# National Lead Company

58TH

*Annual Report*

1949

# 58th ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1949

# National Lead Company

INCORPORATED DECEMBER 8, 1891

TABLE OF CONTENTS

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

*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.




# THE PRESIDENT'S MESSAGE

March 15, 1950

*To the Stockholders and Employees of National Lead Company:*

VIEWED IN comparison with the years immediately preceding it, 1949 was marked by the return of active competition to the Company's markets and by greater availability of certain raw materials, particularly metals, which had been in short supply since the end of World War II. Coupled with these conditions were the problems incident to declining metal prices and to reduced business activity in the early months of the year.

Against this background, it is gratifying to report that 1949 earnings exceeded net income for 1948 by about 11%. This showing was possible despite declines in both the dollar and physical volume of sales. The factors contributing to the final result are discussed elsewhere in this report.

### *EARNINGS*

Net income for 1949 amounted to $14,749,011, equal to $3.88 per share of Common stock after payment of the regular dividends on the Preferred stock outstanding. In 1948, the Company earned $13,304,355, or $3.62 per Common share.

A primary factor contributing to the comparative earnings picture was the restoration to income of inventory reserves set up under the normal stock system of valuation during the period when metal prices were rising.

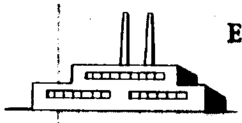
Dividends received from foreign subsidiaries and partially owned domestic companies are included in the above earnings. The Company's equity in the 1949 undistributed earnings of these subsidiaries, excluding those located in Continental Europe, is estimated to amount to 27¢ per Common share, before considering the effect of the devaluation of foreign currencies.

The Company's equity in the net tangible assets of these subsidiaries exceeded the amount carried on the Company's books at December 31, 1949 by $13,680,000.

### *DIVIDENDS*

An aggregate of $9,452,351 was paid to the stockholders as cash dividends during 1949. Preferred shareholders received $2,134,451 of the above

# *Financial Highlights*

| | 1949 | 1948 |
|---|---|---|
|  SALES. . . . . . . . | $257,461,599 | $320,457,301 |
|  EARNINGS . . . . . | 14,749,011 | 13,304,355 |
|  TAXES . . . . . . . | 8,783,272 | 15,769,774 |
|  DIVIDENDS . . . . . PER SHARE | 2.25 | 1.25 (Plus 5% Stock Dividend) |
|  EARNINGS RETAINED FOR USE IN THE BUSINESS . . . . | 5,296,660 | 2,547,341 |



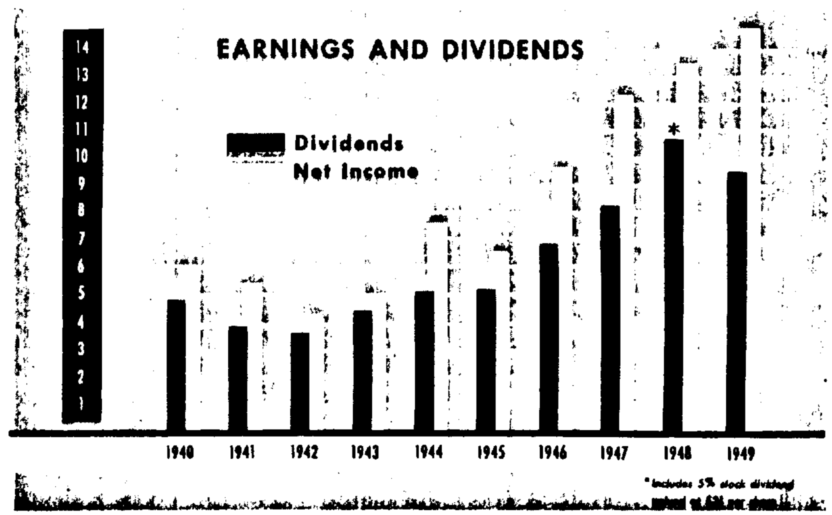
total and the balance was distributed to the owners of the outstanding Common stock. Payments on the Common amounted to $2.25 per share in the form of quarterly dividends of 25¢ and an extra disbursement of $1.25 per share in December.

The balance of net income remaining, $5,296,660, is reflected as the increase in Earned Surplus account from $44,645,883 at December 31, 1948 to $49,942,543 at December 31, 1949.

### *SALES*

During 1949 your Company received from its customers a total of $257,461,599 for goods and services. Total sales for 1948 were $320,457,301. The 20% decrease in dollar volume reflected by these figures came as the result of declines both in the prices of various commodities and in actual physical quantities sold.

In the early months of 1949 there occurred a decline in the level of general business activity which continued past the middle of the year. Business became inventory-conscious; stocks on hand were liquidated; buying was done more cautiously, and the level of production declined. The Company's operations were affected by these conditions and it was not until late in the summer months that a higher level of business activity returned. On



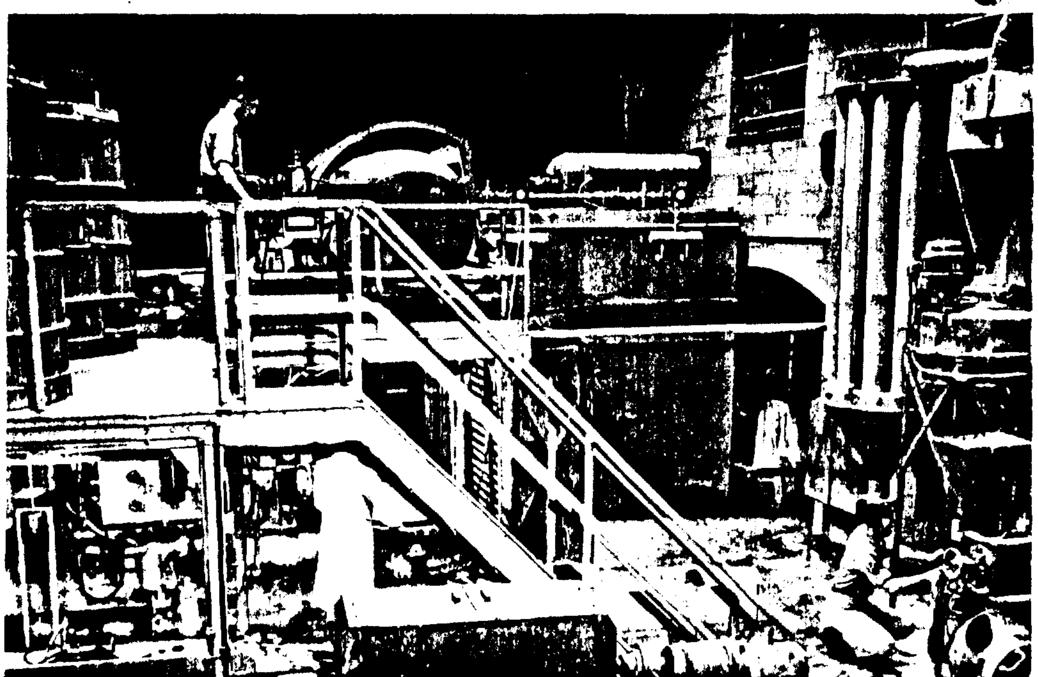
an over-all basis, physical quantities shipped by your Company in 1949 were about 14% less than in 1948, the decreases being distributed in varying degrees over the entire line of its products.

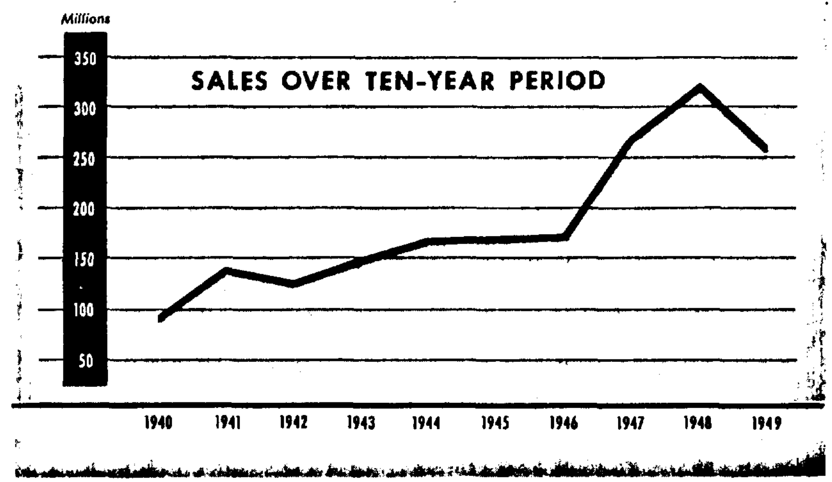
Lower prices for raw metals, and hence for the Company's manufactured metal products, accompanied the decline in the unit volume of sales. In the Annual Reports for 1947 and 1948, attention was directed to the effects of increases in the prices of raw metals, particularly lead. During those years the price of common pig lead (New York) rose from 12.55¢ per pound to 21.50¢. This increase was a major factor in the dollar volume of sales achieved in 1947, $268,026,394, and in 1948, $320,457,301. During 1949 the price of lead declined from a high of 21.50¢ to 12.00¢, contributing to the reversed trend in dollar volume of sales.

