52nd ANNUAL REPORT

NATIONAL LEAD COMPANY

FOR FISCAL YEAR ENDED
DECEMBER 31, 1943

Principal Office:
FOOT OF CHEVALIER AVENUE, SAYREVILLE, N. J.

Executive Offices:
111 BROADWAY, NEW YORK CITY 6

52nd ANNUAL REPORT

This report for the fiscal year ended December 31, 1943 will be presented to the Stockholders at their Fifty-second Annual Meeting, April 20, 1944.

On the following pages the Consolidated Balance Sheet and Statement of Income are set forth.

NET INCOME Net Income for the year, after deduction of depreciation, provision for taxes, all ordinary expenses incurred in the operation of the business and Other Charges, amounted to $5,200,876.93. After payment of dividends on both classes of Preferred Stock outstanding, amounting to $2,031,323.00, there remained a balance of Net Income applicable to the Common Stock of $3,169,553.93, equivalent to $1.026 per share on 3,090,664 shares outstanding during the year. Dividends on National Lead Company Preferred and Common Stock owned by the Company itself are not included in this statement, either as disbursements or as income.

TAXES The charge for Federal Income and Excess Profits Taxes for the year amounted to $8,906,291.24. The total charge to profits for all taxes amounted to $10,529,463.56 for the year 1943, equivalent to $3.407 per share of Common Stock outstanding.

RENEGOTIATION In July, 1943 renegotiation of our 1942 war contracts was completed. As a result, a refund of $600,000.00 to the U. S. Government was agreed upon. Of this amount $540,000.00 was credited against excess profits taxes previously paid by the Company for the year 1942, so that a net cash refund of $60,000.00 was made to the Government. Since this is one of the contingent liabilities for which the Reserve for Contingencies was set up, this payment was charged to that reserve.

On the basis indicated by the 1942 renegotiation settlement, a payment of approximately $80,000.00 after income taxes would be due for the year 1943, but the Company cannot represent that the renegotiation payment, if any, will be higher or lower than this amount. We have added $350,000.00 to the Reserve for Contingencies during the year to provide for this and other contingencies which may arise.

OTHER CHARGES The item of Other Charges appearing on the Consolidated Earnings Statement, amounting to $1,678,298.77, includes the following: loss on liquidation of interest in Combined Metals Reduction Company $518,850.57; addition to the Reserve for Con-

0000-NLI-000018276

tingencies $350,000.00; net loss on the sale of various plant properties and equipment $112,723.79; and addition to Reserve for Investments $602,640.23.

FOREIGN INVESTMENTS Following the precedent of previous years, there were added to the existing Reserve for Foreign Investments all dividends, amounting to $591,123.50, received during the year from foreign corporations (including, as heretofore, Patino Mines & Enterprises, Consolidated (Incorporated) which, although a domestic corporation, has all of its assets and operations outside of the United States). The Reserve now totals $7,134,051.05 and this amount is deducted from foreign investments as they appear on the books, resulting in a net figure of $2,746,673.62.

EQUITY IN CONTROLLED COMPANIES Equity in net undivided profits of foreign subsidiaries located in North and South America, and of domestic companies controlled but not wholly-owned, is estimated for 1943 to be 30 cents per share on the Common Stock. Earnings of companies located outside of North and South America are not included in this estimate. No specific provision has been made for such taxes as may become payable if and when accumulated earnings of subsidiaries are distributed to the parent company.

NET WORKING CAPITAL Net Working Capital amounted to $45,038,095.55 as of December 31, 1943, with a ratio of Current Assets to Current Liabilities of 3.4 to 1.

PLANT EXPANSION During the year the Property Account (after adjustments resulting from sales and retirements) showed an increase of $723,456.89 but the net account (after deducting depreciation and depletion reserves) was decreased by $4,053,960.43. Increases in gross property reflect the expansion of mining operations and exploration in Madison County, Missouri, and the acquisition of the Edna Brass Manufacturing Company, a company engaged in the manufacture of locomotive specialties.

The net decrease in the Property Account results from the substantially greater charge for depreciation and depletion in 1943 as compared with 1942, reflecting the higher rate of amortization applicable to certain of the Company's properties, mainly the MacIntyre Development, which were completed under Certificates of Necessity and hence are being amortized over a period of five years.

MINING The MacIntyre Development was in continuous operation during the year despite difficulties attending war-time conditions. Early in 1943 the Defense Plant Corporation provided funds to construct a sintering plant at Tahawus for sintering the magnetite (iron ore) in order to make it more readily usable in blast furnaces. This plant should be in operation in the Spring of 1944.

The Combined Metals Reduction Company, in which National Lead Company has had an interest since 1923, operates mines in Utah and Nevada. For some years the results of operations had not been entirely satisfactory, and while recent developments and prospects indicated the possibility of better results for the future, yet as additional capital was required to obtain such results, your Directors, deeming it inadvisable to furnish any part of such additional funds, decided to accept a settlement of National Lead Company's claims at less than their face amount, if Combined Metals should be able to obtain funds from outside sources. Such an arrangement was made and carried out. The resulting book loss is reflected in the item "Other Charges" on the Consolidated Statement of Income.

