

NATIONAL LEAD COMPANY

1965

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National Lead Company

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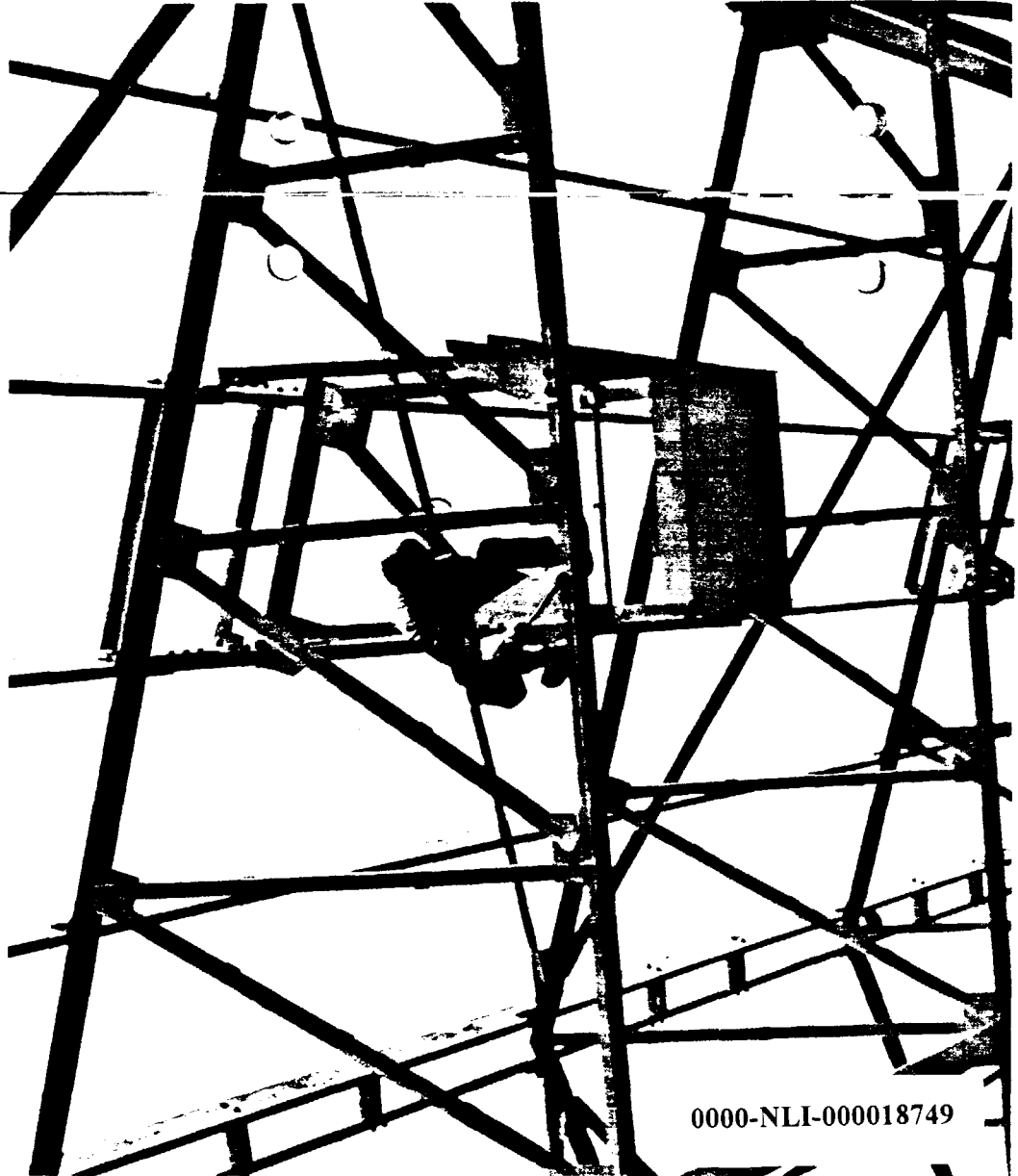
1965

NATIONAL LEAD COMPANY
Seventy-fourth Annual Report

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Left: Plant construction and equipment expenditures by National Lead Company were higher in 1965 than in any previous year.



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National Lead Company

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

Board of Directors

Alfred F. Bauer
George B. Coale
Alfred H. Drewes
John B. Henrich
J. Murray Johnston
James MacGuffie
Joseph A. Martino
Claude M. Merrell
David A. Merson
Thomas F. Owens
Edward R. Rowley
William J. Welch

Executive Officers

Joseph A. Martino
Chairman of the Board
Alfred H. Drewes
President
Alfred F. Bauer
Vice-President and General Manager of Doherty-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
James MacGuffie
Vice-President and Manager of Titanium Division
Claude M. Merrell
Vice-President International Operations
John B. Henrich
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

Executive Committee

Joseph A. Martino
Chairman
Alfred H. Drewes
John B. Henrich
Claude M. Merrell
Thomas F. Owens
Edward R. Rowley

