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National Lead Compan[y]

1950

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THE COVER

The original portrait of the "DUTCH BOY" was painted in 1907 by Lawrence Carmichael Earle, a distinguished portrait painter. Since his first appearance in National Lead Company advertising in that year, the "DUTCH BOY" has become a nationally-known trademark and a symbol for high-quality products.

National Lead Company

INCORPORATED DECEMBER 8, 1891

59th ANNUAL REPORT

For the Year Ended December 31, 1950

TABLE OF CONTENTS

0000-NLI-000018389

BOARD OF DIRECTORS

LEONARD T. BEALE	GEORGE L. RATCLIFFE
WILLIAM V. BURLEY	JOSEPH H. REID
WALTER P. CARROLL	CHARLES SIMON
ALFRED H. DREWES	JAMES A. TAYLOR
JOSEPH A. MARTINO	HERMAN T. WARSHOW
DAVID A. MERSON	HARRY C. WILDNER

EXECUTIVE COMMITTEE

JOSEPH A. MARTINO, *Chairman*

WILLIAM V. BURLEY	JOSEPH H. REID
ALFRED H. DREWES	CHARLES SIMON
DAVID A. MERSON	HERMAN T. WARSHOW

HARRY C. WILDNER

EXECUTIVE OFFICERS

President
JOSEPH A. MARTINO

Vice-Presidents

WILLIAM V. BURLEY	DAVID A. MERSON
WALTER P. CARROLL	HERMAN T. WARSHOW

HARRY C. WILDNER

Assistant to the President	Secretary
ALFRED H. DREWES	JOHN B. HENRICH
Treasurer	Comptroller
CHARLES SIMON	HARRY C. WILDNER
Assistant Secretary	Assistant Treasurer
THOMAS F. OWENS	JOSEPH J. MORSMAN, JR.

Assistant Comptrollers

GEORGE A. DEWEY	JOSEPH J. MORSMAN, JR.

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.

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THE PRESIDENT'S MESSAGE

March 16, 1951

To the Stockholders and Employees
of National Lead Company:

THE TWELVE MONTHS of 1950 saw our country and its economy reverse the trend to a peace-time basis which had begun after the end of World War II in 1945. Within the year industry again found itself operating under a war-like economy, although the full impact of the change still remains to be felt in the months to come.

In the early months of 1950 your Company's operations reflected a level of general business activity measured by the needs of a nation at peace. Materials were again available. Prices had adjusted to levels somewhat below those which prevailed immediately after the close of the war. The buyers' market had again returned to the industrial picture.

Midyear found our armed forces again engaged in active combat and shortly thereafter the tempo of business reacted to the demands of a nation readying itself for possible future conflict. Problems and restrictions encountered during World War II have again reached the horizon. Price controls, rationing, allocations, shortages and higher taxes are a present reality, all to be reflected in what your Company achieves during 1951.

EARNINGS

Net income for 1950 amounted to $26,490,644, equal to $7.23 per share of Common stock after payment of regular dividends on the Preferred stock. Earnings for 1949 were $14,749,011 or $3.88 per Common share.

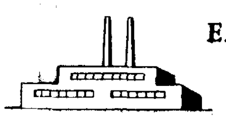
The increase in earnings to a new high for the Company reflects the larger volume of business enjoyed during 1950 in comparison with 1949.

Foreign subsidiaries and partially-owned domestic companies likewise enjoyed a successful year in 1950. Dividends received from these affiliates are included in the earnings cited above. Estimates indicate that the Company's equity in their undistributed earnings for the year, before consider-

Financial Highlights







	1950	1949
SALES	$342,727,911	$257,461,599
EARNINGS	26,490,644	14,749,011
TAXES	30,926,877	8,783,272
DIVIDENDS PER SHARE	4.00	2.25
EARNINGS RETAINED FOR USE IN THE BUSINESS	10,925,542	5,296,660

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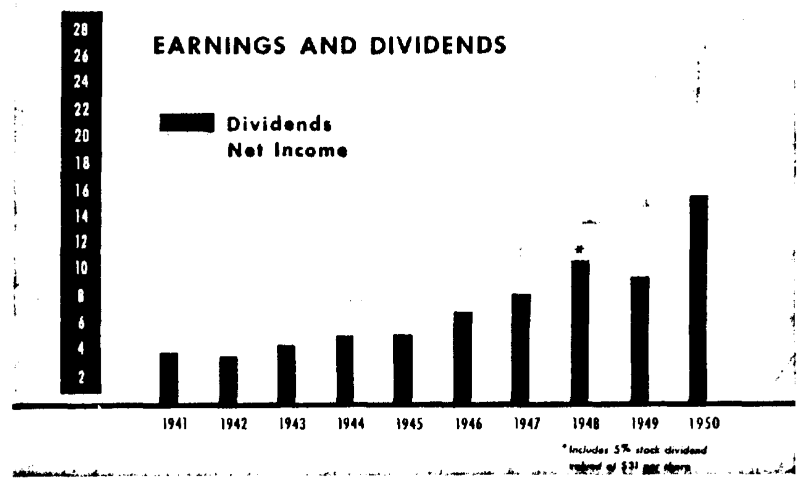


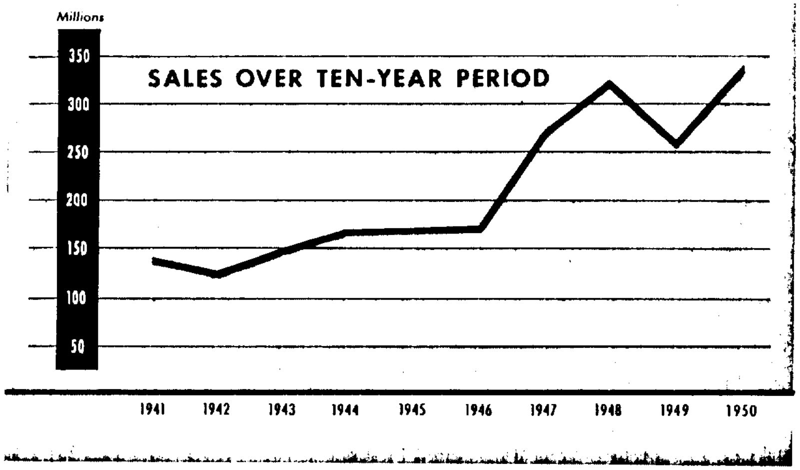
ing foreign exchange fluctuations, will approximate 8¢ per Common share.

At December 31, 1950 the Company's equity in the net tangible assets of these subsidiaries exceeded by $13,829,000 the investment carried on the Company's books.

DIVIDENDS

Dividends aggregating $15,565,102 were paid to the stockholders in 1950. Of this total, $2,134,451 represented regular quarterly payments on the Company's Class A and Class B Preferred shares. The balance paid on the Common stock was equivalent to $4.00 per share, as compared with $2.25 in 1949.