MAGNESIUM REDUCTION COMPANY Reference was made in the 1942 report to the contract with Defense Plant Corporation for the construction and operation of a plant to produce magnesium and magnesium alloys. Production was obtained at a gradually increasing rate during 1943; and at the end of that year, daily output was substantially in excess of the quota originally set by the U. S. Government. All funds for operation are provided by the Government and the entire output of the plant is used for prosecution of the war. In recognition of the excellent showing made by this unit, the War Department has awarded the Army-Navy "E" to the employees of Magnesium Reduction Company for meritorious service.

RESEARCH The Company continued its program of research, not only in relation to projects concerned with the replacement of critical materials but also its usual course of investigation of improvement of its present products and the development of new materials and manufacturing methods.

ANTITRUST CASE As most of our stockholders, no doubt, have learned from the newspapers, an indictment under the antitrust laws was filed June 28, 1943 in the United States District Court for the Southern District of New York against National Lead Company and others. The indictment grows out of the origin and development over the last twenty-three years of the Company's titanium business. It is one of a number of indictments obtained recently by the Government against leading American industrial companies, based upon their arrangements for the exchange of patent rights and technical information with companies organized in foreign countries. It is the position of your management that the exchange of such patent rights and information has been of great benefit both to the Company and the country at large, in making available to the consumer superior products in larger quantities and at lower prices.

It is to be hoped that the trial will be postponed until after the war in order that the executive officers and employees of the Company may continue to devote all of their time and energies to the business of the Company, so much of which is concerned with production of materials essential to the prosecution of the war.

OBITUARY It is with deep sorrow that we record the death of our Director, William F. Meredith, who passed away on September 28, 1943, at Princeton, New Jersey. It was through Mr. Meredith that the Company first became interested in titanium pigments and his counsel as a member of the Board since 1933 was highly valued.

IN SERVICE The number of employees in War Service at the end of the year was 1,466. We shall be ever mindful of our deep obligation to the ten who have given their lives for our country and we accord them our highest tribute.

CHANGES IN DIRECTORSHIP In September, Walter P. Carroll was elected a Director in succession to Leonard G. Reichhard, resigned. Except for an interim while in Service in the First World War, Mr. Carroll, Manager of our Chicago Branch, has been continuously with the Company since 1910, serving in the White Lead and Metal Sales Departments.

At the January meeting this year, Joseph A. Martino was elected a Director to succeed the late William F. Meredith. Mr. Martino started as an office boy with United Lead Company in 1916. He has been Assistant Comptroller since 1934 and is now also Chairman of the Mining Committee and member of the Metal Sales and Manufacturing Committees.

WAR SAVINGS BONDS Employees continue to take advantage of the opportunity to acquire War Savings Bonds under the Payroll Deduction Plan and have also shown splendid cooperation in the purchase of additional Bonds during War Loan Campaigns.

OUTLOOK FOR POST-WAR BUSINESS The Company has no major reconversion problems facing it at the end of the war. Our manufacturing plants can be used, in the main, for peace-time production practically as they stand. Additions to plant equipment have been made, particularly in the field of supplying raw material

formerly imported. New products, plus a pent-up demand for housing and painting, plus plants ready for production, make for a favorable post-war outlook.

CONCLUSION Grateful acknowledgment is due to the present employees of the Company for the loyal, faithful service they are continuously rendering. At two of our subsidiary plants, engaged exclusively in war work, the Army-Navy "E" has been awarded for production achievement. The management is more and more impressed that its organization is the most important factor in your Company's contributions to the war effort, and confidently looks to its employees as the foundation stone upon which will be built the Company's effective participation in the post-war business world.

Respectfully submitted,

FLETCHER W. ROCKWELL, *President.*

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1943

ASSETS

Current Assets:		
Cash		$ 12,742,150.12
United States Government Securities at cost (at market quotations $16,179,530)		16,149,249.08
Other Marketable Securities (at market quotations $4,370,130) (Note 1)		853,541.72
Accounts and Notes Receivable	$13,428,115.30	
Less, Reserve for losses	1,079,623.01	12,348,492.29
Notes Receivable from Employees		211,730.87
Inventories (Note 2)		21,787,558.88
Total Current Assets		64,092,722.96
Investments in and Advances to Affiliated Companies, less Reserves (Note 3)		3,996,989.66
Miscellaneous Investments, less Reserves (Note 4)		1,278,682.34
Plant Property and Equipment (including intangibles) (Notes 5 and 6)	$94,198,239.37	
Less, Reserves for Depreciation and Depletion	41,464,768.53	52,733,470.84
Patents and Licenses, less amortization		68,299.33
Prepaid expenses, deferred charges, etc.		616,522.05
Post-war Refund of Excess Profits Taxes		996,000.00
		$123,782,687.18

The accompanying notes to financial statements are integral parts of this statement.

