being placed on programs for infrared transmissions and laser and maser applications.

Company sponsored research continued at the nuclear reactor at

Plainsboro, New Jersey, which is used by National Lead Company and nine other major concerns for experimental purposes. This facility provides specialized service to the Company's major divisions. Work is continuing on new projects covering such fields as pigment color, process impurities, radiation damage, industrial tracers, die casting technology, titanium metal testing, irradiation of castor oil and shielding calculations. The Company completed another successful year as contract operator for the Atomic Energy Commission's feed material plant located at Fernald, Ohio.

Early in 1962 the Company acquired all of the outstanding stock of Floating Floors Inc., which markets die cast aluminum flooring and specially designed site environmental systems used in computer installations. The aluminum flooring consists of a system of raised plates each of which can readily be removed to provide access to wiring and other utilities located beneath the floor. The products sold are produced in the plants of the Company's Doehler-Jarvis Division and provide a new and expanding market for aluminum die castings.

Roto-Cast Incorporated, a jointly owned affiliate, has installed specialized equipment in a plant at St. Louis for the centrifugal casting of hollow bronze bars which are used by industry in making bearings. This centrifugal casting operation parallels a similar one which has been operated successfully for several years in Canada by Roto-Cast Limited, also a jointly owned affiliate. As in Canada, it is expected that these products will find a growing market.

During 1963 the Company plans to complete a feed material plant at Taylor, Kentucky, which should enable The Chas. Taylor's Sons Company to improve its competitive position in the field of specialized refractory materials. A wholly owned subsidiary, Chas. Taylor Sons S.A. was organized in Belgium to manufacture and market the newer type refractories in Europe.

Sales of Oncor pigments, developed in the Company's research laboratories, have increased most encouragingly, particularly Oncor M50, the basic lead silico chromate anticorrosive pigment, and Oncor 23A, the antimony silico oxide fire retardant pigment.

High temperature refractories produced by The Chas. Taylor's Sons Company at its Taylor, Kentucky, plant are shipped to the steel, glass and other industries.

In addition to the specific technical developments mentioned above, the Company continued to benefit from its constant effort to improve existing products and processes. Technical work of this nature leads to cost reductions and improved customer service. Research and development expenditures increased substantially in 1962.