The Common shareholders received quarterly payments of 25¢ per share in March, June and September and 50¢ per share in December. In addition, extra dividends of 25¢ were paid in June and September and $2.25 in December. The Board of Directors feels that quarterly payments of 50¢ per share on the Common stock, as compared to the 25¢ rate established in December of 1947, are more realistic in relationship to the Company's present level of net income.



Net income in the amount of $10,925,542 remaining after the payment of dividends was added to Earned Surplus account, which carried a balance of $61,343,176 at December 31, 1950.

SALES

The Company's dollar volume of sales reached a new high in 1950, totalling $342,727,911. The previous peak was reached in the year 1948, when a total of $320,457,301 was recorded.

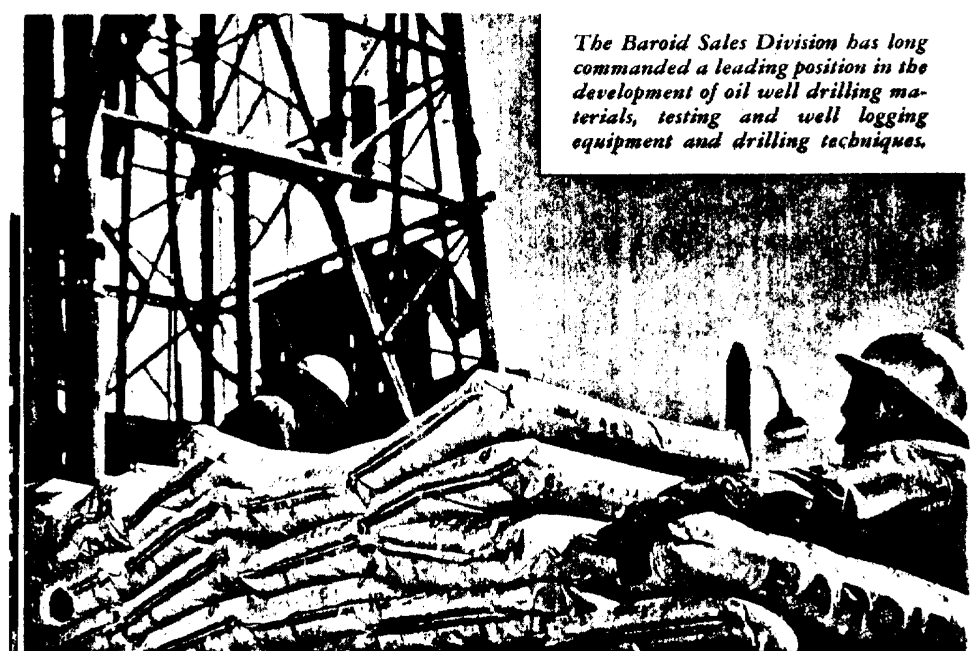
Dollar sales for 1949 were $257,461,599 and the increase in 1950 was primarily attributable to the larger volume of product sold. All divisions of the Company participated in the increase. In terms of tonnages shipped, business in 1950 was approximately 25 per cent better than in 1949. The price of lead rose from 12¢ to 17¢ per pound over the year and this and other increases contributed to a larger dollar volume in those lines where prices are based on fixed differentials over raw material costs.

During the early months of 1950 the business enjoyed by the Company was roughly comparable to that for the corresponding period of 1949. Shortly thereafter activity increased materially and sales moved substantially ahead of the prior period for the balance of the year. While this picture undoubtedly reflects to some degree our country's participation in the Korean War and its accompanying implications, it would seem that the full effect of the present national military preparedness program will not become apparent until sometime in 1951.

It is gratifying to note that the additional productive capacity provided through the Company's program of post-war plant expansion is now an important segment of operations. New or expanded facilities were provided for the production of titanium pigments, oil well drilling materials and mixed paints. The demands anticipated when these expansions were initiated have developed and, as noted in the semi-annual report for 1950, a further increase in titanium pigment capacity is presently under way.

TAXES

Taxes charged against earnings increased to $30,926,877 in 1950, as against $8,783,272 for the year 1949. The 1950 figure is equal to $9.19 per share of Common stock outstanding.



The Baroid Sales Division has long commanded a leading position in the development of oil well drilling materials, testing and well logging equipment and drilling techniques.

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The major portion of the increase took place in federal taxes on income. Net earnings before federal taxes increased $33,366,220, necessitating a proportionately larger accrual for taxes. Likewise reflected in the 1950 figures is the upward revision in tax rates enacted late in that year.

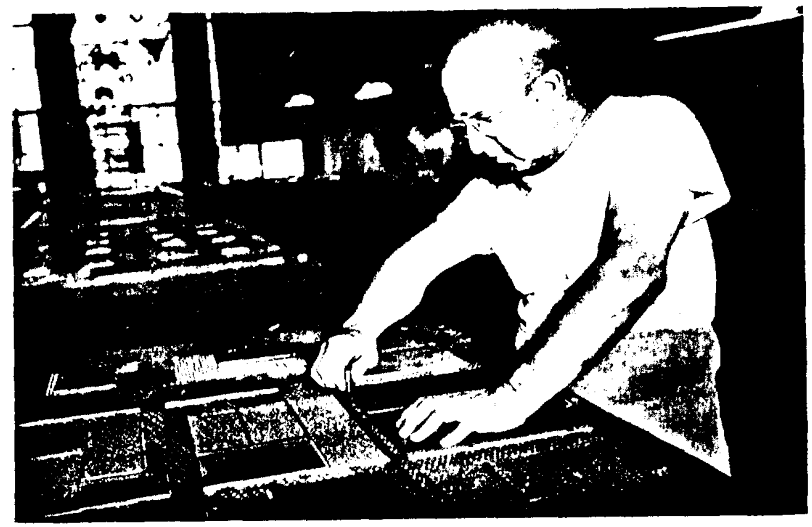
It should be noted that in certain lines of its business, the Company has elected to employ the last-in, first-out method of inventory valuation in the determination of its federal income tax liability for 1950. It is well known that the normal stock method of valuation has long been a policy of your Management. Although the normal stock system is essentially the same in principle as the last-in, first-out method, it has never been acceptable to the tax authorities as a basis for determining taxable earnings.

The last-in, first-out method is, however, recognized and market conditions during 1950 were such as to make its adoption desirable for tax purposes. It is estimated that the Company's federal tax liability for 1950 was reduced by approximately $3,800,000 through its adoption. The Company will continue to maintain the inventory reserves previously established under the normal stock system.