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1943

LIABILITIES

Current Liabilities:		
Accounts Payable and Accrued Liabilities		$ 4,621,718.10
Payable to Affiliated Companies (Note 3)		246,035.03
Provisions for Taxes, including Federal Income and Excess Profits Taxes		14,070,681.28
Dividend Payable February 1, 1944 on Class B Preferred Stock		116,193.00
Total Current Liabilities		19,054,627.41
Reserves:		
Fire Insurance	$ 4,797,284.02	
Employer's Liability	426,664.30	
Pension	2,014,340.65	
Contingencies	3,715,000.00	
General Inventory	700,339.71	
Amount Equal to Post-war refund of excess profits taxes	996,000.00	
Miscellaneous	81,634.37	12,731,263.05

CAPITAL

Capital Stock:	Authorized	Issued	
Preferred Class A, 7 pct. cumulative, non-callable, $100 par value	$25,000,000.00	$24,367,600.00	
Preferred Class B, 6 pct. cumulative, non-callable, $100 par value	25,000,000.00	10,327,700.00	
Common, $10 par value	50,000,000.00	30,983,100.00	
	$100,000,000.00	65,678,400.00	
Capital Surplus		336,672.92	
Earned Surplus		31,594,349.43	
		97,609,422.35	
Less, Reacquired Capital Stock (Note 7)		5,612,625.63	91,996,796.72
			$123,782,687.18

The accompanying notes to financial statements are integral parts of this statement.

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1943

Sales, less returns and allowances		$148,622,918.86
Cost of goods sold, exclusive of depreciation, depletion and taxes (Note 8)		114,966,868.33
Gross profit, before depreciation, depletion and taxes		33,656,050.53
Other Income (Note 9)		1,101,424.46
		34,757,474.99
Administrative, selling and general expenses	$11,972,692.00	
Depreciation and depletion	5,376,143.73	
Taxes, other than federal income and excess profits taxes	1,623,172.32	
Other charges and additions to reserves (Notes 10 and 11)	1,678,298.77	20,650,306.82
Net income before provisions for federal income and excess profits taxes		14,107,168.17
Provision for federal income and excess profits taxes (including $5,700,000 excess profits taxes)	8,906,291.24	
Less, post-war refund of excess profits taxes	570,000.00	8,336,291.24
Net Income		5,770,876.93
Reserve equal to post-war refund of excess profits taxes		570,000.00
Balance transferred to earned surplus		$ 5,200,876.93
Balance of net income transferred to earned surplus, as above		$ 5,200,876.93
Dividends on preferred stocks:		
Class A	$ 1,566,551.00	
Class B	464,772.00	2,031,323.00
Remainder equivalent to $1.026 per share of common stock outstanding		$ 3,169,553.93

CONSOLIDATED STATEMENTS OF SURPLUS

For the year ended December 31, 1943

EARNED SURPLUS

Balance, December 31, 1942		$ 30,742,793.50
Balance of net income for 1943		5,200,876.93
		35,943,670.43
Dividends:		
On Class A preferred stock, $7 per share	$1,566,551.00	
On Class B preferred stock, $6 per share	464,772.00	
	2,031,323.00	
On common stock, $.75 per share	2,317,998.00	4,349,321.00
Balance, December 31, 1943		$ 31,594,349.43

CAPITAL SURPLUS

Balance, December 31, 1942 and December 31, 1943	$ 336,672.92

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

NATIONAL LEAD COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The other marketable securities are as follows:

	Amounts at Market Quotations	Book Amounts: Costs	Reserves	Net
Companies operating principally in the United States	$1,428,075.00	$ 660,125.55	$	$ 660,125.55
Companies operating in foreign countries	2,942,055.00	2,653,124.54	2,459,708.37	193,416.17
	$4,370,130.00	$3,313,250.09	$2,459,708.37	$ 853,541.72

2. The inventories are as follows:

Metals, flaxseed and other raw materials on hand and in process, finished stocks, etc. $19,442,389.90

The above inventories are priced at the lower of cost or market with the exception of the inventories shown below which were priced at December 31, 1942 and December 31, 1943 in accordance with the "normal stock" method:

	Normal Quantities (short tons) December 31, 1942	December 31, 1943	Fixed Inventory Price Per Pound
Lead	49,687½	49,687½	$ .03
Tin	1,124½	1,124½	.21
Antimony	259	259	.05
Linseed oil	2,375	3,125	.06
Flaxseed	....	5,600	.0348

Materials and supplies, priced generally at first-in, first-out costs........ 2,345,168.98

$21,787,558.88

Intercompany profits in inventories are not considered to be material in amounts.

3. The investments in, advances to, and accounts payable to affiliated companies are as follows:

	Investments and Advances: Gross	Reserves	Net	Accounts Payable
Subsidiaries operating in the United States—Capital Stocks	$ 621,291.00	$ 1.00	$ 621,290.00	
Advances	510,124.51	76,635.56	433,488.95	
Subsidiaries operating in foreign countries—Capital Stocks	4,637,509.66	2,758,096.55	1,879,413.11	
Advances	1,588,342.72	987,967.14	600,375.58	
Accounts payable				$ 246,035.03
Domestic affiliate of which exactly fifty per cent of the outstanding capital stock having voting power is owned by National Lead Company:				
Capital Stock	462,422.02		462,422.02	
	$7,819,689.91	$3,822,700.25	$3,996,989.66	$ 246,035.03

Reserves are included above not only with respect to the entire amount of National Lead Company's investments in subsidiaries in Continental Europe but also with respect to the entire amount of National Lead Company's equities in investments in and advances to such subsidiaries by an unconsolidated subsidiary company.