General Counsel

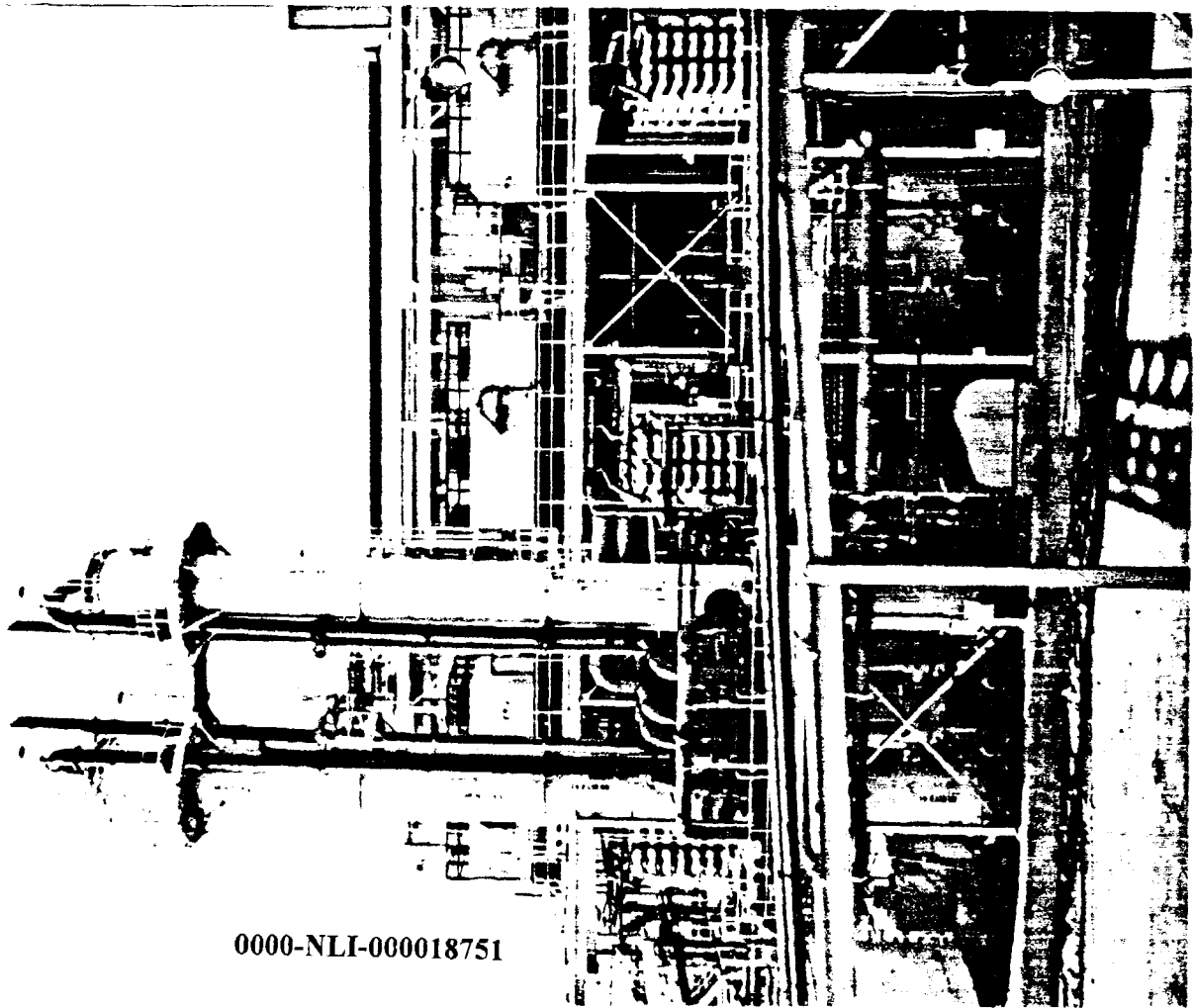
Alexander & Green
120 Broadway
New York, N. Y. 10005

Financial Highlights

	1985	1984
Net Sales	\$758,321,939	\$683,600,602
Net Earnings	\$ 58,689,280	\$ 56,196,018
Net Earnings Per Share	\$ 5.01	\$ 4.80
Cash Dividends	\$ 38,072,217	\$ 38,035,585
Dividends Per Share	\$ 3.25	\$ 3.25
Taxes:		
Income Taxes	\$ 49,788,166	\$ 49,516,462
Other Taxes	\$ 13,846,030	\$ 13,115,128
Retained Earnings	\$ 20,617,063	\$ 18,160,433

Common Stock

	4 3/4% 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. 10015	Bankers Trust Company 16 Wall Street New York, N. Y. 10015
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 East Toronto 1, Canada	The Royal Trust Company 66 King Street West Toronto 1, Canada
	The Chase Manhattan Bank One Chase Manhattan Plaza New York, N. Y. 10015



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To the Shareholders:

National Lead Company's financial results for the year 1965 were the best in its seventy-four year history. Sales reached a new high and operating earnings were at a record level, exceeded only by the reported net earnings in the year 1956 which included a substantial nonrecurring income tax adjustment.

Throughout the year 1965 economic activity in the United States and in most of the countries in which National Lead Company does business continued to display impressive strength and moved forward on a broad front. This favorable environment was one of the important factors in the Company's achievements during the year.

During 1965 effort was directed not only toward the current operations and business of the Company but considerable emphasis was placed on building for the future. Expenditures for new plant and equipment exceeded those of any previous year.

Sales and Earnings

Consolidated sales for 1965 were \$758,321,939, an 11 per cent increase over the Company's record sales of \$683,600,602 in 1964. Net income also rose in 1965 to \$58,689,280 from \$56,196,018 reported for 1964. Earnings per share increased to \$5.01 from \$4.80.

On a quarterly basis, sales increases were as follows:

	1965	1964	Per Cent Increase
First Quarter	\$179,653,795	\$161,633,290	11
Second Quarter	\$195,828,649	\$177,118,196	10
Third Quarter	\$186,128,781	\$169,297,391	10
Fourth Quarter	\$196,710,714	\$175,251,725	12

Section of newly constructed plant unit at Sayreville, New Jersey, for the manufacture of titanium pigments for use by the paint, paper, plastics, rubber and other industries.

The business of National Lead Company and its consolidated subsidiaries is widely diversified and international in scope. The Company, with sales offices, plants and mines in the United States, Canada, Europe, South America, and Australia serves all types of industries. Dollar sales are about equally divided between two product groups broadly described as metal and chemical. The metal group includes lead alloys and fabricated lead products, die castings, bearings, screws and fasteners, steel packages, metallurgical alloys, and other base and precious metals. The chemical group consists of titanium dioxide, lead pigments and chemicals, paints, oil well drilling materials, titanium and zirconium chemicals, refractories and various other chemical products.

Because of their singular properties, lead and its alloys best satisfy many requirements of modern industry and constitute a large portion of the Company's business. Lead is used in increasing quantities in the manufacture of automotive and industrial batteries, bearings, ammunition, solders and radiation shieldments. Company sales of fabricated lead products surpassed all previous levels in 1965.

The Company derives a large part of its lead requirements through the refining of scrap metal at facilities located throughout the United States. The remainder of the Company's substantial needs are purchased from outside sources. At the present time lead is in adequate supply.

In the expanding die casting market the Doehler-Jarvis Division, a producer of aluminum, zinc, magnesium and brass die castings, set a new sales record. This was also true of the Company's Canadian die casting operations. Although the automotive industry is the largest single customer, die castings are increasingly in demand for appliances, hardware, telephone and office equipment, cameras and many other applications. This area of the Company's business appears to have growth potential as more and more industries recognize the economic and technical advan-

tages offered by custom die casting.

The Company is a leading supplier of railroad journal bearings and precision bearings for industrial applications, with operations in the United States, England and Australia. Magnus Metal Division, which has been serving the railroads since before the turn of the century, enjoyed increased sales in 1965.

Southern Screw Company, which manufactures screws and metal fasteners at its Statesville, North Carolina, plant, again reported increased sales and earnings. This plant has been enlarged several times in recent years to keep pace with the growing demand from the furniture, appliance and automobile industries.