## *TAXES*

The charge against earnings for taxes of all types amounted to $8,783,-272 in 1949. Expressed in terms more significant to the stockholders, this

***This pilot plant unit produces bentones (organic clay compounds), developed by our laboratories for use in the paint, paper, textile, rubber and lubricant industries.***






total is equivalent to $2.70 per Common share owned. Total taxes in 1948 were $15,769,774.

It will doubtless be a matter of some interest that taxes decreased so substantially while net earnings actually increased slightly. A glance at the Statement of Income discloses that virtually the entire decrease in taxes occurred in the provision for federal income taxes. This came about largely as the result of transfers to income from inventory reserves, which transfers are not taxable.

## *PLANT INVESTMENT*

It was noted in the 1948 report that the Company had at the close of that year completed its program of major post-war plant expansion. The capacities of the various fabricating and producing units are now realistically related to the demands of the markets which they serve.

The change in the property account during 1949 represents additions aggregating $2,513,631, and normal retirements totalling $3,139,992. Gross plant account at the close of the current year was $133,252,879, as compared with $133,879,240 at December 31, 1948.

Depreciation, depletion and amortization charged against earnings amounted to $6,769,443 in 1949, as compared with $3,752,969 in 1948.

The major portion of the increase is attributable to the adoption of the diminishing balance method of depreciation in connection with the manufacturing facilities of the Company's Titanium Division, which will result in a larger charge for depreciation during the early life years of these assets and lower charges in later years. In comparison with 1948, an increase of $2,571,000 resulted from this change. Your Management believes that the use of the diminishing balance method for depreciating this group of assets will relate the annual charge-offs more closely to the economic usefulness of the facilities than did the straight-line method previously used. The remainder of the Company's properties will, however, continue to be written off on the straight-line basis employed in the past, as that method is deemed appropriate for such properties.

## *FINANCIAL POSITION*

The Company's working capital position improved materially during 1949. At December 31, 1949, current assets were 3.4 times current liabilities, as compared with a ratio of 2.8 at the end of 1948. Primary factors were declining metal prices and reduced requirements of funds for capital expenditures.

Receivables declined $12,010,423 over the twelve-month period and gross inventories decreased $15,261,180, reflecting the lower metal prices which prevailed at the close of the year. Cash and government securities increased $16,587,167 and current liabilities were reduced by $9,494,694. The short term borrowings referred to in the 1948 report were liquidated early in 1949.

The Company's improved position permitted the distribution as cash dividends of a larger portion of the year's earnings than was possible in 1948. It is gratifying that earnings have likewise been such as to make this possible. Profits are indispensable to the continued progress and healthy growth of our Company and they benefit employees, stockholders and our country alike.

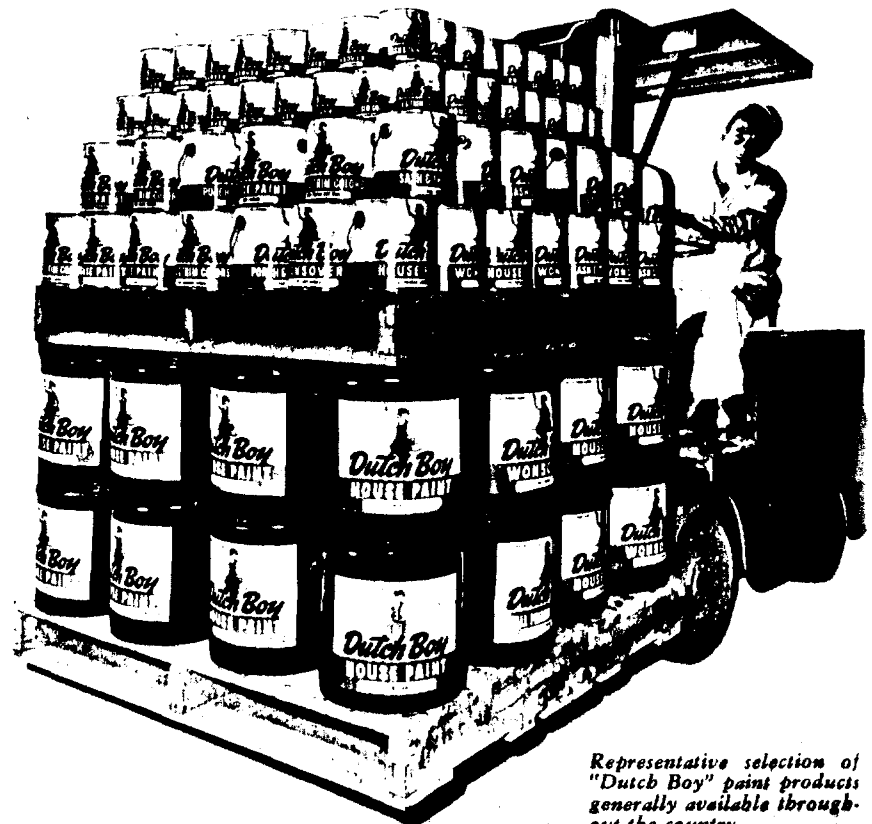
## *ACTIVITIES IN FOREIGN COUNTRIES*

The Company's foreign subsidiaries continued to operate satisfactorily during 1949, although exchange restrictions in most cases prevented the transfer of their earnings to this country. Plant units in Germany have been almost fully rehabilitated and are operating at levels of production equal to or in excess of pre-war output.

## *EXECUTIVE PERSONNEL*

In April, 1949 Walter P. Carroll, a director of the Company, was elected a vice-president. Mr. Carroll began his career with National Lead Company in 1910 and is at the present time manager of its Chicago Branch and Metal Department.

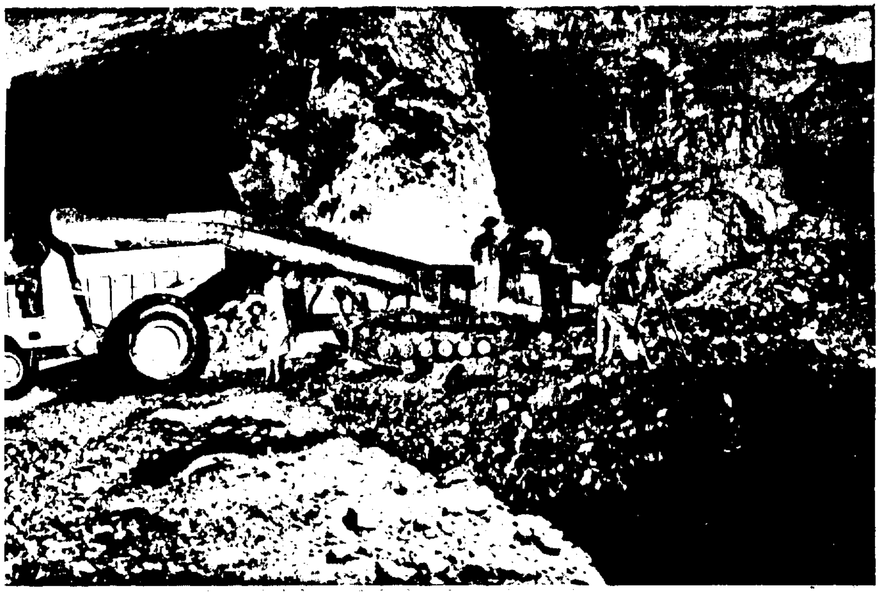
In February of this year the Board of Directors accepted with regret the resignation of Claude F. Garesché, director and vice-president. Mr. Garesché's association with the Company began in April, 1921 and from May 1, 1937 until April 21, 1949 he directed the activities of the Company's Titanium Division.




*Representative selection of "Dutch Boy" paint products generally available throughout the country.*



0000-NLI-000018490



*St. Louis Smelting & Refining Division mine near Fredericktown, Missouri, yields lead, copper and cobalt ores.*

Joseph H. Reid succeeds Mr. Garesché as a director and has been elected a member of the Executive Committee. Mr. Reid joined National Lead Company in April, 1927 as a mining engineer and was appointed manager of the Titanium Division in April, 1949. He had served as chairman of the mining committee of the Company prior to assuming the assistant managership of the Titanium Division in 1947.

We here record with deep regret the passing on May 14, 1949 of William H. Croft, formerly a director and vice-president of the Company. Mr. Croft was employed by the Hewitt Manufacturing Company in December, 1893 and had completed fifty-five years of service at the time of his retirement from the Board of Directors. He joined the Board in 1927 and was elected a vice-president in 1931 and a member of the Executive Committee in 1934. In 1936 he was appointed general manager of the Magnus Metal Division, which post he held until the date of his retirement.





The energy and vigor with which Mr. Croft discharged his many responsibilities over the years was a source of inspiration to his associates and earned their respect and admiration. His contributions to the Company's growth will remain in the memories of those who follow him for many years to come.