The gross amounts of investments shown above represent cost in cash less, in some instances, write-downs in prior years.

Financial statements of subsidiaries, other than those in Continental Europe and England, are included in accompanying statements of unconsolidated subsidiaries. The 1943 financial statements of the English subsidiary were not received in time for inclusion in the statements of unconsolidated subsidiaries.

4. The miscellaneous investments are as follows:

	Gross	Reserves	Net
Companies operating in the United States	$1,307,497.04	$ 102,283.46	$1,205,213.58
Companies operating in foreign countries	1,001,747.75	928,278.99	73,468.76
	$2,309,244.79	$1,030,662.45	$1,278,682.34

The gross amounts of investments shown above represent cost in cash less, in some instances, write-downs in prior years.

0000-NLI-000018280

5. Good will:

The plant property and equipment account includes "trade-marks and good will" of $20,692,310.66 representing substantially the excess of book amounts of fixed assets in 1916 over the amounts thereof as shown by appraisals made in that year. No reserves for amortization of such intangibles have been provided. As explained in several previous annual reports of the company, no attempt was made prior to 1915 to determine the amounts of such intangibles since, in most cases, going concerns (including tangible assets, business, good will and trade-marks) were acquired through the issuance of shares of capital stock of National Lead Company. The properties so acquired, including intangibles, were recorded on the books of the company at an aggregate amount equal to the par value of the shares so issued.

Fixed asset additions subsequent to 1915, now remaining in the plant property and equipment account, were entered on the books at costs and depreciated at rates approved by the Bureau of Internal Revenue.

6. The fixed assets include approximately $11,800,000 of war facilities which are being depreciated over a period of five years or less.

7. Reacquired capital shares are carried at costs determined on the basis of applying first costs against first sales:

	No. of Shares	Costs
Preferred Class A	19,883	$2,570,693.12
Preferred Class B	25,815	2,925,066.27
Common	7,646	116,866.24
		$5,612,625.63

8. Cost of goods sold has been computed upon the basis of inventories valued as described in Note 2.

9. Other income is as follows:

Dividends received (including $98,694.68 from unconsolidated subsidiaries)	$ 935,074.97
Interest received (net), profits on redemption or sales of securities, and miscellaneous income	166,349.49
	$1,101,424.46

10. Other charges and additions to reserves are as follows:

Loss on liquidation of interest in unconsolidated subsidiaries		$ 541,402.57
Loss on sales of fixed assets		112,723.79
Miscellaneous		71,532.18
Additions to reserves:		
Investment	$602,640.23	
Contingencies	350,000.00	952,640.23
		$1,678,298.77

11. In July, 1943 the company concluded a renegotiation agreement providing for a reduction of $600,000 in prices on government contracts and subcontracts stated by the government to be applicable to billings for 1942. A credit of $540,000 for federal income and excess profits taxes paid was allowed against such price reduction, and the company made a cash refund of $60,000 to the Treasurer of the United States which refund was charged to the Reserve for Contingencies. Appropriate adjustments were made to the Post War Refund of Excess Profits Taxes and the Reserve equal thereto.

On the basis indicated by the 1942 renegotiation agreement a refund of approximately $80,000, after credit for taxes, would be due on 1943 billings on government contracts and subcontracts, but it cannot be stated whether the renegotiation payment, if any, will be greater or less than this amount. To provide for this and other contingencies which may arise, $350,000 has been added to the Reserve for Contingencies in 1943.

GENERAL:

The company is operating as agent for Defense Plant Corporation, a magnesium plant constructed with funds supplied by that corporation. Neither the assets, liabilities nor results of operations of such plant are included in the accompanying financial statements.

The company and one of its subsidiaries have been named in an indictment alleging violation of the antitrust laws in connection with its Titanium business. The maximum liability under this indictment is $10,000 as to each company.

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.

The consolidated financial statements include the financial statements of all wholly owned domestic subsidiaries. Financial statements of all foreign subsidiaries (other than those in Continental Europe and England) and domestic subsidiaries more than 50, but less than 100 per cent owned, are included in accompanying statements of unconsolidated subsidiaries. As indicated in such statements of unconsolidated subsidiaries, the company's equity in earnings of such subsidiaries for 1943 was approximately $918,000 more than the dividends of $64,790 received therefrom. During 1943, dividends of $33,905 were received from the English subsidiary, the 1943 financial statements of which were not received in time for inclusion in the accompanying statements of unconsolidated subsidiaries. During 1943 no dividends were received from the fifty per cent owned affiliate. On the basis of statements received from the fifty per cent owned affiliate, National Lead Company's equity in the net assets thereof increased $8,000 during 1943 and, at December 31, 1943, amounted to $615,000.