PLANT INVESTMENT

The net increase in the Company's gross property account during 1950 was $2,325,876, total gross plant at December 31, 1950 amounting to $135,578,755. Gross additions during the year amounted to $5,040,753 and included certain land areas adjacent to the Company's titanium pigment plant at Sayreville, New Jersey, and the cost of extensions and improvements effected at that location and at the St. Louis, Missouri plant in the interest of increased production. Gross property at year-end also reflects the acquisition of the plant, property and equipment of the Schorn Paint Company of Seattle, Washington, whose assets were acquired in the early part of the year. Retirements were normal, consisting for the most part of fully depreciated equipment and plant no longer in use.

As indicated in the semi-annual report, the Company is again engaged in expanding substantially its capacity for the production of titanium pigments. For the past decade, demand for these products has been increasing continuously and the Company's production has been materially expanded



Locking up printing form on E. W. Blatchford Co. Branch honeycomb base, using Blatchford catches to anchor plates in place. This branch also supplies type metals to the printing industry throughout the country.

several times during the period. The additional facilities now under construction will cost approximately twenty millions of dollars and your Management proposes to finance this expenditure without resort to outside sources of capital. It is expected that the increased production will reach the Company's markets late in 1951.

The Company's net property account decreased from $69,172,568 at December 31, 1949 to $68,188,740 at the close of 1950. Depreciation charged against earnings during the year amounted to $5,896,695. The decrease of $872,748 in comparison with the 1949 write-off reflects the diminishing balance method of depreciating certain facilities of the Company's Titanium Division, as discussed in the Annual Report for 1949.

EXECUTIVE PERSONNEL

In October, 1950 Alfred H. Drewes was elected a member of the Board of Directors and of the Executive Committee. Mr. Drewes joined the Company in 1935 and was named Assistant to the President in 1947.

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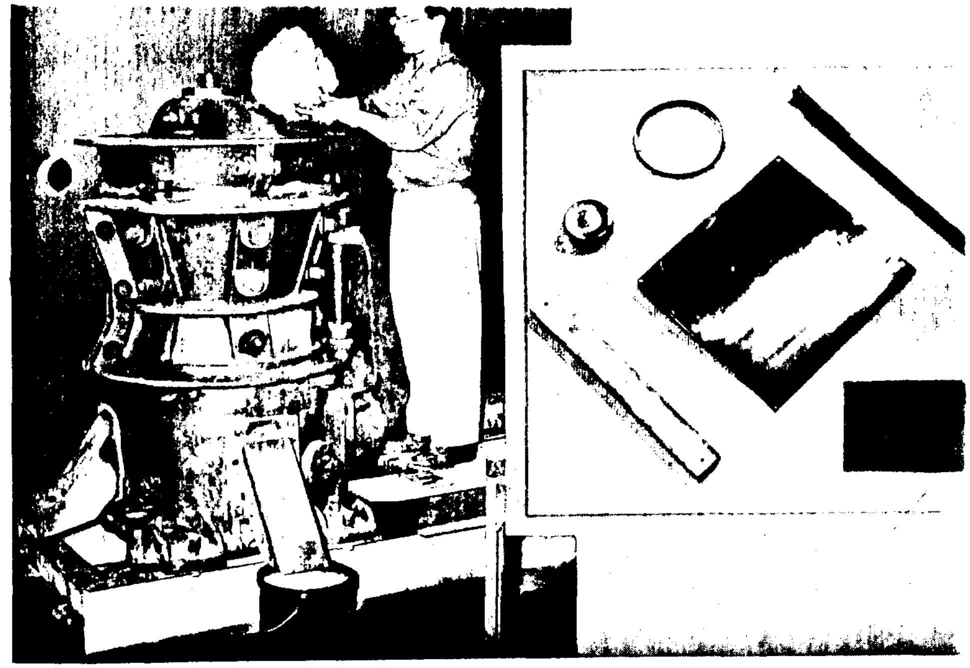
We regretfully report the death on October 10, 1950 of Charles A. Geatty, who was a member of the Board of Directors until that date. Mr. Geatty had been associated with the Company since 1899. After distinguished service in managerial responsibilities at several branch locations, Mr. Geatty was named to direct the Company's metal department in 1938. He was elected a member of the Board of Directors and of the Executive Committee in 1940.

It is our sad duty also to record the passing on January 20, 1951 of Dr. Gustav Jebsen, formerly managing director of Titan Company A/S and vice-president of Titan Company, Inc., subsidiaries of National Lead Company. Dr. Jebsen was a prominent figure in the growth of the titanium pigment industry in Europe for over 30 years. He had retired in 1949.

Both Mr. Geatty and Dr. Jebsen gave themselves unstintingly to the service of the Company. Their contributions to progress in their respective fields were many and significant. They were respected and admired by their many friends and associates and will be long remembered.

Tanks holding finished castor oil products at the Bayonne, New Jersey plant of the Baker Castor Oil Company.



Titanium sponge metal is crushed into small pieces at the Titanium Division plant in Sayreville, New Jersey, to facilitate melting. The metal (light, strong and non-corrosive) then is fabricated into sheet, bar, rod and wire.

LITIGATION

In connection with the decree heretofore entered in the civil anti-trust suit brought by the Government, the Company now has an extension of time to April 1, 1951, within which to submit a plan either for the sale of the Company's interests in its partly-owned companies in Germany and Japan or, in the alternative, for purchase by the Company of the interests of others in those companies.

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

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respect to lead pigments. The Commission heard final argument in May, 1949 and reargument in February, 1950.

As previously reported, 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. At the same time the Government commenced a civil anti-trust action in the same Court. Both involve charges with respect to the sale and distribution of used storage batteries and lead salvaged from used batteries. These cases have not as yet come to trial.

During 1950 a paint manufacturer filed an action in the United States District Court for the Northern District of California, Northern Division, to recover a judgment declaring its right to use the trade name "Dutch Paint Company" and their alleged trademark "Dutch Paint", in which action the Company counterclaimed for infringement of the "Dutch Boy" trademark, for unfair competition and for damages. This action was tried before the Court, without a jury, in November and December, 1950 and as yet no decision has been handed down.

The same plaintiffs have filed an action for treble damages under the anti-trust laws, alleging a conspiracy between the Company and other parties in regard to the sale and distribution of titanium pigments. The action has not yet come to trial.

Charging an electric furnace used in the production of ferro carbon titanium alloys at the Niagara Falls plant of the Titanium Alloy Manufacturing Division.

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STOCK PURCHASE PLAN

Under the provisions of the plan approved by the stockholders at the 1950 Annual Meeting, eligible employees had subscribed up to December 31, 1950 for a total of 113,850 shares of the Common stock of the Company. For book purposes, the par value of these shares, $1,138,500, was credited to the capital stock account and $3,579,894, the difference between par and the market prices at which the subscriptions were entered, was added to the capital surplus of the Company. Notes receivable outstanding in this connection at the close of 1950 totalled $4,479,884.

PERSONNEL

Employees of the Company numbered 13,137 at December 31, 1950. This represents an increase of 1,635 over the year, all divisions and branches participating.