## *LITIGATION*

With respect to the decree previously entered in the civil suit by the Government, involving charges of violation of the anti-trust laws in connection with its titanium pigment business, the Company was granted by the court a further extension of time to October 1, 1950, for submitting a plan under this decree either for the sale of the Company's interests in its partly owned companies in Germany and Japan, or, in the alternative, for the purchase by the Company of the interests of others in these companies.

No decision has as yet been handed down by the Federal Trade Commission in the case against the Company and others involving alleged violation of the Federal Trade Commission Act and the Clayton Act with respect to

*Blatchford type metals and supplies are widely used in the printing industry.*

white lead and lead oxide sales. Final argument was held before the Commission in May, 1949, and on the Commission's invitation due to changes in its personnel there was a reargument in February, 1950.

An indictment under the anti-trust laws was filed on February 6, 1950 in the United States District Court for the Western District of Missouri, Western Division, against the Company, Morris P. Kirk & Son, Inc. and others. A civil anti-trust action also has been commenced in the same court. Both actions involve matters relating to the sale and distribution of used storage batteries and lead salvaged from used batteries.

## *NATIONAL LEAD'S PEOPLE*

At the end of 1949 there were 11,502 men and women on the payrolls of the Company. During the year they displayed the same spirit of loyalty and cooperation which has contributed so much to the growth of National Lead Company. To them goes a goodly share of the credit for the successful year just ended.

***This high-speed freight train, riding on Magnus Metal Division bearings, has accumulated more than 42,000,000 car miles without a bearing failure. This record has never been equalled by any other type of bearing — in freight or passenger service.***



It is gratifying to report that your Company experienced no work stoppages during 1949. Relations with the various organizations representing Company employees have been good and it is hoped that an open-minded approach and intelligent cooperation in dealing with problems of mutual interest will permit a continuance during the months to come. Extra compensation was again paid to all employees in December of 1949. The amount distributed to each individual was 6½% of the first $6,000 of compensation earned during the first eleven months of the year. Earnings were likewise sufficient to permit a contribution by the Company to the Profit-Sharing Trust established by stockholders' action in 1945.

During the year there was instituted a revised system for consideration and recognition of employee suggestions. The interest of those participating has been most satisfactory. The Company also conducts an employee-training course for personnel in certain lines of work and it is felt that the results of this program have been mutually beneficial.

The Company's retirement annuity and group life insurance plan is under continual study, to the end that it may best serve the purposes for which it was designed. New developments in the field of employee benefits are reviewed as they appear and the advisability of revision of existing provisions considered. The Pension Reserve carried on the balance sheet was reduced in a net amount of $699,485 in 1949, reflecting further purchases of those past service pensions for which the reserve was provided, less an adjustment of past service requirements.

## *RESEARCH*

Progress in research during the year was substantial. It appears that further study of these developments and their translation into commercial production will materially diversify and enlarge the Company's line of products.

Newly developed stabilizers for vinyl resins give much promise of commercial success. The function of these lead organic compounds is to prevent or retard deterioration of the plastic under attack of light and heat. Some of the largest plastics manufacturers are finding in them the answer to a most difficult problem.

A new group of plasticizers has also been developed and is gaining acceptance among makers of vinyl resins.

Organic clay compounds — called bentones — are among the more promising recent developments of research. A new plant at St. Louis, Missouri, will start production of these compounds during the coming year for use in paint, paper, textiles, rubber and lubricants. Their functions vary from gelling and viscosity control in lubricants to flattening and anti-settling in paints.

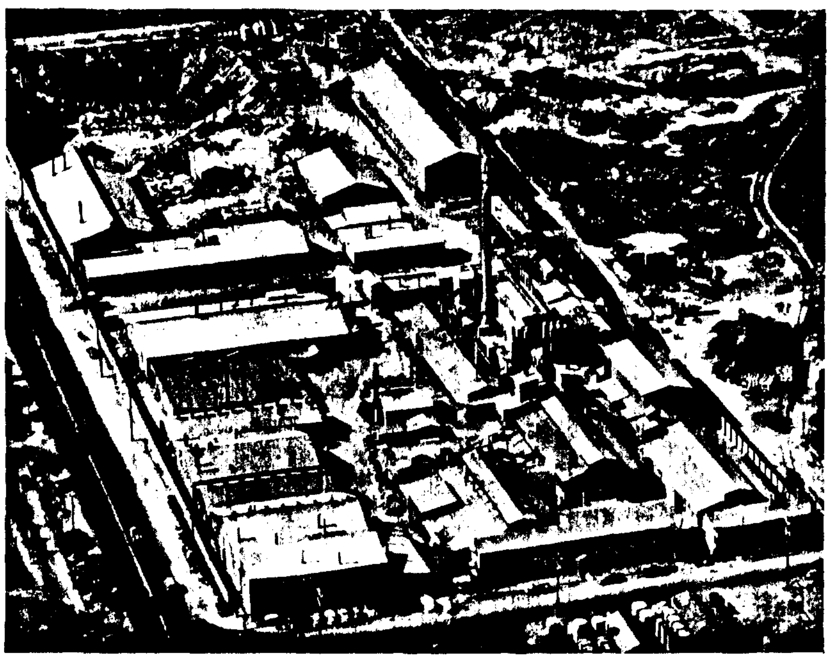
A new alloy, trademarked "Nalco" Metal, has shown excellent results in the chromium-plating industry.

Titanium compounds are being developed as fire-retardants for use in textiles, wallboards and other materials. A new titanium dioxide has been developed for the enamel industry, particularly in the production of acid-resistant enamels.

Practically all of these developments have been protected by patents.

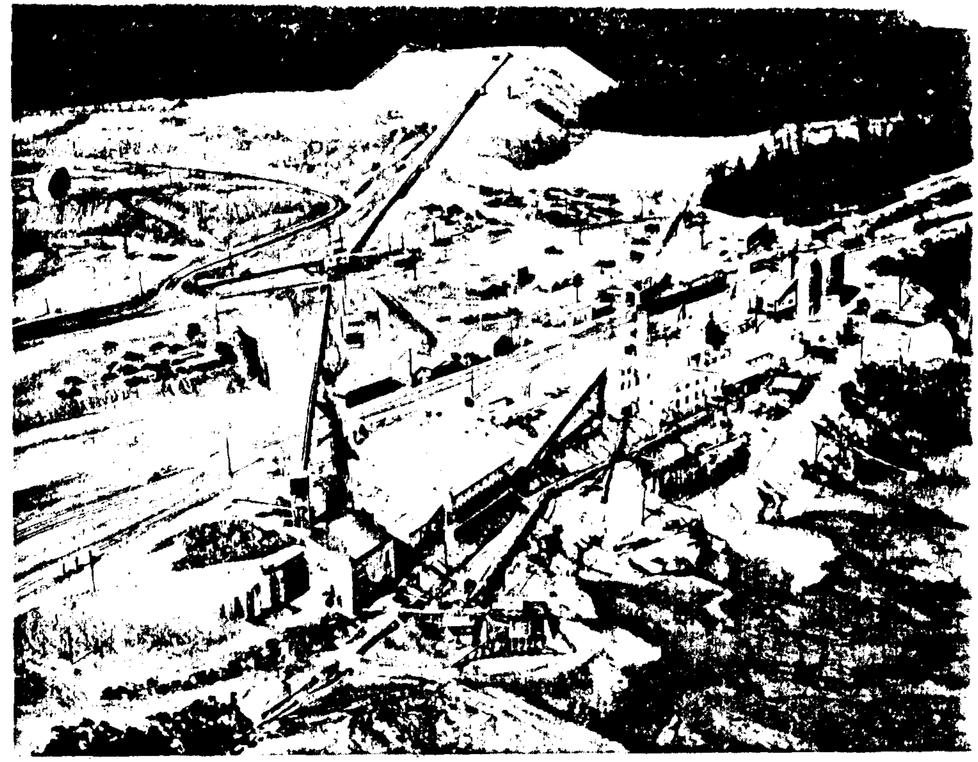
## *EXPANSION OF ACTIVITIES*

During 1949 steps were taken to improve the Company's coverage of markets in the West in its established lines of business. New non-ferrous



*Los Angeles plant of Morris P. Kirk & Son, Inc., where lead and zinc alloys, fabricated lead goods and pigments are produced.*





*Barite ore, used in oil well drilling muds, is mined and processed at this Malvern, Arkansas, installation of the Baroid Sales Division.*

metal plants were constructed and are being operated by Morris P. Kirk & Son, Inc. in Salt Lake City, Utah and Portland, Oregon. Additional retail outlets were opened for distribution of paints by the Pacific Coast Branch. These include a new store and warehouse in Denver, Colorado, designed to service more effectively the Rocky Mountain area.

As of March 1, 1950, the Company acquired by purchase the plant and retail outlets formerly operated by the Schorn Paint Company. The paint factory, located in Seattle, and the store and warehouse locations will become a part of the Pacific Coast Branch.