Shareholders and Employees

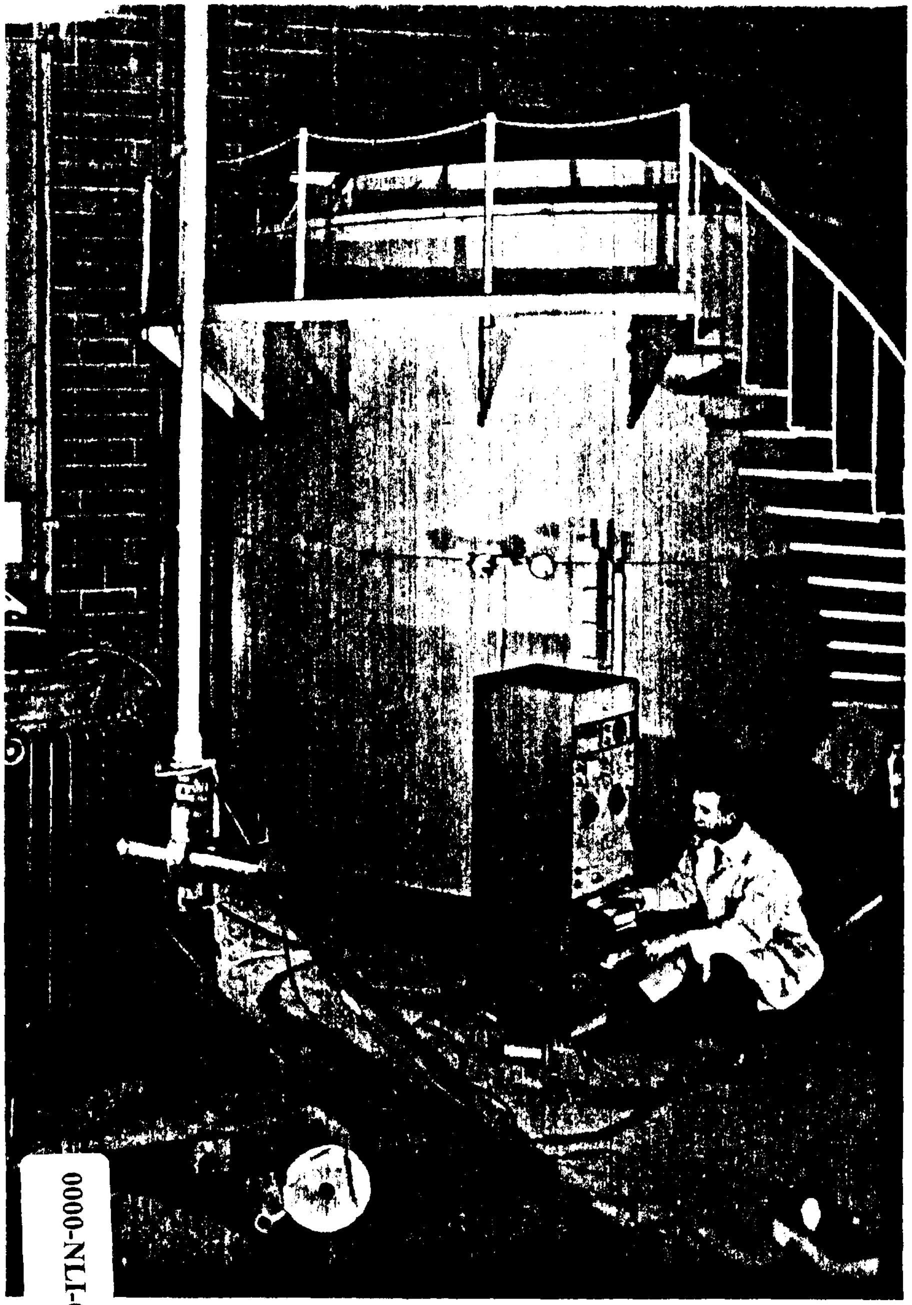
At the end of 1962 there were 39,185 National Lead Company shareholders, of which 3,610 owned preferred stock. The Company appreciates the continued interest of the shareholders, as evidenced by the gratifying attendance at the 1962 annual meeting and by the fact that 81.7 per cent of the outstanding stock was represented.

The number of employees increased during 1962 and at the end of the year there were 21,912 people employed by National Lead Company and its wholly owned subsidiaries.

Starting on May 26, 1962 and lasting for a period of seven weeks, the Company experienced a strike at the plants of its Doehler-Jarvis Division. The work-stoppage resulted from failure to reach agreement on revisions to an existing incentive program. After lengthy negotiations a new contract was signed and production was resumed on July 16, 1962. The new agreement is for a three year period and provides for improvement in fringe benefits and retention of cost-of-living adjustments. There will be no general wage increase during the life of the contract. There were no other important work-stoppages during the year and the relationship between the Company and its employees continues to be good.

The National Lead Foundation, Inc. was established in 1953 for the purpose of making contributions to charitable, educational, scientific and other philanthropic organizations. One of its activities is the Program for Matching Employee Gifts to Educational Institutions, initiated in 1958. Since its inception, the Matching Gifts Program has built a steady record of increased participation. Dollar volume of employee gifts and thereby Foundation gifts, to educational institutions has increased fivefold and the number of recipient institutions has grown from forty-nine in 1958 to one hundred and sixty-six in 1962. The Foundation enacted various revisions to the Matching Gifts Program in 1962, including a provision to raise the maximum annual matching contribution from $1,000 to $2,500 for each employee.

Since the Second World War, National Lead Company has continuously supported the United States Government's Savings Bond program through payroll deductions. In 1959 and in 1962 the Company conducted nationwide campaigns to stimulate the purchase of U. S. Savings Bonds by its employees. The 1962 Freedom Bond campaign resulted in 83 per cent of the Company's employees participating, an achievement recognized by the Treasury Department through the presentation of a Freedom Bond Award to the Company in August, 1962.