Nuclear Metals Division, a producer of fuel elements and shielding materials, has expanded its services for the transportation of irradiated fuel elements. Special mobile equipment is used to transport spent nuclear reactor fuels to Atomic Energy Commission processing facilities. As it has since 1951, the Company continues to act as contract operator of the Fernald, Ohio, feed materials plant for the Atomic Energy Commission.

Titanium pigments are used to impart hiding power to paints, to opacify paper and to whiten and brighten plastics, rubber and many other products. World-wide demand is increasing because of expanding usage of titanium pigments in these growing industries. National Lead Company maintains a strong international position in the titanium pigment business, with production facilities in the United States, Canada, West Germany, Belgium and Norway. European units reported increased sales for 1965. Company sales in the United States and Canada were affected by a seven week strike at the Sayreville, New Jersey, plant, intensified competition within the titanium pigment industry, and growing imports of foreign pigment into the United States. To strengthen its competitive position, the Company is expanding its product line to include chloride type pigments. The Company will then become the only producer offering all grades and types of titanium

pigments in the United States and Canada. In the latter part of 1965 price changes were made in a limited portion of the product line to meet competition from imported pigments.

The Company manufactures a complete line of premium-quality ready-mixed paints which is marketed throughout the country under the well-known "Dutch Boy" trademark. During 1965 there was a strong and growing demand for these "Dutch Boy" products, particularly the new latex type house paints. The reception of "Naplex," the improved latex wall paint, has been very gratifying.

Markedly increased sales were attained in 1965 by Baroid Division, which has been serving the petroleum industry for over thirty years with oil well drilling materials, well logging services and more recently with a line of specialty chemicals. This is significant in view of the curtailment of drilling activity in the United States and Canada over the last several years. Baroid has broadened its product line and the scope of its services, and is in a position to supply materials and technical assistance to drilling locations throughout the world.

New sales records were also established by Titanium Alloy Manufacturing Division, which makes zirconium and titanium chemicals, opacifiers and other products for the ceramic, chemical and electronics industries, and The Chas. Taylor's Sons Company, a producer of high temperature refractories used by the glass, steel and other industries.

During 1965 the increase in the Company's sales was proportionately greater than the increase in net income. Of major significance was the fact that in 1965 the prices of nonferrous metals were considerably higher than in 1964. Since many of the Company's products are sold at fixed differentials over metal prices, the portion of the increase in dollar sales resulting from higher nonferrous metal prices did not appreciably contribute to the increased net earnings. The relationship between sales and net income was



Fully automated die casting line at Toledo, Ohio, plant of Doehler-Jarvis Division handles large die castings now being produced for the automotive and other industries.

further affected in those areas where selling prices remained relatively stable while labor, raw materials and transportation costs moved upward.

Dividends

Owners of National Lead Company's shares have received dividends without interruption since 1906. In 1965, these dividends totaled \$38,072,217 and represented 65 per cent of net income after taxes. Quarterly payments of 75¢ a share were made in March, June and September, and \$1.00 in December for a total of \$3.25 a share, equal in amount per share to the 1964 dividend distribution.

It is gratifying to report that the net equity of the shareholders, expressed in terms of book value per common share, increased during 1965 to \$29.43 from \$28.03 at the end of the previous year.

The Company has paid cash dividends totaling \$394,530.839 during the ten year period of 1956 to 1965 inclusive. This represents 74 per cent of the total net profits earned during this period.

Taxes

In 1965 the Company's provision for all types of taxes was \$63,634.196, or \$5.44 per share. United States and foreign income taxes totaled \$49,788,166, while the remaining \$13,846,030 was for state income, franchise and various other direct taxes. Total taxes exceeded net income by \$4,944,916 and dividend payments to the shareholders by \$25,561,979.

As previously reported, the Company has adopted the Depreciation Guidelines, made available by the United States Treasury Department, in calculating its income tax payments. As a result of this treatment, 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 \$2,900,000 during 1965 to \$11,700,000.

Financial Position

During 1965 the Company financed record capital expenditures of \$40,136,775 without outside financial assistance and closed the year with the satisfactory position shown in the certified balance sheet appearing on page 24 of this report. Reflected therein are working capital of \$176,990,164 and net worth of \$344,436,986. The increase in fixed assets was financed primarily through retained earnings and depreciation.

One half of the Company's interest in The Canada Metal Com-

pany, Limited was sold to Consolidated Mining and Smelting Company of Canada in November 1965. This transaction achieved the objective of securing Canadian participation in the ownership of the subsidiary company and had the additional benefit of establishing an important working relationship with one of Canada's leading mining companies.

Receivables were up at December 31, 1965 because of increased sales. Inventories were also up, reflecting the higher level of business activity. Business trends are being carefully watched for any signs calling for a change in these balances.

The transactions referred to above have resulted in some adjustments of the various balance sheet accounts as compared with the previous year. The effect of the previously mentioned sale of one-half interest in The Canada Metal Company, Limited is worthy of special comment. Prior to this sale, its assets and liabilities were consolidated, item by item, in the balance sheet. At December 31, 1965, as a result of the sale, the remaining fifty per cent interest appears in one place as an investment. Canada Metal's sales and other operating figures for the first eleven months of 1965 are included in the accompanying Statement of Income. Company reports will include the results for periods after November 30, 1965 as dividends are received from this unconsolidated affiliate.

Higher dividend income from unconsolidated subsidiaries and miscellaneous investments was the principal factor in the \$1,193,347 increase in Other Income in 1965. The sale of the fifty per cent interest in The Canada Metal Company, Limited had no appreciable effect on Company income.

Plant Investment

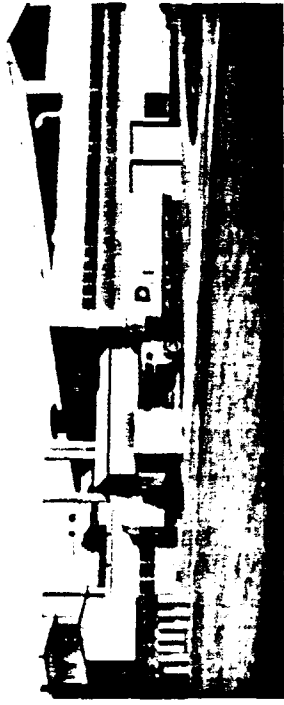
As previously mentioned, 1965 gross plant additions were the highest in the history of the Company and amounted to

\$40,136,775. Charges for depreciation, depletion and amortization amounted to \$16,341,068 in 1965.