Additional shares of the capital stock of the Baker Castor Oil Company were acquired during the year and National Lead Company is now the majority stockholder in that corporation. Baker Castor Oil Company operates plants at Bayonne and Jersey City, New Jersey; Los Angeles, California, and Rochester, New York. A Brazilian subsidiary serves as an important factor in securing the castor beans required for its operations. National Lead Company's initial investment in Baker Castor Oil Company was made in 1910.

The program for the production of titanium metal which was mentioned in the 1948 report continues and much progress has been made. The metal is now being produced in quantities large enough to permit actual tests in various applications and work continues in the Company's laboratories and plants at Sayreville, New Jersey, and Niagara Falls, New York, toward the twin goals of lower costs and improved production techniques.

In connection with this program there was formed in February, 1950, the Titanium Metals Corporation of America, owned jointly by National Lead Company and Allegheny Ludlum Steel Corporation. The new unit will market and distribute titanium metal in fabricated form.

## *IN CONCLUSION*

At the present time, business prospects for the year 1950 appear favorable. Those industries to which the Company's well-being is closely linked appear to be in sound condition, although some leveling off in their output may be in prospect as the year progresses. Prices of the raw metals which the Company fabricates are at more normal levels than they have been since the close of the war and a period without fluctuations in this respect would do much to stabilize the tempo of operations in the Company's older lines of business.

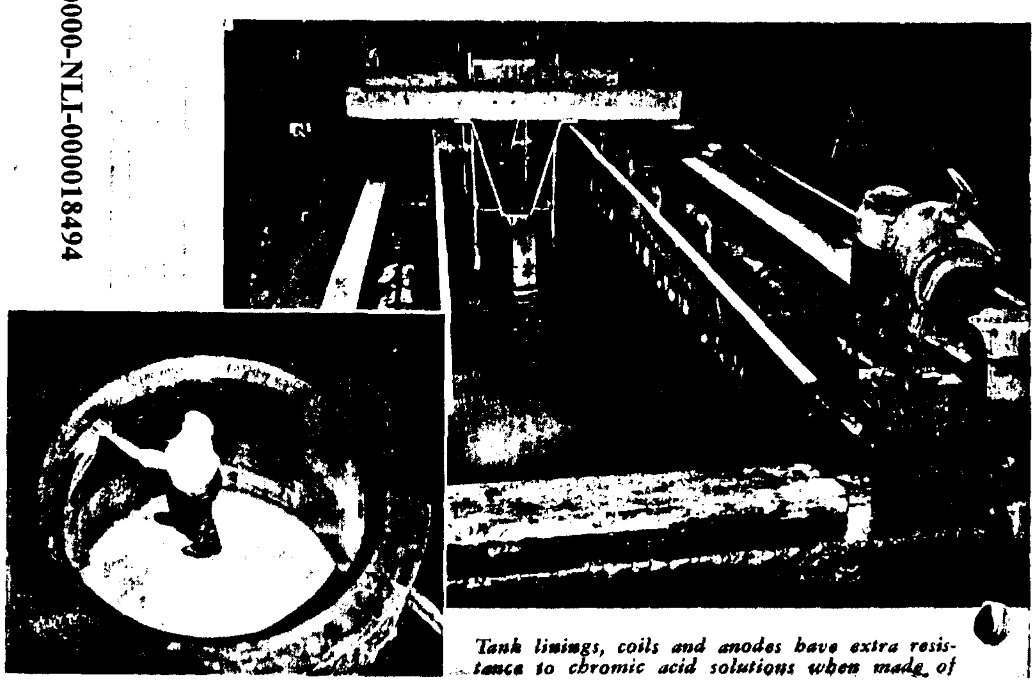
The economic adjustments of the past year directly affecting the Company's business have been healthy ones, and your management's policy has been directed toward insuring that the Company will continue to compete effectively in the various markets for its products. Research continues in connection with all phases of operations and the employee organization is being continually trained and strengthened so that its responsibilities may be discharged most effectively.

At December 31, 1949, the Company's stockholders totalled 19,311. This report will be presented at their Annual Meeting which will be held at Sayreville, New Jersey, on April 20, 1950.

By Order of the Board of Directors

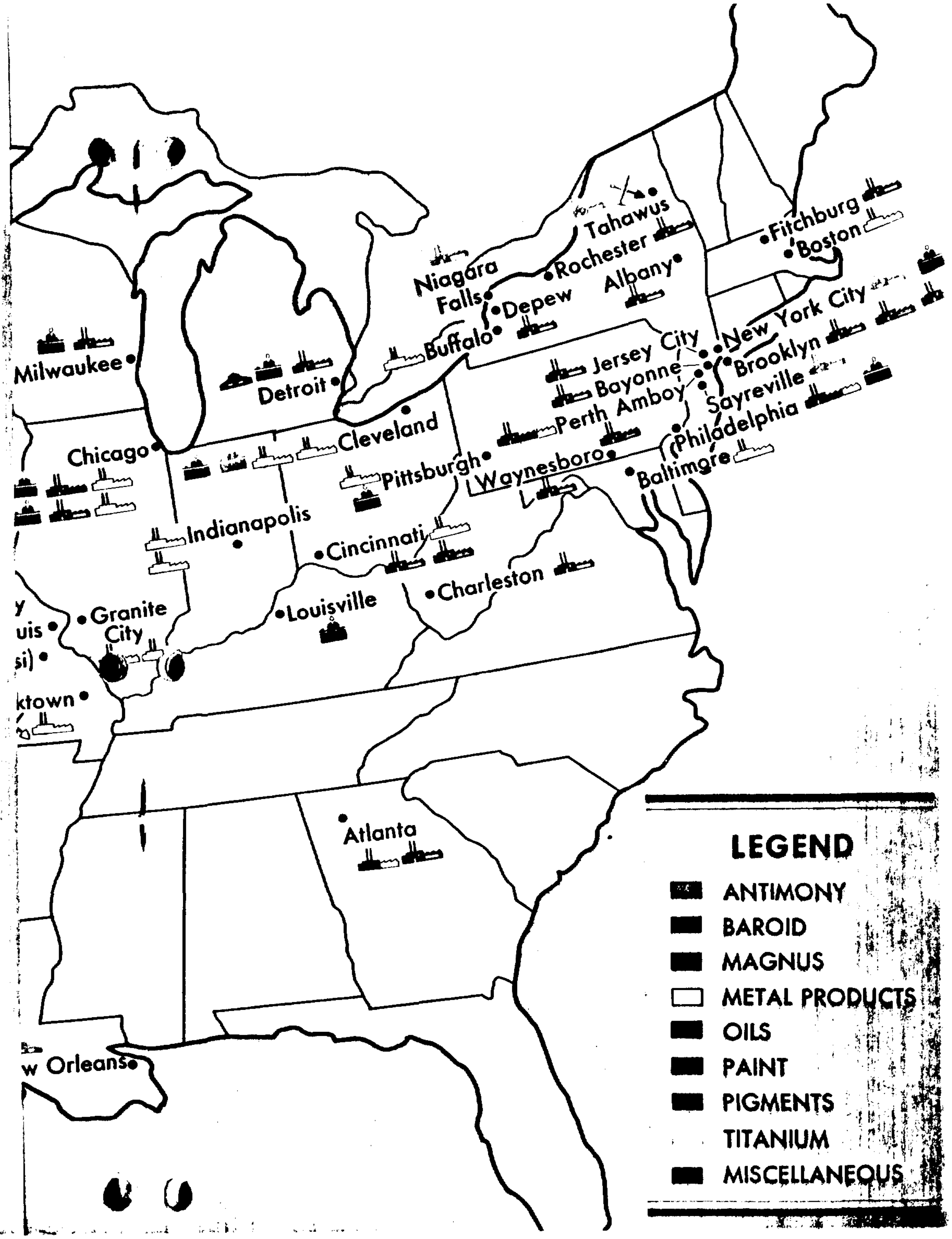
J. A. Martino

*President*



*Tank linings, coils and anodes have extra resistance to chromic acid solutions when made of*

# National Lead Company Facilities in the United States




Seattle
Tacoma
Spokane
Vancouver
Portland
Eugene
Boise
Berkeley
Emeryville
Oakland
San Francisco
San Mateo
Fruitvale
Hollywood
Los Angeles
Santa Monica
Inglewood
Long Beach
Santa Rosa
Sacramento
Modesto
El Portal
Merced
Fresno
Bakersfield
Battle Mountain
Salt Lake City
Huntington Park
Glendale
Pasadena
Hector
Pomona
Riverside
Anaheim
Santa Ana
San Diego
Phoenix
Denver
Osage
Colony
Minneapolis
St. Paul
St. Louis Park
Milwaukee
Chicago
Omaha
Topeka
Kansas City
St. Louis
Granite City
Fountain Farm (Potosi)
Baxter Springs
Fredericktown
Waco
Carter
Tulsa
Malvern
Texarkana
Fort Worth
Dallas
Houston
New Orleans
Muldoon
Laredo
Offices
Plants
Mines
Warehouses