Relations with labor organizations continued on a satisfactory basis. Your Management has in its negotiations endeavored to preserve a policy which will give full recognition to the problems facing its employees as the result of current economic conditions. Extra compensation was paid in December, 1950 to all employees on the same basis as in the previous year, i.e., 6½ per cent of the first $6,000 of compensation earned during the first eleven months of the year. The participants in the Company's profit-sharing plan were again credited with their respective shares of the contribution provided for under the plan's provisions.

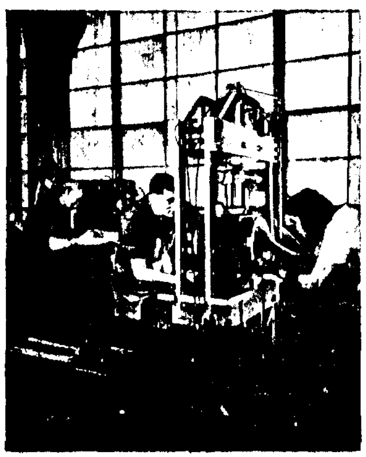
A total of 100 employees were retired under the retirement and group life insurance plan during the year. At December 31, 1950 there were 730 surviving pensioners receiving annuities under the plan. Claims for group insurance death benefits paid during the year numbered 105 and aggregated $485,000.

EXPANSION AND DIVERSIFICATION

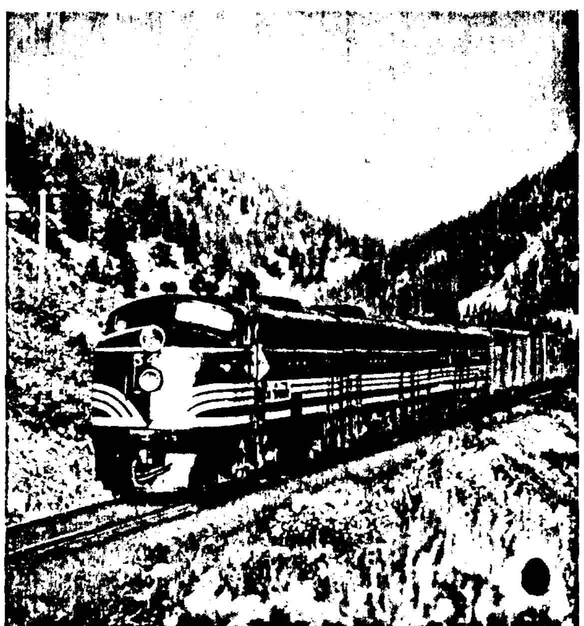
Many of the Company's new developments cited in the 1949 and previous reports have shown encouraging progress during 1950. Sales of lead chemicals and stabilizers have been most gratifying and further expansion in these lines is anticipated in 1951. The new bentone plant at St. Louis, Missouri came into production and customer acceptance of these organic clay compounds is steadily improving.

A second plant unit for production of the paint pigment sold as basic silicate white lead "45X" was completed and commenced operation. Advantages offered by this new product have led to its adoption on a widespread basis by the industry and further expansion of capacity is presently under way. This pigment will be of ever-increasing importance as shortages and restrictions limit availability of other materials of this type.

Progress in the field of titanium metal has been substantial. Titanium Metals Corporation of America, jointly owned by National Lead Company and Allegheny Ludlum Steel Corporation, has been offering ever-increasing quantities of this metal to the market. Demand, particularly for military adaptations, is substantially in excess of the industry's ability to produce. The Company plans, subject to the completion of certain negotiations, the construction and operation of a titanium metal plant at Henderson, Nevada, which will be the first large-scale unit in the industry. Currently, it is expanding output at other locations and research and study are being actively pursued toward improved technique and reduced costs.



Support bearings for diesel motors used in locomotives are micrometer-tested under load before shipment. Inside and outside diameters are held to rigid tolerances to insure



For some years Company metallurgists have been investigating the extraction of the cobalt content of ores which the Company mines at its properties in Missouri. The United States has been for many years almost completely dependent upon foreign sources for cobalt, which is extremely important to our economy both in times of peace and war. Recently there has been developed a new separation process and the Company is now exploring the question of production on a plant-size scale.

Over the past year activity in well drilling in the oil fields of Canada has increased materially. The Baroid Sales Division of the Company has extended its activities to these areas, which show promise of providing an important market for its products and services.

For a number of years the headquarters office of the Baroid Sales Division has been located in Los Angeles, California, with sales offices maintained in other areas. To effect the consolidation of certain activities and permit more effective service to its customers, there is now under construction in Houston, Texas a new administrative, research and sales headquarters building. Completion is expected by mid-1951.

LOOKING FORWARD

The past decade and particularly the years following the end of World War II have seen many of the developments of the Company's research translated into commercial production and sales. These products are of ever-increasing importance to the Company's earnings picture and it is the policy of your Management to continue progressive and active research in all phases of the business.

At the present time the Company is enjoying a volume of business comparable to that of 1950. Some divisions are operating at capacity while others find themselves faced with shortages of materials and the other problems which accompany a change such as has taken place in the world economic and political picture. During World War II the Company found itself able to meet the demands made upon it by a country at war and it is expected that this will again be possible in the present period of emergency.

A primary problem is and will be the availability of lead for fabrication by the Company. At this time lead is again in short supply and it is

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expected that this condition will continue. The domestic producers of the raw metal have for a number of years been unable to expand production within the United States to keep pace with ever-increasing consumption. The balance between supply and demand has been maintained from two sources, secondary lead and foreign production. Your Company has been active in the production of secondary material, operating smelters for the refining of scrap lead in ten cities of the country.

Approximately one-third of the lead consumed must, however, come from producing sources outside of the United States and its importation and sale here are of necessity closely linked to our tariff policy. The duty on virgin pig lead imported into this country was doubled on January 1, 1951 and this has served to discourage the movement of the raw material inward and has further resulted in confusion in domestic markets so far as prices and pricing policies are concerned.

Pig tin, for which the United States is largely dependent upon foreign sources, is likewise in short supply. National Lead Company is one of the

Hydraulic presses producing automobile and aircraft parts with Kirksite (zinc alloy) dies.

largest users of this metal in the world. As in the last war, other metals and alloys are already being substituted where it is possible to do so.

The Baker Castor Oil Company, a subsidiary referred to in the 1949 report, is making an important contribution to the problems resulting from dependence on overseas sources for castor beans from which oil is extracted. For some years this company has actively pursued an agronomic program designed to improve the position of the United States in this regard by cultivation of the crop domestically. An extended program of research and experimentation has developed the necessary varieties and established that castor beans can be grown in such areas as California, Texas and Oklahoma. The first commercial crop was harvested in 1950 and acreages in 1951 are expected to yield three or four times the 1950 output.