Substantial expansion and improvement in the Company's world-wide facilities for the production of titanium pigment were a very important part of this program. The Company's initial chloride process unit installed at Sayreville, New Jersey, is scheduled to reach full-scale commercial production during 1966 and will increase the Company's domestic titanium dioxide capacity by 15 per cent. The construction of a similar unit at Varennes, Canada, will begin this year and will add 33 per cent to the Company's capacity in that country. In both instances, the new chloride process units will be integrated with facilities producing titanium dioxide by the sulphate process in such a manner as to minimize capital investment and to achieve significant cost savings and greater flexibility. During the year substantial additions were made to the power plant at Sayreville which supplies electricity and steam for titanium pigment manufacturing operations. Improved service to titanium pigment customers in northern California will be provided by a new warehouse and office that will be completed at Oakland, California, in mid-1966.

The Company is expanding its titanium pigment plant at Fredrikstad, Norway. Upon completion in late 1966, this unit, which supplies industrial consumers in Scandinavian countries, will have a production capacity of 15,000 tons of titanium dioxide a year. Its requirements for titanium ore will be provided by the Company's mine at Hauge i Dalane, Norway which also supplies the Company's other European plants with raw materials.

Capital expenditures were substantially increased to provide added capacity at the Doehler-Jarvis Division plants to meet customers' growing requirements, and to take advantage of advances in the technical improvements in the industry. At Toledo, Ohio, buildings and production equipment were greatly expanded and a fully automated electroplating line was installed which is capable



Expansion of Pottstown, Pennsylvania, plant of Doehler-Jarvis Division provides 200,000 square feet addition for the production of die castings.

of handling the largest die castings now being produced. A major expansion of die casting facilities at Grand Rapids, Michigan, is also nearing completion. At Pottstown, Pennsylvania, an extensive construction program will be completed in mid-1966, which will result in consolidation of two existing plants with a total increase in capacity and efficiency. Installation of a new computer system has been approved which will coordinate operational planning at Doehler's five domestic plants. Production capacity also has been increased at die casting plants at Hamilton and Oakville, Ontario, Canada.

Strong customer demand for die casting is continuing into 1966 and will require further expansion of manufacturing facilities.

Baroid Division announced plans for a new chemical plant at Houston, Texas, to manufacture Baroid's rapidly expanding line of corrosion inhibitors, emulsion breakers and degreasers for the petroleum industry.

During 1965, Baroid Division constructed a new ore handling and washing plant at its mine at Fountain Farm, Missouri. For improved customer service, additional marine equipment was added to the delivery fleet that supplies offshore drilling rigs in



Newly installed equipment for the precision grinding of journal roller bearings for the railway industry at the Cincinnati plant of Magnus Metal Division.

the Gulf of Mexico. A storage warehouse at Venice, Louisiana, was expanded, and new portable bulk storage and delivery equipment was purchased for use in the Pacific coast area. Plant expansions for the production of gelling agents were completed at St. Louis, Missouri, and Newberry, California.

Baroid's overseas operations continued to expand with the increase in activity in the exploration for oil and gas, particularly in the Middle East and North Sea areas. Stock points for oil well drilling materials have been established in Kuwait, Lebanon, Jordan, Saudi Arabia, England, The Netherlands, Denmark, Sweden and Nigeria. Production facilities for oil well drilling material were completed at Benghazi, Libya. Baroid also supplemented its barytes ore reserves by acquisition of deposits in Peru.

Magnus Metal Division announced plans to build a solid railroad journal bearing plant at French Camp, California. The facilities of this plant will include an automated casting line. Magnus currently operates eight other journal bearing plants strategically located at major domestic railroad centers. Equipment for the manufacture of journal roller bearings for the railway industry is being installed at Cincinnati, Ohio.

Progress continued in 1965 in the development by The Bunker Hill Company of National Lead Company's Higdoln lead-zinc property near Fredericktown, Missouri. Following the completion of surface preparation at mid-year, the sinking of the 1500 foot shaft was begun. Approximately three years will be required to bring the property into production. Both companies will share equally in the profits after their pre-production expenses have been recovered.

A number of other projects were undertaken in 1965 including the expansion of zirconium chemicals production at Niagara Falls, New York; the modernization of a secondary lead refinery at McCook, Illinois; and the establishment of a new paint sales office, and a warehouse at Woodbury, Long Island, to better serve the "Dutch Boy" paint customers in the New York metropolitan area.

Unconsolidated Affiliated Companies

National Lead Company occupies an important position in the titanium metal industry through a subsidiary, Titanium Metals Corporation of America, which is jointly owned by the Company and Allegheny Ludlum Steel Corporation.

The titanium metal industry moved ahead again in 1965 with sales of mill products showing an increase of about 20 per cent over 1964. The last decade has been marked by advances in the technology of titanium metal production which has been accompanied by the broadening of markets and a decline in price levels. Titanium has attained an outstanding position as an engineering metal for aerospace and chemical processing applications requiring lightweight, high strength over a wide temperature range, corrosion resistance or combinations of these properties.

Titanium Metals Corporation of America is expanding to keep pace with growing demand for titanium metal. In the past three years capital expenditures have approximated \$16,000,000. In 1965

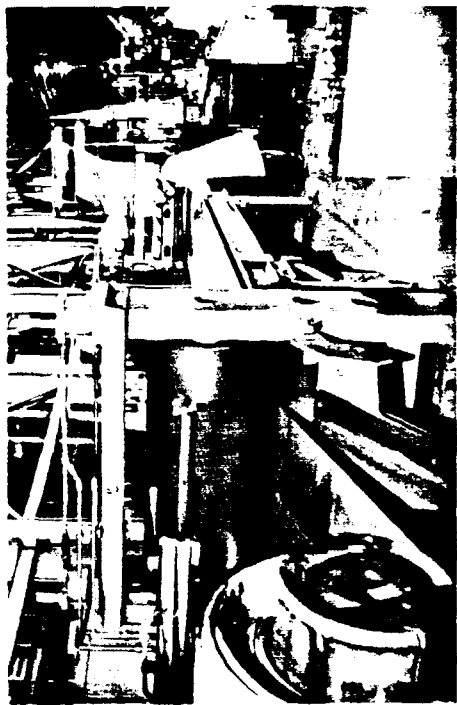
TMCA extended its nation-wide distribution system by establishing warehouses at Dallas, Texas, and West Caldwell, New Jersey, and completed the major part of its cold strip facility at Toronto, Ohio. In 1965 TMCA continued dividend payments to each parent Company.

The screw and metal fastener business of Schraubenfabrik Neustadt Goetz & Cie G.m.b.H. expanded in 1965. To meet increased demands of consumers, this subsidiary is installing additional production capacity at its plant at Neustadt, West Germany, which will be in production in early 1966.