Intercompany transactions between consolidated companies have been eliminated from sales and cost of sales.

NATIONAL LEAD COMPANY

Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (Other than Continental European and English)

COMBINED STATEMENT OF INCOME
For the year ended December 31, 1943

Sales, less returns and allowances		$26,866,763.54
Cost of goods sold, exclusive of depreciation		21,928,129.42
Gross profit, before depreciation		4,938,634.12
Other income		178,726.79
		5,117,360.91
Administrative, selling and general expenses	$1,401,658.00	
Depreciation	254,496.39	
Other charges	114,941.78	
Additions to reserves	63,265.48	1,834,361.65
Net income before provision for income and excess profits taxes		3,282,999.26
Provision for United States and foreign income and excess profits taxes (including $1,611,966.19 United States excess profits taxes)	2,133,551.13	
Less, post-war refund of United States excess profits taxes ($141,738.03) and debt reduction credit	161,196.62	1,972,354.51
Net income for the year		1,310,644.75
Reserve equal to post-war refund of United States excess profits taxes		141,738.03
Balance transferred to equities		$ 1,168,906.72
Minority interests' portion	$ 185,731.38	
National Lead Company's portion	983,175.34	$ 1,168,906.72

Net income of foreign subsidiaries included above amounts to $658,700.

COMBINED STATEMENT OF EQUITIES
For the year ended December 31, 1943

	Minority Interests	National Lead Company Interests
Balances, December 31, 1942 (exclusive of the English subsidiary included in 1942 but excluded in 1943, because financial statements thereof for 1943 not received)	$ 675,831.04	$6,014,543.28
Deduct, Equities in subsidiaries sold or liquidated by National Lead Company during 1943, etc.	26,447.69	343,004.26
	649,383.35	5,671,539.02
Balance of net income for 1943	185,731.38	983,175.34
	$ 835,114.73	$6,654,714.36
Deduct:		
Cash dividends	$ 23,360.00	$ 64,790.00
Surplus transferred to statutory reserve	......	7,831.67
	$ 23,360.00	$ 72,621.67
Balances, December 31, 1943	$ 811,754.73	$6,582,092.69

The accompanying notes to combined financial statements are integral parts of this statement.

NATIONAL LEAD COMPANY

Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (Other than Continental European and English)

COMBINED STATEMENT OF ASSETS AND LIABILITIES

December 31, 1943

ASSETS

Current Assets:		
Cash		$ 1,958,487.66
Marketable Securities, at cost (at market quotations $979,480)		969,383.53
Receivable from National Lead Company		246,035.03
Accounts and Notes Receivable, less reserve for losses		2,177,360.07
Inventories priced generally at the lower of cost or market		3,383,801.21
Total Current Assets		8,735,067.50
Miscellaneous Investments, at costs or written-down amounts		428,830.00
Plant Property and Equipment	$4,396,908.34	
Reserves for Depreciation	2,115,516.21	2,281,392.13
Intangible Assets		66,619.12
Prepaid Expenses, Deferred Receivables, Charges, etc.		174,423.84
Post-war Refund of Excess Profits Taxes		274,395.91
		$11,960,728.50

NATIONAL LEAD COMPANY

Domestic Subsidiaries More than 50, but Less than 100 Per Cent Owned and Foreign Subsidiaries (Other than Continental European and English)

COMBINED STATEMENT OF ASSETS AND LIABILITIES

December 31, 1943

LIABILITIES

Current Liabilities:		
Accounts and Notes Payable and Accrued Liabilities		$ 1,044,991.05
Provisions for Taxes including United States and Foreign Income and Excess Profits Taxes		2,003,316.72
Total Current Liabilities other than advances from National Lead Company		3,048,307.77
Advances from National Lead Company		944,349.53
Reserves:		
Contingencies	$ 203,629.05	
General Inventory	53,439.66	
Statutory	42,759.16	
Amount Equal to Post-war Refund of Excess Profits Taxes	274,395.91	574,223.78
		4,566,881.08

EQUITIES

Minority interests	811,754.73	
National Lead Company interest	6,582,092.69	7,393,847.42
		$11,960,728.50

NOTES:

The above statement includes the assets and liabilities at October 31, 1943, and the accompanying statements of income and equities include the statements of income and equities for the year then ended of the Argentine subsidiary.

Included above are the following foreign assets and liabilities: Receivable from, $246,035, and advances from, $434,225, National Lead Company (carried at the dollar amounts reflected on the books of the parent company), other current assets, $4,708,844, and current liabilities, $886,746 (translated into United States dollars at exchange rates at the balance sheet date), plant property and equipment, plus other noncurrent assets, $3,241,847, reserves for contingencies, etc., $299,828 (translated generally at exchange rates effective at dates of acquisition of control of the subsidiary by National Lead Company and subsequent additions substantially at average exchange rates during year of addition), reserves for depreciation and depletion, $1,480,321 (based generally on dollar costs of fixed assets).