# EMPLOYEES

*Eight members of one family work in the same Company plant, with service ranging from three to fourteen years.*

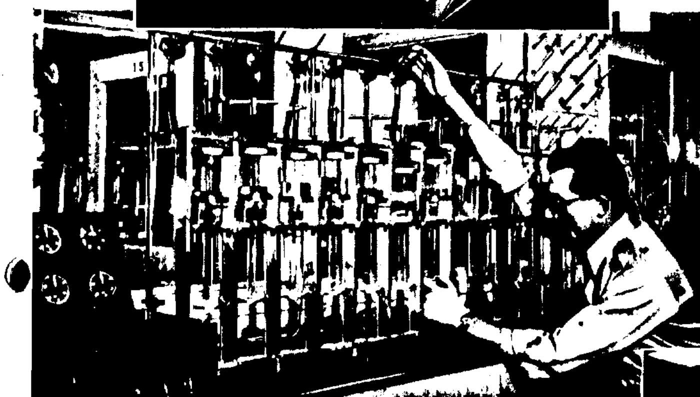
*Basketball, baseball, bowling and other recreational activities are enjoyed by employees throughout the year.*

*Plant picnics provide an excellent means for employees and their families to meet each other informally.*



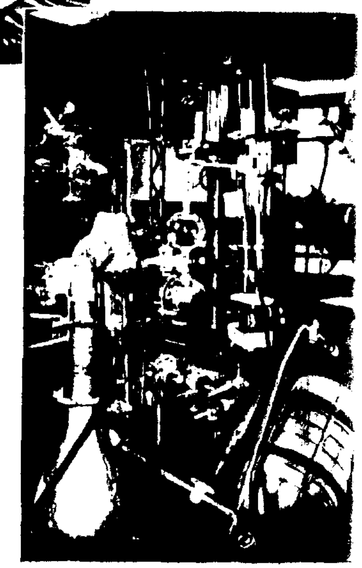
# RESEARCH

*Electron microscope permits magi cations of over 100,000 diameters is highly essential in studying cha teristics of many materials.*



*Baroid core analysis liq permeameter, designed built by Baroid technic for the study of drill fluid filtrates on oil cores.*

*This equipment determ quantities of gases in ti ium metal to check efficie of production processes.*



*Spectrophotometer for determination of white-*

# National Lead Company

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

## *Consolidated Balance Sheets*

DECEMBER 31, 1949 AND 1948

### ASSETS

| | 1949 | 1948 |
|---|---|---|
| Current assets: | | |
| Cash | $ 17,961,612 | $ 9,304,183 |
| United States Government securities, at cost (approximately equivalent to amounts at market quotations) (Note 1) | 9,924,752 | 1,995,014 |
| Other marketable securities, at cost less reserves of: 1949, $522,892; 1948, $522,892 (at market quotations: 1949, $3,032,091; 1948, $2,965,279) | 592,601 | 529,431 |
| Accounts and notes receivable, less reserves of: 1949, $1,985,859; 1948, $1,962,363 | 16,003,234 | 28,013,657 |
| Notes receivable from employees | 111,435 | 106,649 |
| Inventories (Note 2) | 43,857,133 | 59,118,313 |
| Total current assets | 88,450,767 | 99,067,247 |
| Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of: 1949, $5,076,385; 1948, $4,305,711 (Note 3) | 9,390,943 | 7,962,526 |
| Miscellaneous investments, at cost or below, less reserves of: 1949, $846,778; 1948, $846,778 | 199,911 | 794,190 |
| Plant, property and equipment, at 1915 appraised values, subsequent additions at cost (including intangibles of $20,692,311 not being amortized), less reserves for depreciation, depletion and amortization of: 1949, $64,080,311; 1948, $59,856,625 | 69,172,568 | 74,022,615 |
| Patents and licenses, less amortization | 74,283 | 117,022 |
| Prepaid expenses, deferred charges, etc. | 1,652,806 | 1,497,504 |
| | $168,941,278 | $183,461,104 |



# National Lead Company

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

## *Consolidated Balance Sheets*

DECEMBER 31, 1949 AND 1948

### LIABILITIES

| | 1949 | 1948 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 9,067,444 | $ 13,683,127 |
| Payable to unconsolidated subsidiaries | 990,527 | 842,966 |
| Provisions for taxes, including federal taxes on income | 15,683,012 | 20,709,584 |
| Dividends payable February 1, 1950 and 1949 on Class B preferred stock | 123,600 | 123,600 |
| Total current liabilities | $ 25,864,583 | $ 35,359,277 |
| Reserves: | | |
| Fire insurance | $ 4,797,284 | $ 4,797,284 |
| Employer's liability | 426,664 | 426,664 |
| Pension | 2,654,533 | 3,354,018 |
| Contingencies | 4,080,358 | 4,080,358 |
| Inventory (Note 2) | 12,915,700 | 22,538,007 |
| | $ 24,874,539 | $ 35,196,331 |

### CAPITAL

| | 1949 | 1948 |
|---|---|---|
| Capital stock: | | |
| Preferred Class A, 7 per cent cumulative, non-callable (par value $100); shares authorized 250,000, issued 243,676 | $ 24,367,600 | $ 24,367,600 |
| Preferred Class B, 6 per cent cumulative, non-callable (par value $100); shares authorized 250,000, issued 103,277 | 10,327,700 | 10,327,700 |
| Common (par value $10); shares authorized 5,000,000, issued 3,253,225 (including fractional scrip for: 1949 — 694 shares; 1948 — 2,580 shares) | 32,532,250 | 32,532,250 |
| | 67,227,550 | 67,227,550 |
| Capital surplus | 4,523,071 | 4,523,071 |
| Earned surplus | 49,942,543 | 44,645,883 |
| | 121,693,164 | 116,396,504 |
| Less, Reacquired capital stock, at cost (Note 4) | 3,491,008 | 3,491,008 |
| | $118,202,156 | $112,905,496 |
| | $168,941,278 | $183,461,104 |

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

0000-NLI-000018498

## *Consolidated Statements of Income and Earned Surplus*

FOR THE YEARS ENDED DECEMBER 31, 1949 AND 1948

| | 1949 | 1948 |
|---|---|---|
| Sales, less returns and allowances (Note 5) | $257,461,599 | $320,457,301 |
| Cost of sales (Notes 2 and 5) | $197,514,170 | $258,813,084 |
| Depreciation, depletion and amortization (Note 6) | 6,769,443 | 3,752,969 |
| Administrative, selling and general expenses | 30,261,490 | 30,222,609 |
| Taxes, other than federal taxes on income | 2,340,704 | 2,467,619 |
| | $236,885,807 | $295,256,281 |
| | $ 20,575,792 | $ 25,201,020 |
| Other income (Note 7) | 2,029,995 | 1,911,787 |
| | 22,605,787 | 27,112,807 |
| Other charges and additions to reserves (Note 8) | 1,414,208 | 506,297 |
| Net income before provisions for federal taxes on income | 21,191,579 | 26,606,510 |
| Provisions for federal taxes on income (Note 9) | 6,442,568 | 13,302,155 |
| Net income for the year (Note 6) | $ 14,749,011 | $ 13,304,355 |

| | 1949 | 1948 |
|---|---|---|
| Earned surplus balance, January 1 | $ 44,645,883 | $ 42,098,542 |
| Net income for the year (Note 6) | 14,749,011 | 13,304,355 |
| | $ 59,394,894 | $ 55,402,897 |
| Dividends: | | |
| On Class A preferred stock, $7 per share | $ 1,640,051 | $ 1,605,926 |
| On Class B preferred stock, $6 per share | 494,400 | 479,586 |
| | 2,134,451 | 2,085,512 |
| On common stock: | | |
| In cash, $2.25 per share in 1949, $1.25 per share in 1948 | 7,317,900 | 3,869,137 |
| In stock, 5 per cent in 1948; paid by issuance of 154,915 shares of common stock capitalized at market value (based upon quoted market price averages) of $31 per share | — | 4,802,365 |
| | $ 9,452,351 | $ 10,757,014 |
| Earned surplus balance, December 31 | $ 49,942,543 | $ 44,645,883 |

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



0000-NLI-000018499



## *Consolidated Statements of Capital Surplus*

FOR THE YEARS ENDED DECEMBER 31, 1949 AND 1948

| | 1949 | 1948 |
|---|---|---|
| Capital surplus balance, January 1 | $4,523,071 | $ 485,295 |
| Capital surplus arising from acquisitions of net assets of other companies for capital stock of National Lead Company | — | 784,561 |
| Excess of aggregate market value (based upon quoted market price averages) over aggregate par value of 154,915 shares of common stock issued as a 5 per cent stock dividend | — | 3,253,215 |
| Capital surplus balance, December 31 | $4,523,071 | $4,523,071 |

## *Notes to Consolidated Financial Statements*

1. United States Government securities include the following cost amounts deposited at the respective balance sheet dates:

| | December 31 1949 | December 31 1948 |
|---|---|---|
| In connection with self-insurance of workmen's compensation risks, etc. | $939,666 | $ 940,014 |
| As collateral for bank loans of an unconsolidated subsidiary | — | 1,000,000 |
| | $939,666 | $1,940,014 |

2. Inventories are priced at the lower of cost (on various "average" or "first-in, first-out" bases) or market. The "normal stock" principle is applied, through the inventory reserves, with respect to quantities shown below:

| | Normal Quantities (Short Tons) December 31 1949 | 1948 | Fixed Inventory Price per Pound |
|---|---|---|---|
| Lead | 49,687½ | 49,687½ | $.03 |
| Tin | 1,124½ | 1,124½ | .21 |
| Antimony | 1,400 | 259 | .05 |
| Linseed oil | 3,125 | 3,125 | .06 |
| Flaxseed | 5,600 | 5,600 | .0348 |

A charge of approximately $508,000 was made to income for 1949 in connection with the increase in the normal quantity of antimony.