Morris P. Kirk & Son, Inc. a manufacturer of fabricated lead products and lead oxides for industrial consumers in the western part of the United States reported higher sales and earnings in 1965. Its subsidiary, Pioneer Aluminum Inc. had a most successful year. Pioneer makes tooling plate and sells aluminum extrusions and sheet to the expanding aircraft industry throughout the country from strategically located warehouses.

The Baker Castor Oil Company's operations continued to expand in 1965. Baker's principal research effort has been directed to the development of new chemical products derived from castor oil, which include various urethane materials, thixotropic agents, plasticizers, stabilizers, paint vehicles, lubricants, and chemical specialties. These are used for a wide spectrum of applications in various industries.

The Company's capacity for the production of rutile in Australia was increased during 1965 through its affiliates Mineral Deposits Pty. Limited and Queensland Titanium Mines Pty. Ltd. The latter Company, jointly owned with Titanium Metals Corporation of America, has just begun mining operations. Rutile is used chiefly as a raw material for the production of titanium metal and titanium pigment. These Companies also produce zircon which is processed and sold through Titanium Alloy Manufacturing Division.



Continuous strip rolling equipment designed specifically for high performance titanium alloys at Toronto, Ohio, plant of Titanium Metals Corporation of America.

The Company manufactures paint, varnishes and enamels in the Philippines and in 1965 markedly increased sales and earnings were reported for this operation.

Die casting plants are operated in England, Argentina and Brazil by Company affiliates. During 1965 additional capacity was provided at the English plant which is being expanded to meet growing market demands. The performance of the South American units was adversely affected by local business conditions and unstable currencies.

The Company, through affiliated organizations, produces oil well drilling materials in Venezuela and Trinidad, using barytes ore from a Company mine at Camamu, Brazil. In 1965 sales were affected by a slackening in demand for oil well drilling materials in the Latin American market.

New Processes and Products

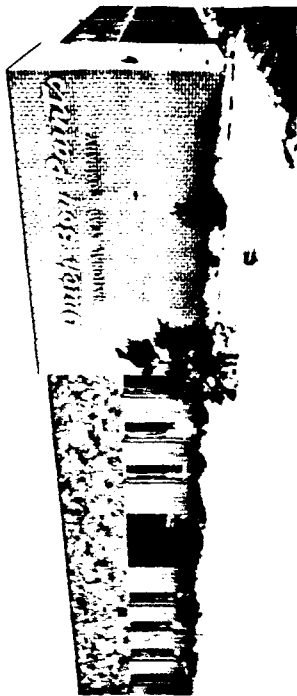
Research and development has been an important factor in the growth of National Lead Company. This activity is now organized on a divisional basis with seventeen laboratories and over 600

chemists, physicists and other technically trained personnel. Expenditures for research and development have more than doubled in the last decade.

There was considerable progress in 1965 on the experimental project for the extraction of magnesium chloride and other salts from Great Salt Lake brines and the conversion of the magnesium chloride into magnesium metal and chlorine. In March of 1965 Hooker Chemical Company, a leading manufacturer of agricultural and industrial chemicals, joined National Lead Company in this research and development project. Large ponds for evaporating and concentrating the brine have been constructed at Great Salt Lake. Substantial progress has been made at the experimental extraction plant at Lakepoint, Utah. A full-scale prototype electrolytic cell for the production of magnesium metal from magnesium chloride has been built and successfully operated at Henderson, Nevada. If the results of this experimental project are favorable, plans call for the construction of a full-scale chemical processing plant at Great Salt Lake for the extraction of magnesium chloride and the production of co-products, such as potassium sulphate, magnesium oxide and hydrochloric acid, and an electrolytic plant in the Pacific Northwest for the production of magnesium metal and chlorine. It is expected that development work will be completed in the Fall of 1966.

Research continues on the development of processes for the chemical treatment of ilmenite to produce improved feed materials having a high titanium oxide content for the manufacture of titanium pigments and titanium metal.

In recent years the commercial usage of acrylic plastics in the form of rigid sheeting has grown rapidly. During the year the Company entered this expanding field with a line of cast acrylic sheets for use in outdoor signs, architectural panels, window glazing and lighting fixtures. The plant unit acquired for this purpose is located at Landover, Maryland.



New sales office and warehouse opened in 1965 at Woodbury, Long Island, serves "Dutch Boy" paint customers in the New York metropolitan area.

The Company has started manufacturing permanent mold and shell mold aluminum castings for the aircraft, appliance, automotive and other industries. The activities of a plant at Kenmore, New York, will complement the work being carried on by the Doehler-Jarvis and Magnus Metal Divisions.

Floating Floors, Inc., a pioneer in the field of die cast aluminum elevated floors for computer and other installations, has introduced a specially designed steel floor with similar properties for use where economy is a factor and lightweight is not required.

Research in the field of automobile storage batteries has led to the development of a new type of separator for dry-charged batteries. This separator, composed of "Nalcon" encapsulated cellulose developed by the Company, reduces the number of operations required in the manufacture of dry-charged batteries. Deliveries of the new product will commence in 1966.

A new mineral gellant, "Benaqua", has been introduced for use in water-base paints and cosmetics. This product has easy wetting and gelling properties and provides a smooth thixotropic gel which is particularly desirable in cosmetic foams and pastes.

Other products introduced in 1965 include a new corrosion in-

hibitor for the petroleum production industry and a chemical, zirconium hydride, for use in accelerating ignition in ammunition primers.

Shareholders and Employees

The number of shareholders continues to grow and at year-end was the highest in the Company's history, totaling 42,302 shareholders, who held 11,705,200 shares. At the end of 1964 there were 40,550 shareholders.

The Company's 1965 annual meeting took place on April 15th and the percentage of the outstanding stock represented either in person or by proxy was most gratifying. A cordial invitation is extended to all shareholders to attend the next annual meeting on April 21, 1966.

The working relationship between the Company and its employees which at year-end numbered 23,325, has been generally most favorable and continued so in 1965. Over ten per cent of these employees had service of twenty-five or more years and at least fifty per cent had been employed for ten years or more. During the year, labor negotiations were satisfactorily concluded with 41 local unions without any interruption of operations. With the exception of a costly seven week strike in early 1965 at the Titanium Pigment plant at Sayreville, New Jersey, work stoppages were few in number and relatively minor in effect.

Retirement annuity payments were granted to 173 employees retiring in 1965, bringing to more than 2,500 the number of employees now receiving payments under Company pension plans. During the year group life insurance aggregating \$1,485,000 was paid on 254 death claims.

The year 1965 witnessed a continuation of recent trends which emphasize benefit programs designed to enhance job security and to provide increased welfare benefits, such as hospitalization, med-

ical and surgical insurance, and income protection during periods of disability.