Such commodities as zinc and sulphur, of which the Company consumes large tonnages, are in short supply. Likewise, raw materials for the Company's steel package plant are difficult to obtain and the market for antimony, produced at the Laredo smelter, has tightened materially.

The diversity and character of the Company's products will permit it to participate in business under the rearmament program in the same manner as in the years immediately preceding present developments. Operating results will, of course, mirror the factors which have been mentioned, as well as the increase in corporate taxes.

In large degree, what the Company achieves in the future will reflect the loyalty and cooperative efforts of its employees. They have been an integral part of the progress and successes which have marked 1950 and prior years. Your Management is confident that they will play a role of like importance in the Company's activities in the year to come.

At December 31, 1950 the Company's stockholders numbered 19,129. This report will be presented at their Annual Meeting which will be held at Sayreville, New Jersey on April 19, 1951.

By Order of the Board of Directors,

J. A. Martino

President.

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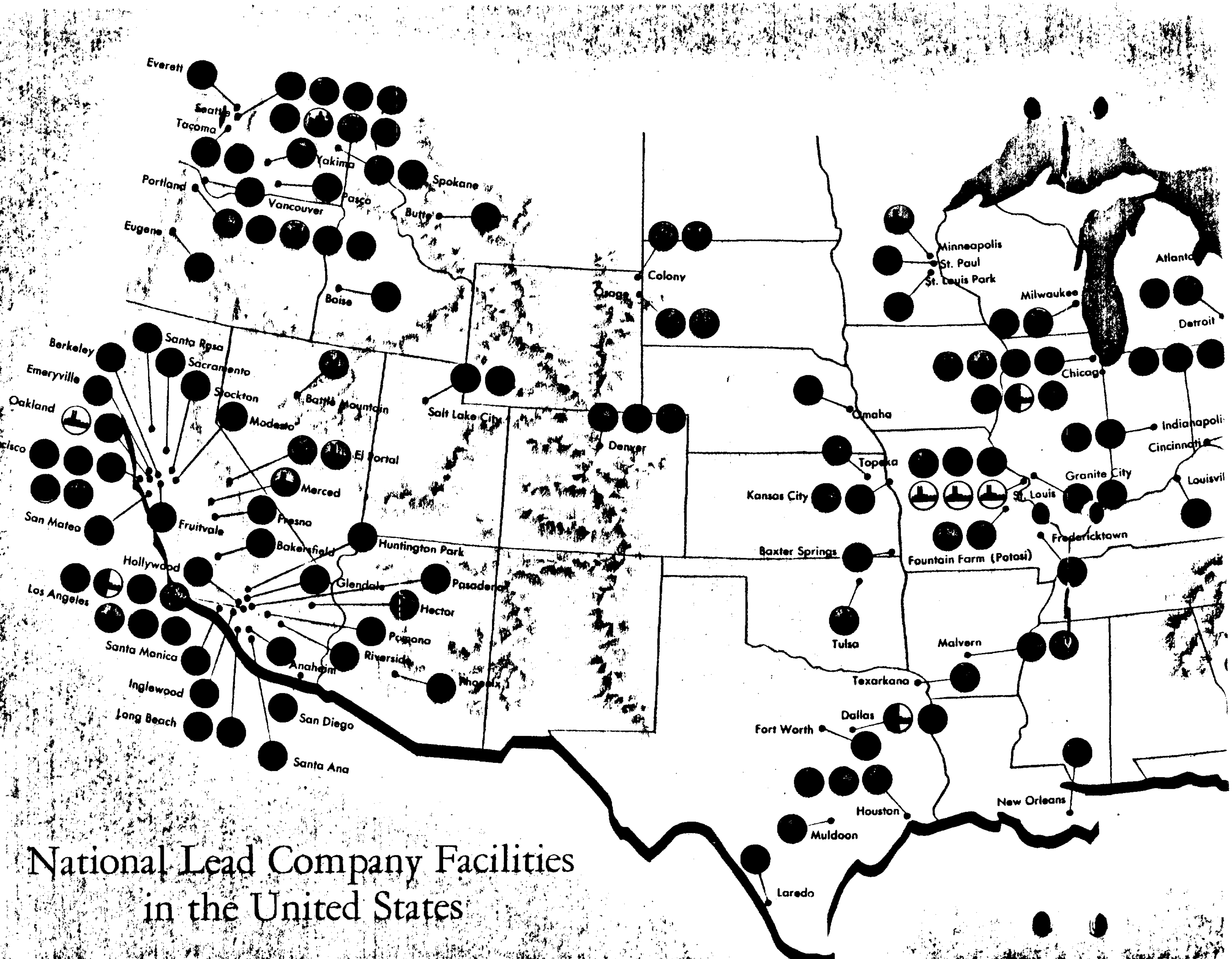

National Lead Company Facilities
in the United States

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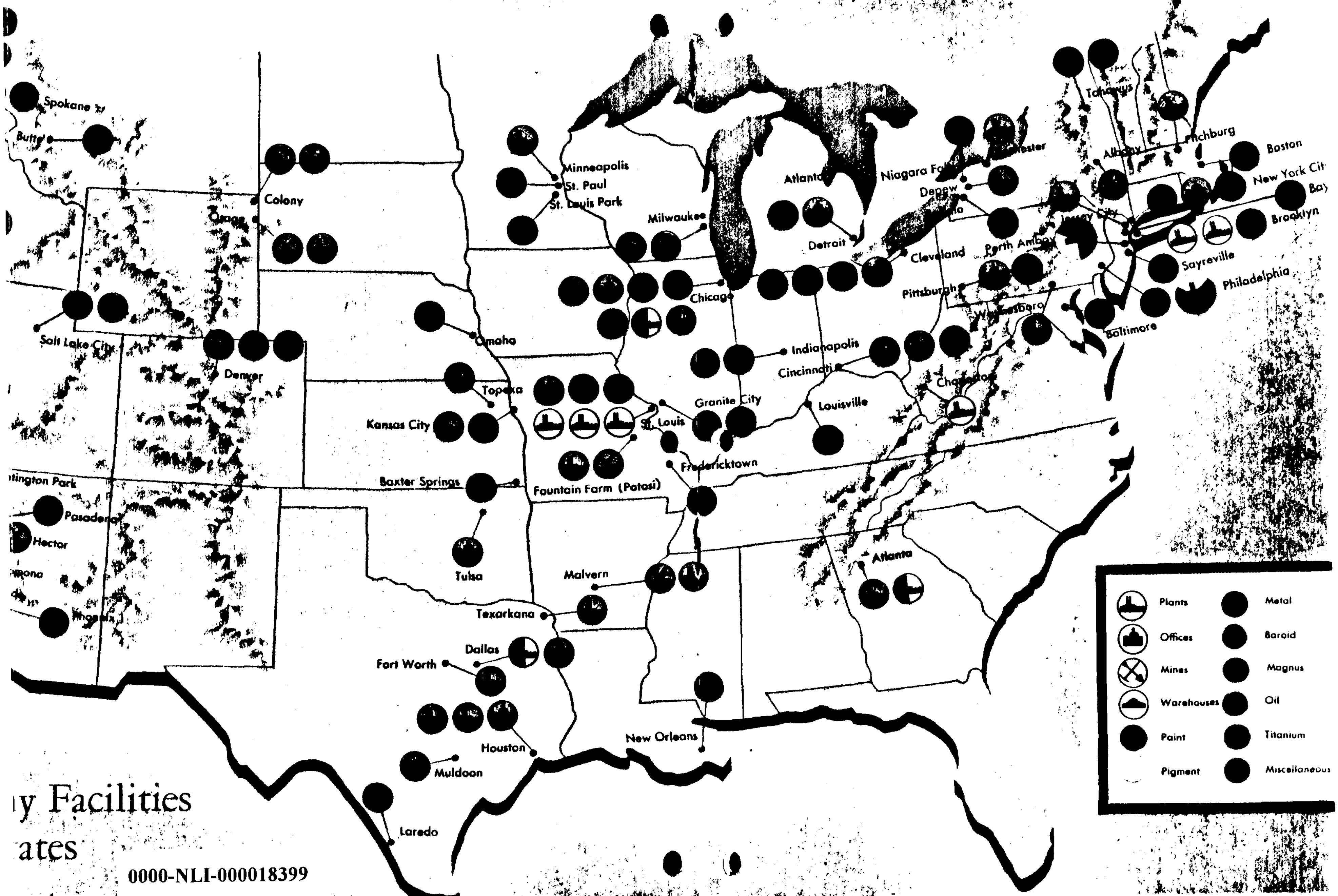