The inventory reserves include, in addition to the "normal stock" reserves, general inventory reserves of $800,000 at both December 31, 1949 and 1948.

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

3. Unconsolidated subsidiaries comprise domestic subsidiaries more than 50, but less than 100 per cent owned and foreign subsidiaries. Major changes in this group during the two years covered by the financial statements were:

In August, 1948, the company acquired a majority interest in Minnesota Linseed Oil Company, a newly formed company organized by National Lead Company and an outside interest. Also in 1948, the company acquired additional shares of stock of Antilles Minerals, S. A., and now holds a majority interest therein. Both of these investments are included among the investments in unconsolidated subsidiaries as of December 31, 1949 and 1948;

Baker Castor Oil Company, previously carried in miscellaneous investments, became majority owned during 1949, and National Lead Company's investment therein is included among the investments in unconsolidated subsidiaries at December 31, 1949.

Based upon financial statements as of the close of their respective fiscal years, National Lead Company's equity in the net tangible assets of unconsolidated subsidiaries (other than those in Continental Europe) approximated $22,935,000 at December 31, 1949 and $17,903,000 at December 31, 1948. Such equities exceeded the company's investments in and advances to these subsidiaries, after deducting applicable reserves on the books of National Lead Company, by approximately $13,680,000 at December 31, 1949 and $10,120,000 at December 31, 1948, representing increases in such excesses of approximately $3,560,000 in 1949 and $2,330,000 in 1948. These increases reflect various adjustments, including a sizable adjustment in 1949 upon attaining a majority interest in Baker Castor Oil Company, as well as current earnings of the unconsolidated subsidiaries (other than Continental European), and are after foreign exchange losses arising from the devaluation of foreign currencies and dividends paid by the subsidiaries and included in consolidated net income of $964,969 in 1949 and $291,658 in 1948.

Total equities of $22,935,000 and $17,903,000 shown in the preceding paragraph include $10,540,000 and $11,175,000, respectively, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange. The realization of foreign assets and foreign earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.

Unaudited financial statements as of September 30, 1949 and 1948 received from the Continental European subsidiaries (other than the German subsidiary) indicate that National Lead Company's equity in the net assets thereof approximated the following foreign currency amounts at the respective dates:

| | September 30 1949 | September 30 1948 |
|---|---|---|
| Norwegian kroner | 13,510,000 | 11,870,000 |
| Belgian francs | 20,210,000 | 24,670,000 |
| Dutch florins | 210,000 | — |
| French francs | 8,930,000 | 5,980,000 |

National Lead Company's investments in and advances to Continental European subsidiaries, less reserves, approximated $136,000 at December 31, 1949 and $180,000 at December 31, 1948. A dividend of $70,265 (U.S. dollar amount) was received from a Norwegian subsidiary in 1949 and is included in consolidated net income for that year.

4. Reacquired capital stock, carried in the balance sheets at first-in, first-out costs, comprises:

| | No. of Shares | Costs |
|---|---|---|
| Preferred Class A | 9,383 | $1,147,727 |
| Preferred Class B | 20,877 | 2,343,281 |
| | | $3,491,008 |

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

6. During 1949, the company adopted the diminishing balance method of computing depreciation on the manufacturing facilities of its Titanium Division, in lieu of the straight-line method theretofore employed. As a result of this change, depreciation charges for 1949 are approximately $2,571,000 higher, and consolidated net income for 1949 is approximately $2,571,000 lower, than would have been the case if the company had continued the use of the straight-line method.

7. Other income comprises:

| | 1949 | 1948 |
|---|---|---|
| Dividends received (including $1,035,234 from unconsolidated subsidiaries in 1949 and $291,658 in 1948) | $1,644,016 | $1,355,040 |
| Group life insurance dividends | 302,290 | 171,051 |
| Net profit on sales and other retirements of fixed assets | — | 191,815 |
| Interest and miscellaneous (net) | 83,689 | 193,881 |
| | $2,029,995 | $1,911,787 |







8. Other charges and additions to reserves comprise:

| | 1949 | 1948 |
|---|---|---|
| Payment in settlement of litigation instituted in 1947 | — | $ 215,000 |
| Additions to reserves for investments in and advances to unconsolidated foreign subsidiaries | $ 770,674 | 291,297 |
| Addition to pension reserve, to cover estimated additional past service requirements | 216,387 | — |
| Net loss on sales and other retirements of fixed assets | 427,147 | — |
| | $1,414,208 | $ 506,297 |

9. Numerous differences exist between taxable income and book income, including fluctuations in the "normal stock" reserves; percentage depletion; and, as to the year 1949 the additional amount of depreciation charged under the diminishing balance method; also payments of $915,872 for purchases of past service annuities, which amount is deductible for tax purposes but charged on the books to reserve for pensions.

GENERAL:

Reference is made to comments included in the president's message on the status of litigation under antitrust laws and the Federal Trade Commission and Clayton Acts.

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

---

LYBRAND, ROSS BROS. & MONTGOMERY

Certified Public Accountants

90 Broad Street, New York City

*To the Stockholders of*

*NATIONAL LEAD COMPANY, NEW YORK, N. Y.*

We have examined the consolidated and individual balance sheets of NATIONAL LEAD COMPANY and its Wholly Owned Domestic Subsidiaries as of December 31, 1949 and 1948 and the related statements of income and surplus for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also examined or reviewed, or have received reports of other independent public accountants upon their examinations of, the balance sheets and related statements of income and surplus of the major domestic subsidiaries more than 50, but less than 100 per cent owned and the major foreign subsidiaries other than Continental European, for their respective 1949 and 1948 fiscal years.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other independent public accountants, the accompanying consolidated balance sheets and related consolidated statements of income and surplus present fairly the consolidated financial position of National Lead Company and its wholly owned domestic subsidiaries at December 31, 1949 and 1948 and the consolidated results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the 1949 change, which we approve, in the method of computing depreciation explained in Note 6 to the consolidated financial statements.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 9, 1950.