Changes in Organization

Alfred F. Bauer was elected a director in February 1966, succeeding J. Paul Kirk. Mr. Bauer is a vice president of the Company and general manager of Doehler-Jarvis Division.

J. Murray Johnston was elected a director in February 1966, succeeding Harry C. Wildner. Mr. Johnston is a vice president of the Company and manager of Titanium Alloy Manufacturing Division.

In April 1965, James MacGuffie, manager of the Titanium Division, was elected a Company vice president. In February 1966 he was elected to the board of directors, succeeding Graham W. Corddry.

William J. Welch retired as a Company vice president and a member of the executive committee in September 1965. Mr. Welch began his career with the Company in 1916 and was elected a director in 1952 and a vice president in 1954. He continues as a member of the board of directors.

Outlook

As this report is being written, the generally favorable economic conditions that prevailed during 1965 appear to be carrying over into the first quarter of 1966. The outlook for the remainder of the year is optimistic, although somewhat tempered by the uncertainty of the possible effect of the situation in Viet Nam on the economy.

In the early months of 1966, demand continues strong for National Lead Company products, raw materials are in good supply and additional plant capacity will enable the Company to

NATIONAL LEAD COMPANY FINANCIAL STATEMENTS FOR 1965

satisfy increased customer requirements. Assuming continuation of the present conditions, and relying on the resourcefulness, energy and loyalty of its employees, and the cooperation and support of its shareholders and customers, the Company looks forward to further progress in 1966—its 75th Anniversary Year.

By Order of the Board of Directors

J. A. Martin

Chairman of the Board

Robert H. Shriver
President

March 21, 1966

The seventy-fourth 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 21, 1966, at 11:00 a.m. All shareholders are cordially invited to attend.

National Lead Company and its Consolidated Subsidiaries
Balance Sheets
December 31, 1965 and 1964

Assets	1965	1964	Liabilities	1965	1964
Current assets:			Current liabilities:		
Cash and certificates of deposit.....	\$ 33,127,079	\$ 31,733,195	Accounts payable and accrued liabilities.....	\$ 53,792,566	\$ 49,145,175
Government, state and municipal obligations, at cost (approximates market)	14,505,989	17,484,747	Provisions for taxes	42,625,007	44,077,956
Other marketable securities, at cost (at market quotations: 1965, \$4,390,000; 1964, \$16,540,000)	2,067,549	14,803,768	Total current liabilities	\$ 96,417,573	\$ 93,223,131
Accounts and notes receivable, less reserves: 1965, \$2,090,068; 1964, \$2,083,168	90,395,457	85,319,999	4¾% subordinated debentures, due April 1, 1988 (Note 5)	\$ 30,713,500	\$ 31,564,400
Inventories (Note 2)	133,311,663	129,709,767	Deferred United States income tax	\$ 11,700,000	\$ 8,800,000
Total current assets	273,407,737	279,051,476	Inventory reserve (Note 2)	\$ 11,522,690	\$ 11,308,774
Notes receivable under Stock Option Incentive Plan (Note 6)	580,958	474,471			
Investments in, at cost or below, and advances to un- consolidated subsidiaries, less reserve of \$3,193,775 (Note 3)	14,715,547	11,381,789	Capital (Note 6):		
Miscellaneous investments and advances, at cost or below, less reserves: 1965, \$864,897; 1964, \$826,199 (Note 4)	10,525,324	6,865,890	Common stock, par value \$5; shares authorized 20,000,000, issued: 1965, 11,720,557; 1964, 11,713,757	\$ 58,602,785	\$ 58,568,785
Plant, property and equipment (including intangibles of \$20,692,311 not being amortized) at cost, less reserves for depreciation, depletion and amortization: 1965, \$218,840,019; 1964, \$208,974,265	190,276,071	169,381,420	Capital surplus	37,521,804	37,096,859
Prepaid expenses and deferred charges	5,285,112	5,950,315	Earned surplus	249,355,152	232,672,097
	\$494,790,749	\$473,105,361	Less, Reacquired common stock, at cost: 1965, 15,357 shares; 1964, 2,484 shares	345,479,741	328,337,741
				1,042,755	128,685
				\$314,436,986	\$328,209,056
				\$494,790,749	\$473,105,361

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National Lead Company and its Consolidated Subsidiaries

Statements of Income and Earned Surplus

For the years ended December 31, 1965 and 1964

	1965	1964
Net sales	\$758,321,939	\$683,600,602
Cost of sales	\$528,156,289	\$461,696,453
Depreciation, depletion and amortization	16,341,068	15,657,395
Selling, administrative and general expenses	96,405,019	91,072,693
Taxes, including state income taxes	13,846,030	13,115,128
	\$654,748,436	\$581,541,669
Other income, net	\$103,573,503	\$102,058,933
Interest on debentures	6,237,578	5,044,231
Income before United States and foreign income taxes	109,811,081	107,103,164
Provision for United States and foreign income taxes	1,333,635	1,390,684
Net income	\$58,689,280	\$56,196,018
Per share of common stock	\$5.01	\$4.80
Earned surplus at beginning of year	\$232,672,097	\$214,511,664
Net income	58,689,280	56,196,018
Less:	\$291,361,377	\$270,707,682
Dividends on common stock, \$3.25 per share	\$ 38,072,217	\$ 38,035,585
Adjustments relating to changes in ownership of subsidiaries (Note 1)	3,934,008	—
Earned surplus at end of year	\$ 42,006,225	\$ 38,035,585
	\$249,355,152	\$232,672,097

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. In November, 1965, the Company sold one-half of its interest in certain Canadian subsidiaries and the accounts of such subsidiaries have been included in consolidated operations only to the date of sale. 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:

	1965	1964
Equity in net assets	\$30,411,000	\$26,076,000
Excess of equity over the Company's net investments and advances	16,728,000	15,230,000
Increase in excess equity during year	1,498,000	1,033,000

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 \$18,409,000 at December 31, 1965 and \$14,382,000 at December 31, 1964. A substantial portion of the increase in equity in net assets is due to the inclusion in 1965 of certain Canadian subsidiaries previously included in the consolidated statements (see Note 1).

6. 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 1965 under the Plan are summarized as follows:

	Range of Option Prices per Share	Shares
Under option, January 1, 1965	\$67.568 to \$116.375	197,040
Less:		
Options exercised	67.568	6,800
Options expired	67.568 to 99.275	111,985
Under option, December 31, 1965	67.568 to 116.375	78,255

At December 31, 1965, the unpaid balances of the purchase prices of 11,575 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 (1965, \$424,945; 1964, \$279,909).