No renegotiation refunds have as yet been made by subsidiaries included above and no provisions have been made therefor. Renegotiation proceedings have been instituted by the government for the year 1942, but pending completion of such proceedings it is impracticable to determine the amounts of such refunds as may be payable. The management believes that after applicable income taxes National Lead Company's equity in such refunds for the years 1942 and 1943 will not exceed $265,000.

The combined statements of unconsolidated subsidiaries are stated on approximately the basis that would have been used had such statements been prepared for consolidation with financial statements of the parent company.

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
NATIONAL LEAD COMPANY,
New York, N. Y.

We have examined the consolidated and individual balance sheets of NATIONAL LEAD COMPANY and its subsidiaries (other than those incorporated in Continental Europe, Argentina, Canada and England) as of December 31, 1943 and the related consolidated and individual statements of income and surplus for the fiscal year then ended and have received reports of chartered accountants upon their examinations of the balance sheets of the Argentine subsidiary as of October 31, 1943, and the Canadian subsidiaries as of December 31, 1943, and the related statements of income and surplus for the fiscal years ended those dates. We have reviewed the systems of internal control and the accounting procedures of National Lead Company and its subsidiaries (other than as mentioned above) and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, based upon the above outlined examinations and the above mentioned reports of chartered accountants, the accompanying consolidated balance sheet and related consolidated statements of income and surplus present fairly the consolidated position of National Lead Company and its wholly owned domestic subsidiaries at December 31, 1943 and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

New York, March 11, 1944.

STOCK HOLDINGS IN NATIONAL LEAD COMPANY

	*Number of Holders December 31 1943	1942	Increase	Decrease
Common	12,298	11,781	517	....
Preferred Class "B"	2,047	2,047	....	....
Preferred Class "A"	3,778	3,786	....	8
Total	18,123	17,614	509	....

The number of women owning Stock is as follows:

	*Number of Holders	Number of Shares	Average Holdings
Common	4,928	798,508	162
Preferred Class "B"	1,028	28,119	27
Preferred Class "A"	2,156	75,888	35
Total	8,112	902,515	
Per Cent of Total Stockholders			44.76
Per Cent of Outstanding Par Stock			30.12

The number of accounts closed and opened during 1943 were as follows:

	Total	Common	Class "B" Pfd.	Class "A" Pfd.
Closed	2,914	2,207	287	420
Opened	3,423	2,724	287	412

* Where the same person owns more than one Class of Stock, there is a duplication in the number of Stockholders.

0000-NLI-000018283

DIRECTORS

EDWARD F. BEALE
Philadelphia, Pa.
LEONARD T. BEALE
Philadelphia, Pa.
WILLIAM V. BURLEY
St. Louis, Mo.
WALTER P. CARROLL
Chicago, Ill.
WILLIAM H. CROFT
Chicago, Ill.
CLAUDE F. GARESCHE
Short Hills, N. J.
CHARLES A. GEATTY
Red Bank, N. J.
KENDALL MARSH
New York, N. Y.
JOSEPH A. MARTINO
Jamaica, N. Y.
JOSEPH J. MORSMAN
Chicago, Ill.
FLETCHER W. ROCKWELL
Greenwich, Conn.
HAROLD ROWE
Englewood, N. J.
CHARLES SIMON
Jamaica, N. Y.
JAMES A. TAYLOR
Toronto, Ont.
HERMAN T. WARSHOW
New York, N. Y.

EXECUTIVE COMMITTEE

FLETCHER W. ROCKWELL, Chairman
WILLIAM H. CROFT
C. F. GARESCHE
CHARLES A. GEATTY
HAROLD ROWE
CHARLES SIMON
H. T. WARSHOW

EXECUTIVE OFFICERS

President
FLETCHER W. ROCKWELL

Vice Presidents
WILLIAM V. BURLEY
WILLIAM H. CROFT
HAROLD ROWE
H. T. WARSHOW

Secretary
HENRY O. BATES

Assistant Secretary
JOHN B. HENRICH

Treasurer
CHARLES SIMON

Comptroller
H. T. WARSHOW

Assistant Treasurers
THOMAS KERFUT
J. J. MORSMAN, JR.

Assistant Comptrollers
J. A. MARTINO
H. C. WILDNER

General Counsel
ALEXANDER & GREEN, 120 Broadway, New York, N. Y.

Stock Transfer Agent
THE CHASE NATIONAL BANK
11 Broad St., New York, N. Y.

Registrar of Stock
BANKERS TRUST CO.
14 Wall St., New York, N. Y.