# TEN-YEAR REVIEW OF OPERATIONS

| | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 | 1948 | 1949 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Sales | $90,696,461 | $139,192,540 | $127,679,608 | $148,622,919 | $166,168,715 | $167,562,928 | $167,447,243 | $268,026,394 | $320,457,301 | **$257,461,599** |
| Net Income before Taxes | 8,624,233 | 15,391,354 | 12,154,827 | 13,537,168 | 18,304,136 | 11,218,228 | 16,713,479 | 23,904,417 | 26,606,510 | **21,191,579** |
| Federal Taxes on Income | 2,521,531 | 10,015,669 | 7,908,457 | 8,336,291 | 10,740,382 | 4,679,720 | 7,036,395 | 11,724,285 | 13,302,155 | **6,442,56[illegible]** |
| Net Income | 6,102,702 | 5,375,685 | 4,246,370 | 5,200,877 | 7,563,754 | 6,538,508 | 9,677,084 | 12,180,132 | 13,304,355 | **14,749,011** |
| Earned Per Share of Common Stock | 1.34 | 1.10 | 0.72 | 1.03 | 1.79 | 1.45 | 2.46 | 3.27 | 3.62 | **3.8[illegible]** |
| Preferred Dividends | 1,961,323 | 1,968,323 | 2,031,323 | 2,031,323 | 2,031,323 | 2,059,323 | 2,059,323 | 2,059,323 | 2,085,512 | **2,134,451** |
| Common Dividends | 2,708,213 | 1,931,668 | 1,545,332 | 2,317,998 | 3,090,664 | 3,090,664 | 4,635,996 | 6,181,328 | 8,671,502* | **7,317,90[illegible]** |
| Current Assets: | | | | | | | | | | |
| Cash | 11,167,758 | 9,359,040 | 9,282,565 | 12,742,150 | 10,313,702 | 9,571,663 | 11,681,055 | 12,953,907 | 9,304,183 | **17,961,61[illegible]** |
| U. S. Government and other Marketable Securities | 3,008,470 | 2,077,788 | 5,210,381 | 17,002,791 | 16,131,607 | 17,902,254 | 18,393,548 | 11,500,197 | 2,524,445 | **10,517,35[illegible]** |
| Notes and Accounts Receivable | 10,678,525 | 15,056,312 | 11,913,477 | 12,560,223 | 14,859,530 | 15,171,135 | 15,573,093 | 21,461,427 | 28,120,306 | **16,114,66[illegible]** |
| Inventories† | 19,604,317 | 23,380,565 | 25,444,442 | 21,787,559 | 23,601,398 | 29,361,453 | 32,617,337 | 44,550,399 | 59,118,313 | **43,857,13[illegible]** |
| Total Current Assets | 44,459,070 | 49,873,705 | 51,850,865 | 64,092,723 | 64,906,237 | 72,006,505 | 78,265,033 | 90,465,930 | 99,067,247 | **88,450,76[illegible]** |
| Total Current Liabilities | 6,836,080 | 16,300,666 | 15,992,762 | 19,054,627 | 21,566,069 | 16,843,516 | 22,410,068 | 30,252,412 | 35,359,277 | **25,864,58[illegible]** |
| Net Working Capital | 37,622,990 | 33,573,039 | 35,858,103 | 45,038,096 | 43,340,168 | 55,162,989 | 55,854,965 | 60,213,518 | 63,707,970 | **62,586,18[illegible]** |
| Gross Property Account | 79,504,811 | 89,545,627 | 93,474,782 | 94,198,239 | 98,025,024 | 100,794,666 | 106,793,660 | 122,739,173 | 133,879,240 | **133,252,87[illegible]** |
| Reserves for Depreciation, Depletion and Amortization | 32,436,827 | 34,348,004 | 36,687,351 | 41,464,768 | 46,250,242 | 55,147,610 | 56,018,905 | 57,407,848 | 59,856,625 | **64,080,31[illegible]** |
| Net Property Account | 47,067,984 | 55,197,623 | 56,787,431 | 52,733,471 | 51,774,782 | 45,647,056 | 50,774,755 | 65,331,325 | 74,022,615 | **69,172,56[illegible]** |

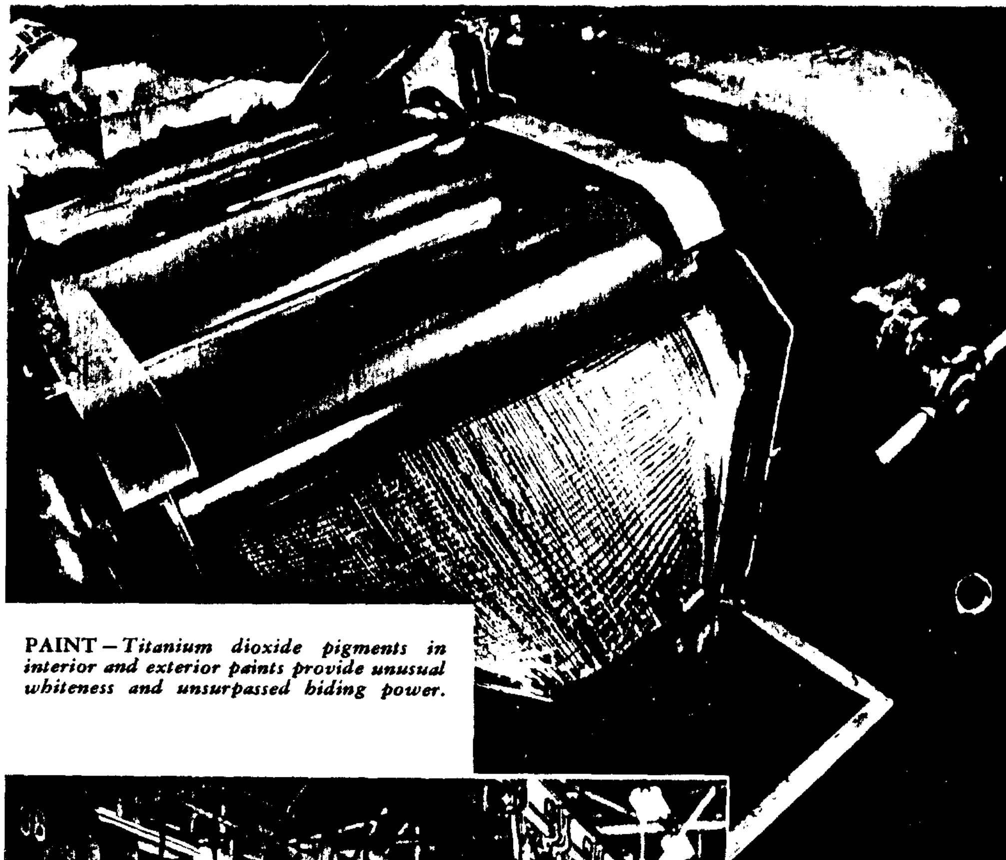
* Includes cash dividends of $3,869,137 and 5% stock dividend valued at $31 per share.
† *Inventories for 1940 to 1944, inclusive, are shown net of normal stock reserves.*

0000-NLI-000018501

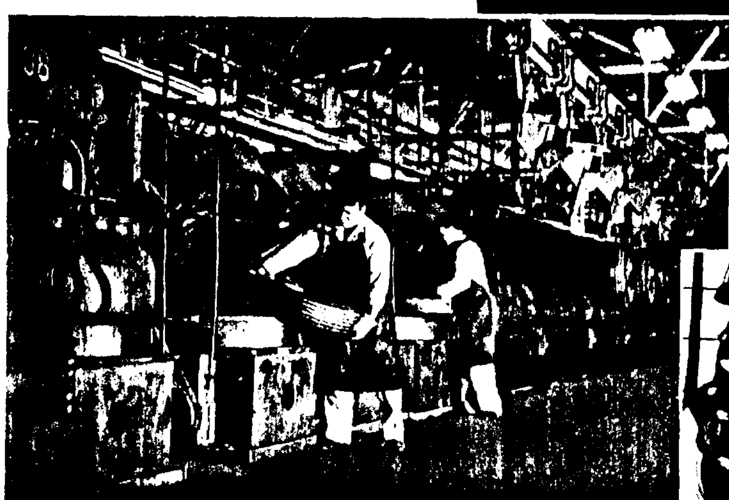
# TITANIUM DIOXIDE

## —AT WORK IN INDUSTRY

A product important to the Company, finding new uses in more industries yearly



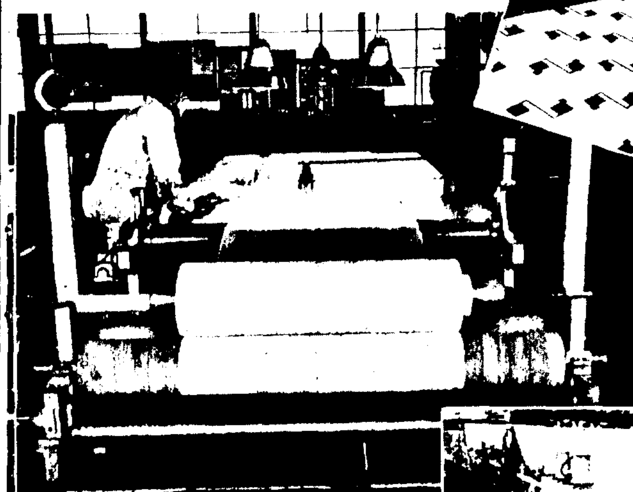
PAINT — *Titanium dioxide pigments in interior and exterior paints provide unusual whiteness and unsurpassed hiding power.*



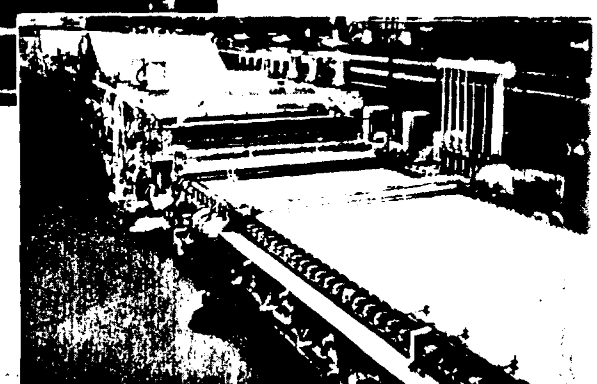


PORCELAIN ENAMELS — *A new grade of titanium dioxide imparts whiteness, opacity and acid resistance.*

FLOOR COVERINGS — *Titanium ide is the preferred pigment for types of floor coverings, such as and light-colored linoleum pat*



PLASTICS — *Only small proportions of titanium dioxide are required to reduce transparency of plastic sheeting and to resist discoloration.*



PAPER — *Paper makers prefer titanium dioxide to control brightness, whiteness and opacity. (The paper in this annual report has been opacified with titanium dioxide.)* →

## BRANCHES AND DIVISIONS

ATLANTA BRANCH, Bishop and McCaslin Streets, Atlanta
G. W. Pendery, *Manager*

ATLANTIC BRANCH, 111 Broadway, New York
H. F. Freiherr, W. A. Terwilliger, *Managers*

BAROID SALES DIVISION, 830 Ducommun Street, Los Angeles
Geo. L. Ratcliffe, *General Manager* — *Oil Well Drilling Mud Service*

BALTIMORE BRANCH, 214 West Henrietta Street, Baltimore
H. A. Getz, *Manager*

CHICAGO BRANCH, 900 West Eighteenth Street, Chicago
W. P. Carroll, *Manager*
MILWAUKEE, WIS., 744 No. Fourth Street
DETROIT, MICH., 1627 W. Fort Street
INDIANAPOLIS, IND., 1600 East 21st Street

CINCINNATI BRANCH, 659 Freeman Avenue, Cincinnati
H. W. Hundley, *Manager*
LOUISVILLE, KY., 1320 Heyburn Building

CLEVELAND BRANCH, 1776 Columbus Road, Cleveland
E. E. Busse, *Manager*
BUFFALO, N. Y., 116 Oak Street
PITTSBURGH, PA., 1376 River Avenue, N.S.