Nuclear shielding facilities at Perth Amboy, New Jersey, plant include transfer vessel design and fabrication, lead pouring and gamma probing.

Litigation

In April, 1958, the Federal Trade Commission started a proceeding against the Company, alleging that the acquisition by the Company in 1956 of the assets and properties of L. A. Wood, Inc., Barytes Mining Company and Finlan & Sheridan Mining Company, all producers of barytes, an oil well drilling material, constituted unfair methods of competition within the meaning of Section 5 of the Federal Trade Commission Act, and further alleging that the two corporate acquisitions (L. A. Wood, Inc. and Barytes Mining Company) violated section 7 of the Clayton Act. Extensive hearings before a hearing examiner of the Federal Trade Commission were held in various cities from early 1959 until June, 1962. In October, 1962, the hearing examiner filed his initial decision dismissing the Commission's complaint and holding that the evidence established that the challenged acquisitions did not violate either Section 5 of the Federal Trade Commission or Section 7 of the Clayton Act. In February, 1963, the Federal Trade Commission granted review of the hearing examiner's initial decision. Briefs are due to be filed in the spring of 1963 and in all probability arguments before the Federal Trade Commission will take place later during the year.

Looking Forward

As this report is written, the general economy appears to have leveled off, with business remaining reasonably steady. Many economists believe that conditions will improve during the second half of 1963, and that a well-conceived Federal tax reduction program could result in significant business gains.

National Lead Company with its substantial financial resources and with the continuing initiative, resourcefulness and cooperation of its employees, is in an excellent position to take an increasingly important position in the expanding economy.

This report will be presented to the shareholders at the annual meeting to be held at Sayreville, New Jersey, on April 18, 1963. At that time there will be presented to shareholders for their approval a plan for the retirement of the outstanding shares of the Company's Class A and Class B preferred stocks. It is believed that this proposal will be beneficial to all classes of shareholders and its adoption is therefore recommended.

By Order of the Board of Directors

J. A. Martin

President

March 15, 1963.

Right: Twelve thousand pound cast aluminum billet is removed from water-cooled mold at plant of Pioneer Aluminum, Inc. at Los Angeles. The "direct chilled" billets are cut into plates which after machining are used by the aircraft, missile and other industries for tool and jig fixtures.

National Lead Company and its Consolidated Subsidiaries

Balance Sheets

December 31, 1962 and 1961

Assets	**1962**	**1961**
Current assets:		
Cash and certificates of deposit	$ 42,833,646	$ 47,268,412
Government, state and municipal obligations, at cost (approximates market)	9,150,173	16,733,057
Other marketable securities, at cost (at market quotations: 1962, $15,290,000; 1961, $4,720,000)	14,164,039	3,518,059
Accounts and notes receivable, less reserves: 1962, $1,836,367; 1961, $1,843,144	65,525,028	64,742,911
Inventories (Note 2)	117,325,031	109,844,764
Total current assets	248,997,917	242,107,203
Notes receivable under Stock Option Incentive Plan (Note 5)	401,535	460,934
Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserve of $3,406,163 (Note 3)	14,116,131	15,214,102
Miscellaneous investments and advances, at cost or below, less reserve of $754,705 (Note 4)	4,418,457	3,589,236
Plant, property and equipment (including intangibles of $20,692,311 not being amortized) at cost, less reserves for depreciation, depletion and amortization: 1962, $192,898,078; 1961, $181,569,212	165,855,569	165,470,999
Prepaid expenses and deferred charges	4,804,302	4,318,628
	$438,593,911	$431,161,102