y Facilities

ates

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Plant safety committees make recommendations in the interest of protection against accidents.

Employee is congratulated by plant official on advancement from apprentice to journeyman status as a result of on-the-job training.

Safeguarding the employee's health is an important function in the operation of Company plants.

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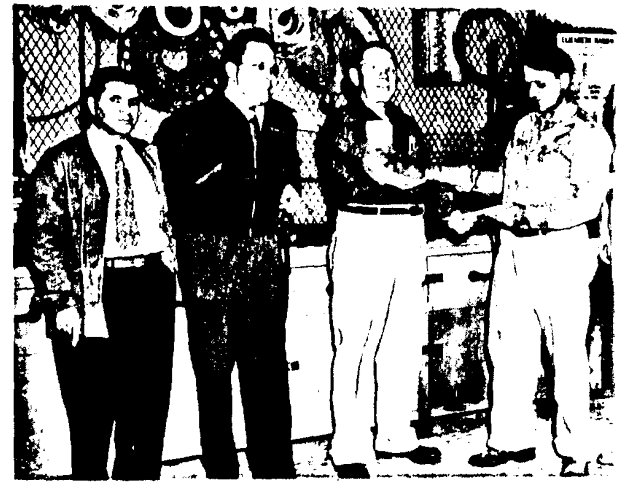
The newly-established Company suggestion system offers cash awards for ideas advanced to promote savings and increase production.



EMPLOYEES

Plant picnics were
by employees and th
ilies last summer.
Company president
A. Martino (center
them at various l

Consolidated Balance Sheets

DECEMBER 31, 1950 AND 1949

ASSETS

	1950	1949
Current assets:		
Cash	$ 24,370,746	$ 17,961,612
United States Government securities, at cost (approximately equivalent to amounts at market quotations) (Note 1)	22,128,927	9,924,752
Other marketable securities, at cost less reserves of: 1950, $522,892; 1949, $522,892 (at market quotations: 1950, $2,824,775; 1949, $3,032,091)	602,518	592,601
Accounts and notes receivable, less reserves of: 1950, $2,036,257; 1949, $1,985,859	35,246,451	16,003,234
Notes receivable from employees	277,755	111,435
Inventories (Note 2)	48,824,480	43,857,133
Total current assets	131,450,877	88,450,767
Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of: 1950, $5,196,385; 1949, $5,076,385 (Note 3)	9,516,930	9,390,943
Miscellaneous investments, at cost or below, less reserves of: 1950, $846,778; 1949, $846,778	835,132	199,911
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: 1950, $67,390,015; 1949, $64,080,311	68,188,740	69,172,568
Patents and licenses, less amortization	48,409	74,283
Prepaid expenses, deferred charges, etc.	1,641,379	1,652,806
	$211,681,467	$168,941,278

The accompanying notes to financial statements

National Lead Company
AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 1950 AND 1949

LIABILITIES

	1950	1949
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,031,027	$ 9,067,444
Payable to unconsolidated subsidiaries	1,337,381	990,527
Provisions for taxes, including federal taxes on income	38,910,745	15,683,012
Dividends payable February 1, 1951 and 1950 on Class B preferred stock	123,600	123,600
Total current liabilities	$ 56,402,753	$ 25,864,583
Reserves:		
Fire insurance	$ 4,797,284	$ 4,797,284
Employer's liability	426,664	426,664
Pension	2,646,778	2,654,533
Contingencies	4,080,358	4,080,358
Inventory (Note 2)	13,486,331	12,915,700
	$ 25,437,415	$ 24,874,539

CAPITAL

	1950	1949
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: 1950, 3,367,075 shares (including 113,850 shares issued under Stock Purchase Plan, Note 4); 1949, 3,253,225 shares	33,670,750	32,532,250
	68,366,050	67,227,550
Capital surplus	8,102,965	4,523,071
Earned surplus (Note 2)	61,343,176	49,942,543
	$137,812,191	$121,693,164
Less:		
Reacquired capital stock, at cost (Note 5)	$ 3,491,008	$ 3,491,008
Employees' notes receivable under Stock Purchase Plan (Note 4)	4,479,884	
	$ 7,970,892	$ 3,491,008
	$129,841,299	$118,202,156
	$211,681,467	$168,941,278

are integral parts of these statements.