DE LORE DIVISION, Carondelet, St. Louis
A. J. Wetzel, *Manager* — *Barium Sulphate and Calcium Sulphate Pigments*

E. W. BLATCHFORD CO. BRANCH, 111 Broadway, New York
R. F. Kielich, *Manager* — *Type Metals and Blatchford Base*

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

MAGNUS METAL DIVISION, 111 Broadway, New York
W. V. Burley, *General Manager* — *Brass Founders*

NATIONAL LEAD CO. OF MASS., 800 Albany Street, Boston
Karl Fischer, G. A. Savage, *Managers*

PACIFIC COAST BRANCH, 2240 Twenty-fourth Street, San Francisco
D. D. Roberts, *Manager*
LOS ANGELES, CAL., 3113 East 26th Street
SEATTLE, WASH., 973 John Street

PHILADELPHIA BRANCH, 2607 East Cumberland Street, Philadelphia
J. W. Gardiner, Jr., G. A. Watts, *Managers*

ST. LOUIS BRANCH, 722 Chestnut Street, St. Louis
G. H. Worrall, *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 DIVISION, 722 Chestnut Street, St. Louis
G. M. Wiles, *Manager*

TEXAS MINING & SMELTING DIVISION, Laredo, Texas
O. D. Niedermeyer, *Manager* — *Metallic Antimony and Antimony Oxides*

TITANIUM ALLOY MFG. DIVISION, 111 Broadway, New York
Winthrop Sargent, *Manager* — *Products of Titanium and Zirconium*

TITANIUM DIVISION, 111 Broadway, New York
J. H. Reid, *Manager* — *Manufacturers of Titanium Products*
*Miners of Ilmenite and Magnetite Iron Ore*



## 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*

BAKER CASTOR OIL COMPANY, New York
I. M. Colbeth, *President* — *Manufacturers of Castor Oil*

CANADIAN TITANIUM PIGMENTS LIMITED,* Montreal
G. N. BATES, *Sales Manager* — *Distributors 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
J. C. HART, *Managing Director* — *Manufacturers of Anti-Friction Metals*

MORRIS P. KIRK & SON, INC. Los Angeles
J. PAUL KIRK, *President* — *Los Angeles, Portland, Ore., Salt Lake City*
*Manufacturers of Lead Alloys and Oxides*

MAGNUS BRASS MFG. CO.,* Cincinnati
W. V. BURLEY, *President* — *Manufacturers of Locomotive Specialties*

MAGNUS METAL CORPORATION,* Chicago
W. V. BURLEY, *President* — *Brass Founders*

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

MINNESOTA LINSEED OIL CO., Minneapolis
E. H. RUSSELL, *President* — *Manufacturers of Linseed Oil*

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

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

TITAN CO. A/S., Fredrikstad, Norway
ERIK ANKER, *Managing Director* — *Manufacturers of Titanium Oxide Pigments*

TITAN COMPANY, INC.,* Wilmington, Del.
ERIK ANKER, *Vice President*
TITANGESELLSCHAFT, *m. b. H., Leverkusen, Germany*
SOCIETE INDUSTRIELLE DU TITANE, *Paris, France*
*Manufacturers and Distributors of Titanium Oxide Pigments*

TITANIUM METALS CORPORATION OF AMERICA, New York
H. C. WILDNER, *President* — *Distributors of Titanium Products*

TITANIUM PIGMENT CORPORATION,* New York
J. A. MARTINO, *President* — *Distributors of Titanium Oxide Pigments*

* *Wholly owned.*

## PAINTS AND PAINT MATERIALS
Sold under the DUTCH BOY brand name

| | |
|---|---|
| Exterior House Paints | White Lead |
| Interior Wall Paints | Red Lead |
| Metal Protective Paints | Colors |
| Linseed Oil | Flatting Oil |
| Lead Mixing Oil | Liquid Drier |

## PIGMENTS AND CHEMICALS

| | |
|---|---|
| Basic Carbonate White Lead | Barium Sulphate |
| Basic Silicate White Lead (45X) | Copperas-Iron Sulphate |
| Lead Acetate | Zinc Chloride |
| Lead Silicates | Copper Sulphate |
| Lead Oxides | Antimony Oxides |
| Calcium Carbonate | Lead Chemicals for the Plastics Industry |

## OILS

| | |
|---|---|
| Linseed Oil | Castor Oil |
| Special Paint Oils | |

## LEAD PRODUCTS

| | |
|---|---|
| Lead Pipe | Bar Lead |
| Sheet Lead | Lead Shot |
| Lead Traps and Bends | Lead Wire |
| Lead Cames | Lead Washers |
| Lead Sash Weights | Lead Wool |
| Ingot Lead | |

## LEAD ALLOY PRODUCTS

| | |
|---|---|
| Solder | Stereotype Metal |
| Bearing Metals | Antimonial Lead |
| Type Metals | Tellurium Lead |
| Electrotype Metal | Storage Battery Plate Metal |





## OTHER METAL PRODUCTS

| | |
|---|---|
| Railway Journal Bearings | Pressure Die Castings |
| Satco Bearing Metals | Pewter and Britannia Metal |
| Diesel Engine Bearings | Antimony |
| Kirksite "A" Die Metal | |

## ACID HANDLING EQUIPMENT

| | |
|---|---|
| Chemical Lead Pipe | Lead Lined Fittings |
| Chemical Sheet Lead | Tin Lined Pipe |
| Acid Pumps | Tin Lined Valves |
| Acid Concentrators | Tin Lined Fittings |
| Lead Lined Pipe | Hard Lead Valves |
| Lead Lined Valves | |

## TITANIUM ALLOY MANUFACTURING DIVISION

| | |
|---|---|
| Ferro Alloys of Titanium | Zirconium Chemicals |
| Titanates | Zirconium Ceramic Materials |
| Titanium Dioxide (natural Rutile) | |

## TITANIUM PIGMENTS
Sold under the TITANOX brand name

| | |
|---|---|
| Titanium Dioxide (Rutile) | Titanium Calcium Pigments |
| Titanium Dioxide (Anatase) | Titanium Dioxide (Technical Grade) |

## GENERAL PRODUCTS

| | |
|---|---|
| Magnetite-Iron Concentrates | Titanium Metal |
| Magnetite Sinter | Linseed Oil Cake and Meal |
| Ilmenite Concentrates | Expansion Bolts |
| Journal Lubricator Pads | Screen Plates for Paper Mill Industry |
| Locomotive Lubricating Devices | Small Steel Containers |
| Oil Well Drilling Mud Compounds | |

Some of the

# TRADEMARKS AND BRAND NAMES

in the "Dutch Boy" family

BAROID · AQUAGEL · STABILITE · OIL WELL DRILLING MUD SERVICE

AQUAGEL ZEOGEL
BAROID ANHYDROX
IMPERMEX CARBONOX

MAGNUS

SATCO TWINPLEX
MAGSAFE

IMPERIAL EASY WIPING
NICKEL GENUINE
HARRISMETAL CERTIFIED
HANDY BLOCK LEAD

TITANOX

TITANOX

"Dutch Boy"
TRADE MARK REG.

WONSOVER FLUXRITE
NALCO NORMASAL
TRIBASE DYPHOS
45 X

E. W. BLATCHFORD COMPANY · REPUTATION · EST'D 1854 · INCO. 1890 · A TOWER OF STRENGTH

CENTRIFUGAL American Bearings FORCE

LS

LONE STAR

QUALITY DE LORE NL SERVICE

TAM ZIRCONIUM and TITANIUM PRODUCTS

ALTAM MELTOPAX
CARBORTAM ZIRCOPAX
INSULOXIDE TREOPAX
OPAX

QUALITY KIRK PRODUCTS

KIRKSON KIRKSITE