Liabilities	**1962**	**1961**
Current liabilities:		
Accounts payable and accrued liabilities	$ 37,890,546	$ 36,729,339
Provisions for taxes	36,174,112	38,329,360
Dividends on Class B preferred stock	131,023	135,277
Total current liabilities	$ 74,195,681	$ 75,193,976
Deferred U.S. income tax	$ 2,800,000	
Inventory reserve (Note 2)	$ 11,328,362	$ 11,326,492
Capital (Note 5):		
Capital stock:		
Preferred Class A, 7 per cent cumulative, noncallable, par value $100; shares authorized 250,000, issued 243,676	$ 24,367,600	$ 24,367,600
Preferred Class B, 6 per cent cumulative, noncallable, par value $100; shares authorized 250,000, issued 103,277	10,327,700	10,327,700
Common, par value $5; shares authorized 20,000,000, issued: 1962, 11,704,797; 1961, 11,703,372	58,523,985	58,516,860
	93,219,285	93,212,160
Capital surplus	36,541,021	36,134,146
Earned surplus	226,827,238	217,926,931
	356,587,544	347,273,237
Less, Reacquired capital stock, at cost (Note 6)	6,317,676	2,632,603
	$350,269,868	$344,640,634
	$438,593,911	$431,161,102

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

National Lead Company and its Consolidated Subsidiaries

Statements of Income and Earned Surplus

For the years ended December 31, 1962 and 1961

	1962	1961
Net sales	$570,721,363	$555,672,358
Cost of sales (Note 2)	$370,128,839	$358,003,305
Depreciation, depletion and amortization	14,537,571	13,743,848
Administrative, selling and general expenses	86,297,619	81,528,753
Taxes, including state income taxes	11,240,199	10,390,117
	$482,204,228	$463,666,023
	$ 88,517,135	$ 92,006,335
Other income, net	5,262,874	6,430,434
Income before United States and foreign income taxes	93,780,009	98,436,769
Provision for United States and foreign income taxes	44,740,176	46,695,016
Net income	$ 49,039,833	$ 51,741,753
Per share of common stock	$4.01	$4.24

	1962	1961
Earned surplus at beginning of year	$217,926,931	$206,382,903
Net income	49,039,833	51,741,753
	$266,966,764	$258,124,656
Dividends:		
Class A preferred stock, $7 per share	$ 1,573,026	$ 1,640,051
Class B preferred stock, $6 per share	532,536	541,110
	2,105,562	2,181,161
Common stock, $3.25 per share	38,033,964	38,016,564
	$ 40,139,526	$ 40,197,725
Earned surplus at end of year	$226,827,238	$217,926,931

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

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 has 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 subsidaries 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:

	1962	*1961*
Equity in net assets	$25,858,000	$27,578,000
Excess of equity over the Company's net investments and advances	12,107,000	12,765,000
(Decrease) in excess equity during year	(658,000)	(1,757,000)

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 $12,466,000 at December 31, 1962 and $12,310,000 at December 31, 1961.

5. On February 26, 1963 the Board of Directors adopted a plan, subject to approval of stockholders, to retire the preferred stock by payment of $177.50 per share of Class A and $152.50 per share of Class B, such payment, at the stockholder's option, to be in either cash or new subordinated debentures.

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

Changes during 1962 under the Plan are summarized as follows:

	Range of Option Prices per Share	*Shares*
Under option, January 1, 1962	$75.050 to $116.375	147,875
Options granted	67.568 to 89.775	85,925
		233,800
Less:		
Options exercised	67.568 to 85.975	1,425
Options terminated	85.975 to 103.313	8,825
Under option, December 31, 1962	67.568 to 116.375	223,550

Shares reserved for future options at the beginning and end of the year were 82,315 and 5,215, respectively. Options may be granted up to April 17, 1963.

At December 31, 1962, the unpaid balances of the purchase prices of 7,500 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 (1962, $110,812; 1961, $121,268) and, in 1962, the excess ($296,063) of market value over cost of reacquired common stock issued for all of the stock of another company.

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

	1962	
	Shares	*Costs*
Preferred Class A	29,683	$4,483,502
Preferred Class B	15,928	1,821,185
Common	1,000	12,989
		$6,317,676

	1961	
	Shares	*Costs*
Preferred Class A	9,383	$1,147,727
Preferred Class B	13,092	1,435,354
Common	4,960	49,522
		$2,632,603

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.