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National Lead Company
AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Statements of Income and Earned Surplus
FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

	1950	1949
Sales, less returns and allowances (Note 6)	$342,727,911	$257,461,599
Cost of sales (Notes 2 and 6)	$247,046,128	$197,211,880
Depreciation, depletion and amortization	5,896,695	6,769,443
Administrative, selling and general expenses	36,063,191	30,261,490
Taxes, other than federal taxes on income	2,859,722	2,340,704
	$291,865,736	$236,583,517
	$ 50,862,175	$ 20,878,082
Other income (Note 7)	3,815,624	1,727,705
	54,677,799	22,605,787
Other charges and additions to reserves (Note 8)	120,000	1,414,208
Net income before provisions for federal taxes on income (Note 2)	54,557,799	21,191,579
Provisions for federal taxes on income (including $4,245,000 excess profits taxes in 1950) (Notes 2 and 9)	28,067,155	6,442,568
Net income for the year (Note 2)	$ 26,490,644	$ 14,749,011

	1950	1949
Earned surplus balance, January 1	$ 49,942,543	$ 44,645,883
Adjustment of December 31, 1949 inventory ($766,276) less applicable federal taxes on income incident to adoption of "last-in, first-out" valuation method (Note 2)	475,091	
Net income for the year (Note 2)	26,490,644	14,749,011
	$ 76,908,278	$ 59,394,894
Dividends:		
On Class A preferred stock, $7 per share	$ 1,640,051	$ 1,640,051
On Class B preferred stock, $6 per share	494,400	494,400
	2,134,451	2,134,451
On common stock $4.00 per share in 1950, $2.25 per share in 1949	13,430,651	7,317,900
	$ 15,565,102	$ 9,452,351
Earned surplus balance, December 31	$ 61,343,176	$ 49,942,543

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

0000-NLI-000018402

National Lead Company
AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Statements of Capital Surplus
FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

	1950	1949
Capital surplus balance, January 1	$4,523,071	$4,523,071
Excess of aggregate subscription amount over aggregate par value of 113,850 shares of common stock issued under Stock Purchase Plan (Note 4)	3,579,894	—
Capital surplus balance, December 31	$8,102,965	$4,523,071

Notes to Consolidated Financial Statements

1. United States Government securities include cost amounts deposited in connection with *self-insurance of workmen's compensation risks, etc.: $949,604 at December 31, 1950 and* $939,666 at December 31, 1949.

2. During 1950 the company adopted the "Lifo" (last-in, first-out) method of pricing with respect to certain of its basic inventories and proposes to elect such method for federal income tax purposes commencing with 1950. In accordance with income tax requirements, such inventories as of December 31, 1949 have been increased by the amount of $1,399,177; compensating credits of $632,901 and $766,276 have been made to the normal stock reserve and to earned surplus, respectively. Other inventories continue to be carried on average or first-in, first-out bases.

As a result of the adoption of the Lifo method of inventory pricing net income for 1950 before provision for federal taxes on income is $2,317,496 less and provision for federal taxes on income is $3,843,948 less than would otherwise have been the case.

The normal stock reserve has been maintained on the basis of the following quantities and prices:

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

The inventory reserves include, in addition to the normal stock reserves, general inventory reserves of $800,000 at both December 31, 1950 and 1949.

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.

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 $23,210,000 at December 31, 1950 and $22,935,000 at December 31, 1949. 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 $13,829,000 at December 31, 1950 and $13,680,000 at December 31, 1949, representing increases in such excesses of approximately $149,000 in 1950 and $3,560,000 in 1949. 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 dividends of $2,596,477 in 1950 and $964,969 in 1949 paid by the subsidiaries and included in consolidated net income, and foreign exchange adjustments.

Total equities of $23,210,000 and $22,935,000 shown in the preceding paragraph include $10,021,000 and $10,540,000, 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.

During 1950 certain domestic unconsolidated subsidiaries adopted the "Lifo" (last-in, first-out) method of inventory pricing. As a result of this change National Lead Company's equity at December 31, 1950 in the net tangible assets of unconsolidated subsidiaries is $850,000 less than would otherwise have been the case.

Unaudited financial statements as of September 30, 1950 and 1949 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 1950	September 30 1949
Norwegian kroner	14,110,000	13,510,000
Belgian francs	27,240,000	20,210,000
Dutch florins	590,000	210,000
French francs	17,750,000	8,930,000

National Lead Company's investments in and advances to Continental European subsidiaries, less reserves, approximated $136,100 at December 31, 1950 and $136,000 at December 31, 1949. Dividends (U. S. dollar amounts) were received from a Norwegian subsidiary and are included in consolidated net income: 1950, $97,729; 1949, $70,265.

4. Under the company's Stock Purchase Plan for Officers and Other Key Employees adopted in 1950 certain officers and employees may contract, prior to April 20, 1951, to purchase common shares of the company in the aggregate number not exceeding 5 per cent of the number of common shares otherwise issued and outstanding. The purchase price (market at the date of execution of the purchase contract) shall be evidenced by promissory notes bearing interest at 3 per cent payable within 10 years, the shares serving as collateral. Payments against interest and principal of the notes shall be not less than fifty per cent of the dividends paid on such shares. The employee has the option to, and the company may require that he, withdraw the collateral in hundred-share lots as payments become equal to the purchase price thereof.

Upon death or retirement of an employee the company shall, if requested, repurchase at the original *sales price shares* not then fully paid for. Under other circumstances if the employee shall not complete payments the company shall have the option of so repurchasing shares not then fully paid for but may exercise any legal right to compel completion of the contract.

At December 31, 1950, 48,811 shares were available for purchase under the Plan.

5. 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

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

7. Other income comprises:

	1950	1949
Dividends received (including $2,694,206 from unconsolidated subsidiaries in 1950 and $1,035,234 in 1949)	$3,287,845	$1,644,016
Net profit on sales and other retirements of fixed assets	83,329	—
Interest and miscellaneous	444,450	83,689
	$3,815,624	$1,727,705

8. Other charges and additions to reserves comprise:

	1950	1949
Additions to reserves for investments in and advances to unconsolidated foreign subsidiaries	$ 120,000	$ 770,674
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
	$ 120,000	$1,414,208

9. Numerous differences exist between taxable income and book income, including fluctuations in the normal stock reserves; percentage depletion; and depreciation charges.

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, 1950 and 1949 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 1950 and 1949 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, 1950 and 1949 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 1950 change, which we approve, in the method of pricing inventories explained in Note 2 to the consolidated financial statements.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 5, 1951.