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 taxes which may be payable 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, 1965 and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished reports of other public accountants upon their examinations of the financial statements of certain consolidated and major unconsolidated subsidiaries. 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 1964.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1965 and 1964 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 24, 1966.

National Lead Company and its Consolidated Subsidiaries
Ten Year Review of Operations

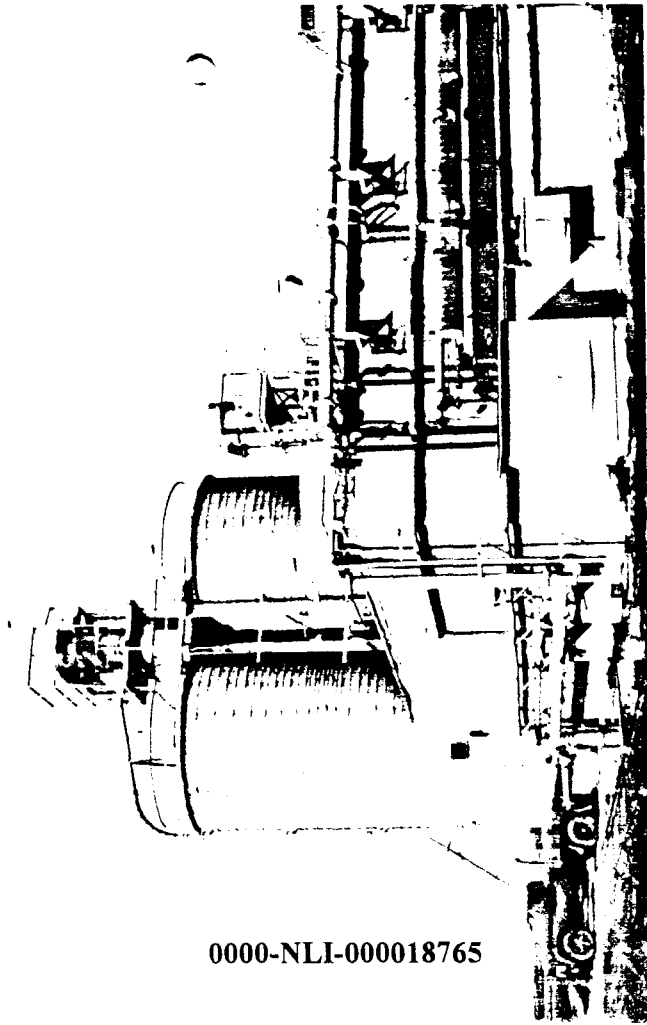
	1965	1964	1963	1962	1961	1960 Retained*	1959	1958	1957	1956
Net Sales	\$758,321,939	\$683,600,602	\$618,580,159	\$570,721,363	\$555,672,358	\$562,021,983	\$530,550,817	\$457,592,886	\$535,343,270	\$576,292,383
Income before Taxes	108,477,446	105,712,480	94,680,405	93,780,009	98,436,769	100,569,991	101,174,233	84,395,289	101,537,900	107,521,101
Taxes on Income	49,788,166	49,516,462	45,087,815	44,740,176	46,695,016	48,163,860	48,712,722	39,673,891	45,306,394	44,369,014
Net Income	58,689,280	56,196,018	49,592,590	49,039,833	51,741,753	52,406,131	52,461,511	44,721,398	56,231,506	63,152,087**
Preferred Dividends	—	—	374,488	2,105,562	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161	2,181,161
Common Dividends	38,072,217	38,035,585	38,048,890	38,033,964	38,016,564	38,011,864	37,947,176	37,865,038	37,857,956	37,074,569***
Total Cash Dividends	38,072,217	38,035,585	38,423,378	40,139,526	40,197,725	40,193,025	40,128,337	40,046,199	40,039,117	39,255,730
Retained Earnings	20,617,063	18,160,433	11,169,212	8,307	144,028	12,213,106	12,333,174	4,675,199	16,192,389	23,896,357
Earnings Per Common Share ..	5.01	4.80	4.20	4.01	4.24	4.29	4.30	3.65	4.64	5.34
Cash Dividends Per Common Share	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25***
Total Current Assets	273,407,737	279,051,476	253,105,206	248,997,917	242,107,203	227,558,122	205,350,494	184,392,427	183,995,439	198,413,275
Total Current Liabilities	96,417,573	93,223,131	83,706,098	74,195,681	75,193,976	69,229,892	66,689,074	64,240,475	70,175,917	80,925,200
Working Capital	176,990,164	185,828,345	169,399,108	174,802,236	166,913,227	158,328,230	138,661,420	120,151,952	113,819,522	117,488,015
Gross Property Account	409,116,090	378,355,685	362,643,201	358,753,647*	347,040,211	335,069,506	292,122,311	287,800,726	260,592,510	238,609,305
Reserves for Depreciation, Depletion and Amortization ..	218,840,019	208,974,265	198,150,041	192,898,078	181,569,212	172,980,588	145,220,190	135,107,065	121,775,325	111,224,536
Net Property Account	190,276,071	169,381,420	164,493,160	165,855,569	165,470,999	162,088,918	146,902,121	152,693,661	138,817,185	127,384,769
Total Assets	494,790,749	473,105,361	442,480,074	438,593,911	431,161,102	413,535,074	380,511,351	361,213,437	358,369,280	353,176,014

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

**Includes a nonrecurring income tax adjustment of \$6,688,151.

***Plus 2 1/2 stock dividend.

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All National Lead Company plants are equipped with facilities to combat air and water pollution, such as the water treatment unit pictured above which removes chemical contaminants from processing waters before they are discharged from the plant. Effective methods for waste disposal and water and air pollution control must be incorporated in the plans for all new plants or major additions. National Lead Company believes water and air pollution control is one of the obligations of responsible corporate citizenship.

Branches

Atlanta Branch
Atlantic Branch
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,
brads, wool, wire, ingot,
shot; radiation
shielding; battery grid,
babbitt and type metals,
solder, lead and zinc
alloys; lead-lined valves
and fittings; cinch
anchors.