0000-NLI-000018701

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 sheets of NATIONAL LEAD COMPANY and its Consolidated Subsidiaries as of December 31, 1962 and 1961 and the related statements of income and surplus for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 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 the aforementioned subsidiaries, is based solely upon such reports.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1962 and 1961 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 27, 1963.

Ten Year Review of Operations

	1962	1961	1960 Restated*	1959	1958	1957	1956	1955	1954	1953
Net Sales	$570,721,363	$555,672,358	$562,021,983	$530,550,817	$457,592,886	$535,343,270	$576,292,383	$533,728,730	$419,333,961	$436,050,592
Income before Taxes	93,780,009	98,436,769	100,569,991	101,174,233	84,395,289	101,537,900	107,521,101	89,436,792	67,153,316	62,836,357
Taxes on Income	44,740,176	46,695,016	48,163,860	48,712,722	39,673,891	45,306,394	44,369,014	41,546,851	30,534,665	31,987,429
Net Income	49,039,833	51,741,753	52,406,131	52,461,511	44,721,398	56,231,506	63,152,087	47,889,941	36,618,651	30,848,928
Preferred Dividends	2,105,562	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161
Common Dividends	38,033,964	38,016,564	38,011,864	37,947,176	37,865,038	37,857,956	37,074,569**	32,417,308	23,735,838	19,779,867
Total Cash Dividends	40,139,526	40,197,725	40,193,025	40,128,337	40,046,199	40,039,117	39,255,730	34,598,469	25,916,999	21,961,028
Retained Earnings	8,900,307	11,544,028	12,213,106	12,333,174	4,675,199	16,192,389	23,896,357	13,291,472	10,701,652	8,887,900
Earnings Per Common Share	4.01	4.24	4.29	4.30	3.65	4.64	5.34	4.02	3.05	2.58
Cash Dividends Per Common Share	3.25	3.25	3.25	3.25	3.25	3.25	3.25**	2.85	2.10	1.75
Total Current Assets	248,997,917	242,107,203	227,558,122	205,350,494	184,392,427	183,995,439	198,413,275	196,758,738	178,569,448	164,812,640
Total Current Liabilities	74,195,681	75,193,976	69,229,892	66,689,074	64,240,475	70,175,917	80,925,260	83,598,897	73,980,730	72,983,811
Working Capital	174,802,236	166,913,227	158,328,230	138,661,420	120,151,952	113,819,522	117,488,015	113,159,841	104,588,718	91,828,829
Gross Property Account	358,753,647	347,040,211	335,069,506	292,122,311	287,800,726	260,592,510	238,609,305	228,267,837	210,718,867	203,511,823
Reserves for Depreciation, Depletion and Amortization	192,898,078	181,569,212	172,980,588	145,220,190	135,107,065	121,775,325	111,224,536	105,437,451	97,553,116	91,281,692
Net Property Account	165,855,569	165,470,999	162,088,918	146,902,121	152,693,661	138,817,185	127,384,769	122,830,386	113,165,751	112,230,131
Total Assets	438,593,911	431,161,102	413,535,074	380,511,351	361,213,437	358,369,280	353,176,014	336,411,632	310,468,896	294,647,263

*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.

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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, 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 Bros. Division
Chicago
Precious metals

Magnus Metal Division
New York
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 and development 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 non-ferrous alloys

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

Wholly Owned Domestic Subsidiaries

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 Titanium Pigments Limited
London
Titanium pigments

Societe Belge du Titane S.A.
Brussels
Titanium pigments

The Canada Metal Company, Ltd.
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

Titaan N.V.
Rotterdam
Titanium pigments

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

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Partially Owned Domestic Affiliated Companies