DEPARTMENTS

ADVERTISING........Wm. Knust, Manager
ENGINEERING........Andrew Mayer, Chief Engineer
FLAXSEED........J. A. Johansen, Manager
INSURANCE........Hamlin & Co., Managers
MANUFACTURING........F. J. Shirley, Production Manager
METAL........C. A. Geatty, Manager
PURCHASES........E. R. Dondorf, Manager
SALES........H. J. Irvin, Manager
PATENTS........C. F. Kaegebehn, Manager
RESEARCH LABORATORIES........Alex Stewart, Director
TRAFFIC........D. R. Norris, Manager

COMMITTEES

FLAXSEED AND LINSEED OIL COMMITTEE

H. T. Warshow, Chairman
J. A. Johansen
J. G. C. McNair
J. L. Reque
J. J. Morsman, Jr., Secretary
K. Vettewinkel
A. M. Wilson

MANUFACTURING COMMITTEE

F. J. Shirley, Chairman
C. A. Geatty
Andrew Mayer
H. J. Irvin
J. F. Davis, Secretary
E. R. Rowley
J. A. Martino

METAL SALES COMMITTEE

H. J. Irvin, Chairman
G. E. Behr
W. P. Carroll
C. A. Geatty
C. W. Gesregan
T. C. Hoelzer
H. W. Hundley
J. Paul Kirk
J. A. Martino, Secretary
James A. Taylor
W. I. Wentz
G. H. Worrall

NEW PRODUCTS COMMITTEE

C. F. Garesche, Chairman
L. T. Beale
C. A. Geatty
Gustav Jebsen
Harold Rowe
H. T. Warshow

OXIDE SALES COMMITTEE

D. A. Merson, Chairman
W. P. Carroll
R. M. Evans
J. W. Gardiner, Jr.
A. B. Tibbets, Secretary
J. P. Kirk
H. J. Whitson

RESEARCH AND DEVELOPMENT COMMITTEE

C. A. Geatty, Chairman
R. L. Hallett, Chief Chemist
Gustav Jebsen
D. A. Merson
Alex Stewart
J. L. Turner

WHITE LEAD SALES COMMITTEE

F. K. McCarthy, Chairman
E. E. Busse
J. L. Caruth
J. H. Gaertner
J. W. Gardiner, Jr.
R. L. Hallett
R. J. Ferree
W. H. Lessman
J. G. C. McNair
W. R. Melville
A. B. Tibbets, Secretary
R. J. Peters
J. L. Reque
Harold Rowe
K. Vettewinkel
H. C. Wildner

PENSION AND LIFE INSURANCE BOARD

H. T. Warshow, Chairman
W. V. Burley
C. A. Geatty
Charles Simon
H. O. Bates, Secretary

0000-NLI-000018284

BRANCHES

NATIONAL LEAD COMPANY

ATLANTIC BRANCH, 111 Broadway, New York
J. G. C. McNAIR, C. W. GESREGAN } Managers

BALTIMORE BRANCH, 214 West Henrietta Street, Baltimore
H. F. FREIHERR, Manager

BUFFALO BRANCH, 116 Oak Street, Buffalo
W. R. MELVILLE, Manager

CHICAGO BRANCH, 900 West Eighteenth Street, Chicago
W. P. CARROLL, Manager
MILWAUKEE, WIS., 744 No. Fourth Street
DETROIT, MICH., 1627 W. Fort Street

CINCINNATI BRANCH, 659 Freeman Avenue, Cincinnati
H. W. HUNDLEY, Manager
LOUISVILLE, KY., 1320 Heyburn Building
ATLANTA, GA., Bishop Street

CLEVELAND BRANCH, 1213 W. Third Street, Cleveland
E. E. BUSSE, Manager

PACIFIC COAST BRANCH, 2240 Twenty-fourth Street, San Francisco
J. L. CARUTH, Manager
LOS ANGELES, CAL., 932 Wilson Street
SEATTLE, WASH., 973 John Street

ST. LOUIS BRANCH, 722 Chestnut Street, St. Louis
W. V. BURLEY, Manager
DALLAS, TEX., 959 Terminal Street
KANSAS CITY, MO., 1406-1408 W. Thirteenth Street
NEW ORLEANS, LA., 516 Tchoupitoulas Street
OMAHA, NEB., 2810 A Street
ST. PAUL, MINN., 102 W. Fairfield Avenue

ST. LOUIS SMELTING & REFINING WORKS, 722 Chestnut St., St. Louis
JEAN McCALLUM, Manager

E. W. BLATCHFORD CO., BRANCH, 63 Park Row, New York
R. F. KIELICH, Manager

EVANS LEAD DIVISION, Charleston, W. Va.
R. M. EVANS, Manager
Manufacturers of Lead Oxides

JOHN T. LEWIS & BROS. CO., Widener Bldg., So. Penn Sq., Philadelphia
J. W. GARDINER, Jr., President

MAGNUS METAL DIVISION, Chicago
W. H. CROFT, General Manager
Brass Founders

NATIONAL LEAD & OIL CO. OF PENNA., 1376 River Ave., N.S., Pittsburgh
J. H. GAERTNER, 2nd Vice President

NATIONAL-BOSTON LEAD CO., 800 Albany Street, Boston
R. J. PETERS, President

NATIONAL LEAD CO. S. A. (ARGENTINA), Avenida Presidente Roque Saenz Pena 567, Buenos Aires
M. L. SHOEMAKER, President

BAROID SALES DIVISION, 830 Ducommun St., Los Angeles
GEO. L. RATCLIFFE, General Manager
Oil Well Drilling Mud Service