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, aluminum 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)

Tool and Engineering Division

Chicago
Tools for sheet metal
forming, complete models,
prototypes, assembly
operations and engineering
services

Wholly Owned Domestic Subsidiaries

Aluminum Match Plate Corporation Kenmore, New York Aluminum castings	Master Metals, Inc. Cleveland Lead and lead alloys	Southern Screw Company Statesville, North Carolina Screws and metal fasteners	Titanium Metals Corporation of America New York Titanium metal sponge, ingot and mill products
Floating Floors Inc. New York Elevated floors and site environmental systems	National Lead Company of Ohio New York Contract-operator, Atomic Energy Commission	The Chas. Taylor's Sons Company Cincinnati High temperature refractories	The Baker Castor Oil Company Bayonne, New Jersey Castor oil, chemicals derived from castor oil and other oils and fats, chemical specialties
Landover Manufacturing Company Landover, Maryland Cast acrylic sheeting		Pioneer Aluminum Inc. Los Angeles Aluminum aircraft extrusions and aluminum tooling plate	

Wholly Owned Foreign Subsidiaries

Barber Die Casting Co. Limited Hamilton, Canada Aluminum, brass, magnesium and zinc die castings	Hoyt Metal Company of Great Britain, Ltd. London Anti-friction metals	Societe Belge du Titane S.A. Brussels Titanium pigments	Abbey Chemicals Limited London Gellants; stabilizers for vinyl plastics
Baroid of Canada, Ltd. Calgary Oil well drilling materials, well logging services and testing equipment	Kronos Titan N.V. Rotterdam Titanium pigments	The Titanium Alloy Manufacturing Co. Pty. Limited Tweed Heads, Australia Rutile and zircon ores	Mineral Deposits Pty. Limited Sydney, Australia Rutile and zircon ores
Baroid of Nigeria, Ltd. Lagos, Nigeria Oil well drilling materials	Kronos Titanium Pigments Limited London Titanium pigments	Titan Co. A/S Fredrikstad, Norway Titanium pigments and paints	National Lead Company (Philippines) Manila Paints, varnishes and enamels
Baroid (U.K.) Ltd. London Oil well drilling materials	Lakeshore Die Casting Limited Oakville, Canada Aluminum and zinc die castings	Tiangesellschaft m.b.H. Leverkusen, West Germany Titanium pigments	The Canada Metal Company, Limited Toronto Lead oxides; fabricated lead products; lead and zinc alloys; brass and bronze products
Canadian Titanium Pigments Limited Montreal Titanium pigments	Metalmix S.A. Buenos Aires Lead oxides	Derives du Titane S.A. Langebrugge, Belgium Titanium pigments	The Carter White Lead Company of Canada, Ltd. Montreal Lead pigments, lead oxides and stabilizers for vinyl plastics
Chas. Taylor Sons S.A. Brussels High temperature refractories	Pigmentos Minerais Industrial e Comercial Pigma S.A. Salvador, Brazil Oil well drilling materials	Dochler Argentina S.A. Buenos Aires Aluminum and zinc die castings	
		Industrias Dochler do Brasil, S.A. São Paulo, Brazil Aluminum and zinc die castings	

Partially Owned Domestic Affiliated Companies

Enenco, Incorporated Memphis, Tennessee Fatty amines	R-N Corporation New York Direct reduction and beneficiation of iron ores		
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			

Partially Owned Foreign Affiliated Companies

Abbey Chemicals Limited London Gellants; stabilizers for vinyl plastics	Metal Castings Doehler Limited Worcester, England Aluminum and zinc die castings	Schraubenfabrik Neustadt Goetz & Cie G.m.b.H. Neustadt, West Germany Screws and metal fasteners
Baroid de Venezuela, S.A. Caracas Oil well drilling materials	Mineral Deposits Pty. Limited Sydney, Australia Rutile and zircon ores	Societe Industrielle du Titane Paris Titanium pigments
Baroid International, S.p.A. Rome Oil well drilling materials	National Lead Company (Philippines) Manila Paints, varnishes and enamels	The Canada Metal Company, Limited Toronto Lead oxides; fabricated lead products; lead and zinc alloys; brass and bronze products
Barytes & Minerals Limited Trinidad Oil well drilling materials	National Lead Company S.A. Buenos Aires Lead and lead products	
Derives du Titane S.A. Langebrugge, Belgium Titanium pigments	Queensland Titanium Mines Pty. Ltd. Tin Can Bay, Queensland, Australia Rutile and zircon ores	
Dochler Argentina S.A. Buenos Aires Aluminum and zinc die castings		
Industrias Dochler do Brasil, S.A. São Paulo, Brazil Aluminum and zinc die castings		

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DOEHLER • JARVIS

Solder? Flux?

Pig soldier? Slab? Ingot? Bar? Sheet? Ribbon? Solid wire? Coiled wire? Drop? Powerlatch? Pistol? Preform? **Stable**? **Stainless Steel?**
Dependability of acid number? Relativity of water? Flaming section? Sorensen factor? Dryness? Effect on electroplated coating? Effect on electrically-polarized wire? **Stable**? **Stainless Steel?**
Coast-to-coast service from 10 strategically located plants and 32 sales offices! **Stable**? **Stainless Steel?**
Buy Quaker Boy soldiers. From National Lead.

Buy Outlin Box soldiers. From National Lead.



Make it

Dutch Boy!

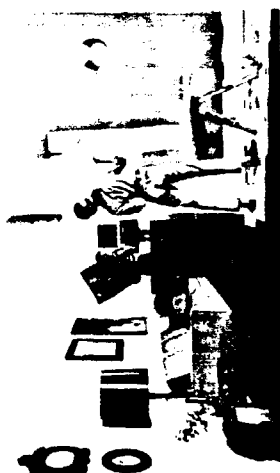
From National Lead.

For solder and flux catalog, write
National Lead Company, Room 2426
1111 Broadway, New York, N. Y. 10006

0000-NLI-000018767



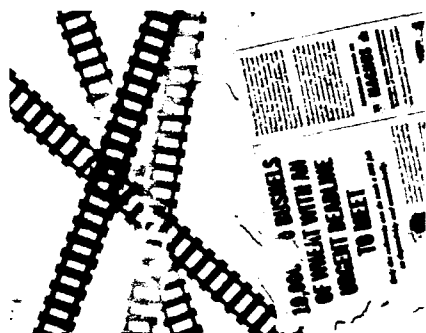
New:
the latex wall paint with
the built-in second coat.



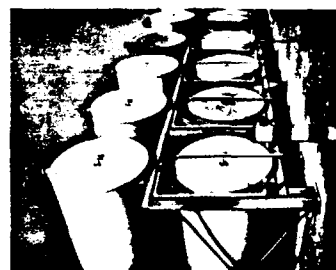
With Oncor M50 systems, you can offer a wider all coat color choice than with any other anti-corrosion paint system.

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National Lead



National Lead Company advertisements appear in over two hundred trade and consumer publications. Advertising plays an increasingly important role in the Company's marketing programs in creating awareness and demand for its many diversified products.



Isn't it time you looked into Oncor M50, the new standard for protection against corrosion.



TAM



An unbeatable combination:
 plastic and TITANUM® white pigments

Do Oil Wells Affect Drilling Operations?

... for the better and in the same sense of the ways

PROVEN