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

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

Baroid-Maffei, S.p.A.
Milan
Oil well drilling materials

Barytes & Minerals Limited
Trinidad
Oil well drilling materials

Cia. Minera Castãno Viejo S.A.
Buenos Aires
Lead and zinc concentrates

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

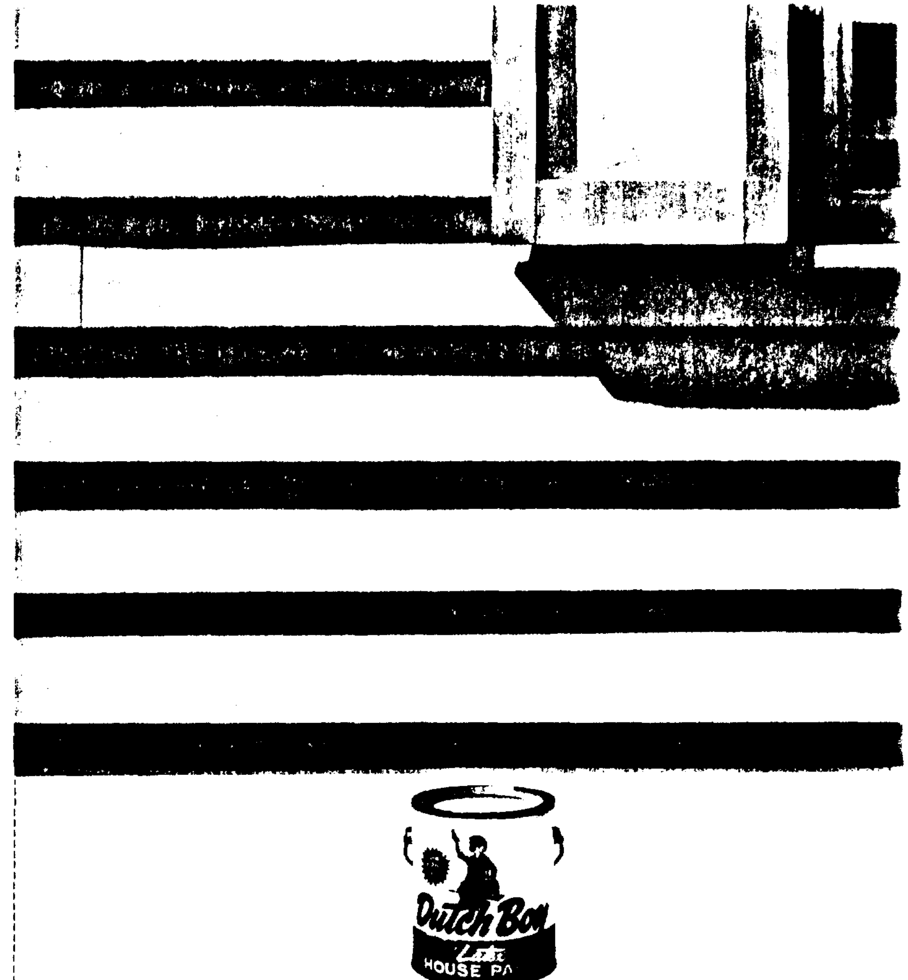
Roto-Cast Limited
Montreal
Bronze castings

Societe Chimique des Derives du Titane S.A.
Langerbrugge, Belgium
Titanium pigments

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

Zinnwerke Wilhelmsburg G.m.b.H.
Hamburg, West Germany
Copper refinery shapes



This house was painted 3 years ago. One board is freshly painted. Which?

3 years ago this house was painted with Dutch Boy Latex House Paint. Then, just recently, we repainted one board. Not because it needed it. It didn't. But just to see how the color had held up after all that time. What happened? Look for yourself. See? It hasn't changed color. (That's good evidence of the performance of a house paint. A way to demonstrate the quality we build into all Dutch Boy products.) Want more proof that the color in Dutch Boy Latex House Paint really lasts? Use it on your house. And wait a few years. Which board was it? The second one below the window.

A PRODUCT OF NATIONAL LEAD COMPANY

One of a current series of advertisements for Dutch Boy paint stressing durability and color retention. The acrylic vehicle for this exterior latex house paint was developed in the Company's research laboratories.