TITANIUM DIVISION, 111 Broadway, New York
C. F. GARESCHE, Manager
Manufacturers of Titanium Oxide Pigments

DE LORE DIVISION, Carondelet, St. Louis
C. P. De LORE, Manager
Barium Sulphate and Calcium Sulphate Pigments

Corporations in which National Lead Company Is Interested Through Ownership of All or Part of the Capital Stock

AMERICAN BEARING CORPORATION, Indianapolis
PETER LAMBERTUS, President
Manufacturers of Precision Bearings

AMERICAN LEAD CORPORATION, Indianapolis
C. HAAN, Manager
Smelters of Secondary Metals

BAKER CASTOR OIL COMPANY, New York
KENDALL MARSH, President
Manufacturers of Castor Oil

CANADIAN TITANIUM PIGMENTS LIMITED, Montreal
L. W. HASLETT, President
Manufacturers of Titanium Oxide Pigments

EVANS LEAD CORPORATION, Charleston, W. Va.
R. M. EVANS, President
Distributors of Lead Oxides

HOYT METAL COMPANY OF GREAT BRITAIN, LTD., London
C. J. KNIGHT, Managing Director
Manufacturers of Anti-Friction Metals

MORRIS P. KIRK & SON, INC., Los Angeles
MORRIS P. KIRK, President
Manufacturers of Lead Alloys and Oxides

MAGNESIUM REDUCTION COMPANY, Luckey, Ohio
FLETCHER W. ROCKWELL, President
Producers of Metallic Magnesium

MAGNUS METAL CORPORATION, Chicago
W. H. CROFT, President
Brass Founders

MASTER METALS, INC., Cleveland
T. C. HOELZER, Manager
Smelters of Secondary Metals

ST. LOUIS SMELTING & REFINING COMPANY, St. Louis
FLETCHER W. ROCKWELL, President
Miners, Smelters and Refiners of Lead

THE CANADA METAL COMPANY, LTD., Toronto
JAMES A. TAYLOR, President
Toronto, Montreal, Winnipeg, Vancouver
Manufacturers of Lead Products, Brass and Bronze, Dross Smelters

THE EDNA BRASS MFG. CO., Cincinnati
Manufacturers of Locomotive Specialties

TITAN CO. A/S., Fredriksstad, Norway
DR. G. JEBSEN, Managing Director
Manufacturers of Titanium Oxide Pigments

TITAN COMPANY, INC., Wilmington, Del.
DR. G. JEBSEN, Vice President, New York
TITANGESELLSCHAFT m. b. H., Leverkusen, Germany
SOCIETE INDUSTRIELLE DU TITANE, Paris, France
BRITISH TITAN PRODUCTS CO., LTD., London, England
Manufacturers and Distributors of Titanium Oxide Pigments

TITANIUM PIGMENT CORPORATION, New York
C. F. GARESCHE, President
Distributors of Titanium Oxide Pigments

0000-NLI-000018285

Products Manufactured by National Lead Company and Affiliated Companies

PAINTERS' MATERIALS

White Lead, Dry, Paste, Paint
Colors, Dry and in Oil
Flatting and Lead Mixing Oils
Wall Primer
Liquid Drier

Red Lead, Dry, Paste, Paint
Linseed Oil, American and Calcutta, Raw, Boiled, Refined, Varnishmakers'
Titanium Pigments

ARCHITECTURAL MATERIALS

Lead Pipe
Glaziers' Lead
Solder
Antimonial Lead Products

Sheet Lead
Lead Sash Weights
Lead Traps and Bends
Cinch Expansion Bolts

ACID MANUFACTURING EQUIPMENT

Acid Pumps
Antimonial Lead Lined Valves
Antimonial Sheet Lead and Pipe
Tin Lined Valves and Fittings
Acid Concentrators

Antimonial Lead Lined Fittings
Chemical Lead Pipe
Chemical Sheet Lead
Special Tellurium Lead Lined Fittings

BEARING METALS

Babbitt Metals
Precision Bearings

Pressure Die Castings
Satco Metal

PRINTERS' METALS

Linotype Metal
Monotype Metal
Impression Lead

Stereotype Metal
Electrotype Metal
Blatchford Sectional Base

LEAD OXIDES

Red Lead
Litharge
Orange Mineral
Glassmakers' Oxides
Colormakers' Oxides

Rubbermakers' Oxides
Varnishmakers' Oxides
Enamelmakers' Oxides
Potters' Oxides
Storage Battery Oxides

MISCELLANEOUS METAL PRODUCTS

Airplane Die Metal
Bar Lead
Antimonial Lead Products
Special Tellurium Lead Products and Castings
Block Tin Pipe

Tin Lined Pipe
Lead Wool
Lead Wire
Pewter and Britannia Metal
Tellurium Sheet Lead and Pipe

GENERAL PRODUCTS

Brown Sugar of Lead
White Sugar of Lead
Copperas
Zinc Sulphate
Zinc Chloride

Linseed Oil Cake and Meal
Castor Oil
Copper Sulphate
Sodium Sulphide
Oil Well Drilling Muds