0000-NLI-000018403

TEN-YEAR REVIEW OF OPERATIONS

	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Net Sales	$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	**$342,727,911**
Net Income before Taxes	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	**54,557,79[illegible]**
Federal Taxes on Income	10,015,669	7,908,457	8,336,291	10,740,382	4,679,720	7,036,395	11,724,285	13,302,155	6,442,568	**28,067,155**
Net Income	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	**26,490,64[illegible]**
Earned Per Share of Common Stock	1.10	0.72	1.03	1.79	1.45	2.46	3.27	3.62	3.88	**7.2[illegible]**
Preferred Dividends	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	**2,134,451**
Common Dividends	1,931,668	1,545,332	2,317,998	3,090,664	3,090,664	4,635,996	6,181,328	8,671,502*	7,317,900	**13,430,651**
Current Assets: Cash	9,359,040	9,282,565	12,742,150	10,313,702	9,571,663	11,681,055	12,953,907	9,304,183	17,961,612	**24,370,74[illegible]**
U. S. Government and other Marketable Securities	2,077,788	5,210,381	17,002,791	16,131,[illegible]	17,902,254	18,393,548	11,500,197	2,524,445	10,517,353	**22,731,44[illegible]**
Notes and Accounts Receivable	15,056,312	11,913,477	12,560,223	14,859,530	15,171,135	15,573,093	21,461,427	28,120,306	16,114,669	**35,524,20[illegible]**
Inventories†	23,380,565	25,444,442	21,787,559	23,601,398	29,361,453	32,617,337	44,550,399	59,118,313	43,857,133	**48,824,48[illegible]**
Total Current Assets	49,873,705	51,850,865	64,092,723	64,906,237	72,006,505	78,265,033	90,465,930	99,067,247	88,450,767	**131,450,87[illegible]**
Total Current Liabilities	16,300,666	15,992,762	19,054,627	21,566,069	16,843,516	22,410,068	30,252,412	35,359,277	25,864,583	**56,402,75[illegible]**
Net Working Capital	33,573,039	35,858,103	45,038,096	43,340,168	55,162,989	55,854,965	60,213,518	63,707,970	62,586,184	**75,048,12[illegible]**
Gross Property Account	89,545,627	93,474,782	94,198,239	98,025,024	100,794,666	106,793,660	122,739,173	133,879,240	133,252,879	**135,578,75[illegible]**
Reserves for Depreciation, Depletion and Amortization	34,348,004	36,687,351	41,464,768	46,250,242	55,147,610	56,018,905	57,407,848	59,856,625	64,080,311	**67,390,01[illegible]**
Net Property Account	55,197,623	56,787,431	52,733,471	51,774,782	45,647,056	50,774,755	65,331,325	74,022,615	69,172,568	**68,188,74[illegible]**

* Includes cash dividends of $3,869,137 and 5% stock dividend valued at $31 per share.

† Inventories for 1941 to 1944, inclusive, are shown net of normal stock reserves.

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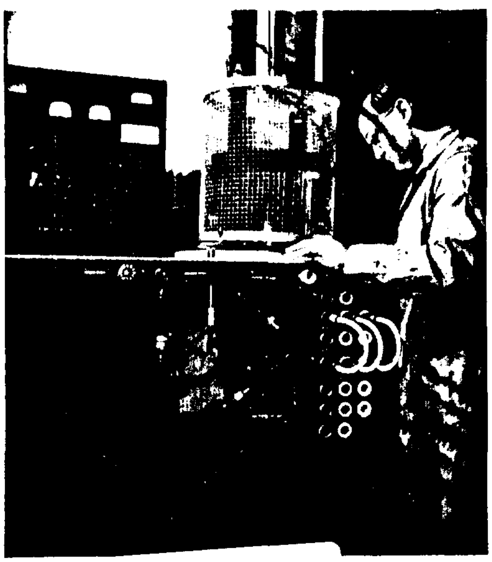
RESEARCH & DEVELOPMENT



Microscopic texture of pigment particles is determined by the shadowcaster, which imparts a three-dimensional effect to electron micrographs.

Development of new products requires considerable testing of equipment and processes before large-scale production can be undertaken (lower left).

Operator checks X-ray of casting for possible flaws.

Technicians at comparitor-densitometers analyze spectrum film (right) for alloy constituents and impurities. Every element present in the sample leaves its "fingerprint" on the film, from which accurate quantitative estimations can be made.

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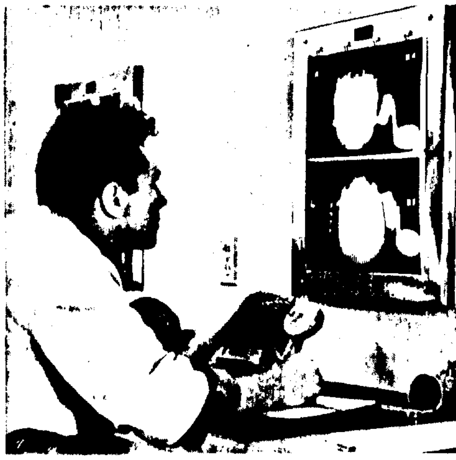

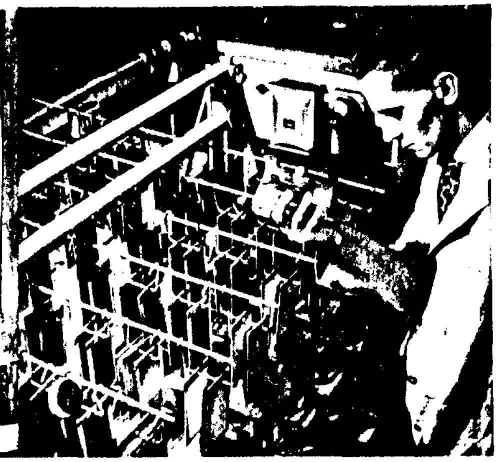

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BRANCHES AND DIVISIONS

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*
DETROIT, MICH., 1627 W. Fort Street
INDIANAPOLIS, IND., 1600 East 21st Street
MILWAUKEE, WIS., 744 No. Fourth Street
ST. PAUL, MINN., 102 W. Fairfield Avenue

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

CLEVELAND BRANCH, — 1776 Columbus Road, Cleveland
E. G. Orling, George Sathre, *Managers*
BUFFALO, N. Y., 116 Oak Street
PITTSBURGH, PA., 1376 River Avenue

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* — *Railway Car Journal and Diesel Locomotive Bearings*

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., 1128 W. Spokane Street

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

ST. LOUIS BRANCH, — 722 Chestnut Street, St. Louis
E. E. Busse, R. R. Stamm, *Managers*
KANSAS CITY, MO., 1406-1408 W. Thirteenth Street
NEW ORLEANS, LA., 516 Tchoupitoulas Street
OMAHA, NEB., 2810 A Street

ST. LOUIS SMELTING & REFINING DIVISION, — Fredericktown, Missouri
G. M. Wiles, *Manager*

SOUTHWESTERN BRANCH, — 959 Terminal Street, Dallas
W. H. Lessmann, R. R. Stamm, *Managers*

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* — *Railway Car Journal and Diesel Locomotive Bearings*

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 Metal Products*

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

* *Wholly owned.*

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PAINTS AND PAINT MATERIALS
Sold under the DUTCH BOY brand name

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

PIGMENTS AND CHEMICALS

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

OILS

- Linseed Oil
- Special Paint Oils
- Castor Oil

LEAD PRODUCTS

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

LEAD ALLOY PRODUCTS

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

OTHER METAL PRODUCTS

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

ACID HANDLING EQUIPMENT

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

OIL WELL DRILLING MATERIALS

- Clays
- Colloids
- Weighting Agents
- Suspending Agents
- Thinners
- Logging Service

TITANIUM ALLOY MANUFACTURING DIVISION

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

TITANIUM PIGMENTS
Sold under the TITANOX brand name

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

GENERAL PRODUCTS

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

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