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**NATIONAL  
LEAD  
COMPANY**

*Seventieth Annual Report*  
**1961**

0000-NLI-000018669

N 2686

**National Lead Company**  
*Seventieth Annual Report*  
**1961**

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# National Lead Company

## Financial Highlights

### Board of Directors

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

### Executive Committee

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

### Executive Officers

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

#### Secretary

John B. Henrich

#### Treasurer

Thomas F. Owens

#### Comptroller

George A. Dewey

#### Assistant Secretaries

John J. Lawlor  
Thomas P. Mesick

#### Assistant Treasurer

Michael Uss

#### Assistant Comptrollers

Albert H. Hoffman  
Archer D. Sargent

#### Executive Offices:

111 Broadway, New York 6, N. Y.

#### General Counsel:

Alexander & Green

120 Broadway, New York 5, N. Y.

#### Stock Transfer Agents:

The Chase Manhattan Bank

1 Chase Manhattan Plaza

New York 15, N. Y.

Old Colony Trust Company

45 Milk Street, Boston, Mass.

National Trust Company Limited

14 King Street East

Toronto, Canada

#### Registrars of Stocks:

Bankers Trust Company

16 Wall Street, New York 15, N. Y.

The First National Bank of Boston

45 Milk Street, Boston, Mass.

The Royal Trust Company

66 King Street West

Toronto, Canada

|                               | 1961          | 1960<br>Retained* |
|-------------------------------|---------------|-------------------|
| Net Sales                     | \$555,672,358 | \$562,021,983     |
| Net Earnings                  | \$ 51,741,753 | \$ 52,406,131     |
| Net Earnings Per Common Share | \$ 4.24       | \$ 4.29           |
| Cash Dividends                | \$ 40,197,725 | \$ 40,198,025     |
| Common Dividends Per Share    | \$ 3.25       | \$ 3.25           |
| Taxes:                        |               |                   |
| Income Taxes                  | \$ 46,695,016 | \$ 48,163,860     |
| Other Taxes                   | \$ 10,390,117 | \$ 10,121,341     |
| Retained Earnings             | \$ 11,544,028 | \$ 12,213,106     |

\*Conformed to new basis of consolidation



*Paint on Bronx Approach of  
Throgs Neck Bridge, New York  
City, was pigmented with M50  
anticorrosive pigment, a  
development of National Lead  
Company research.*

#### *To the Shareholders:*

The mild business recession which affected the nation's economy during the latter part of 1960 came to an end early in 1961. The industrial pace then quickened and has been accelerating gradually since that time. National Lead Company's business, with product lines reaching into virtually every segment of industry, has closely paralleled the upswing of the over-all economy. The results of your Company's world-wide operations are set forth for your review in this 70th Annual Report.

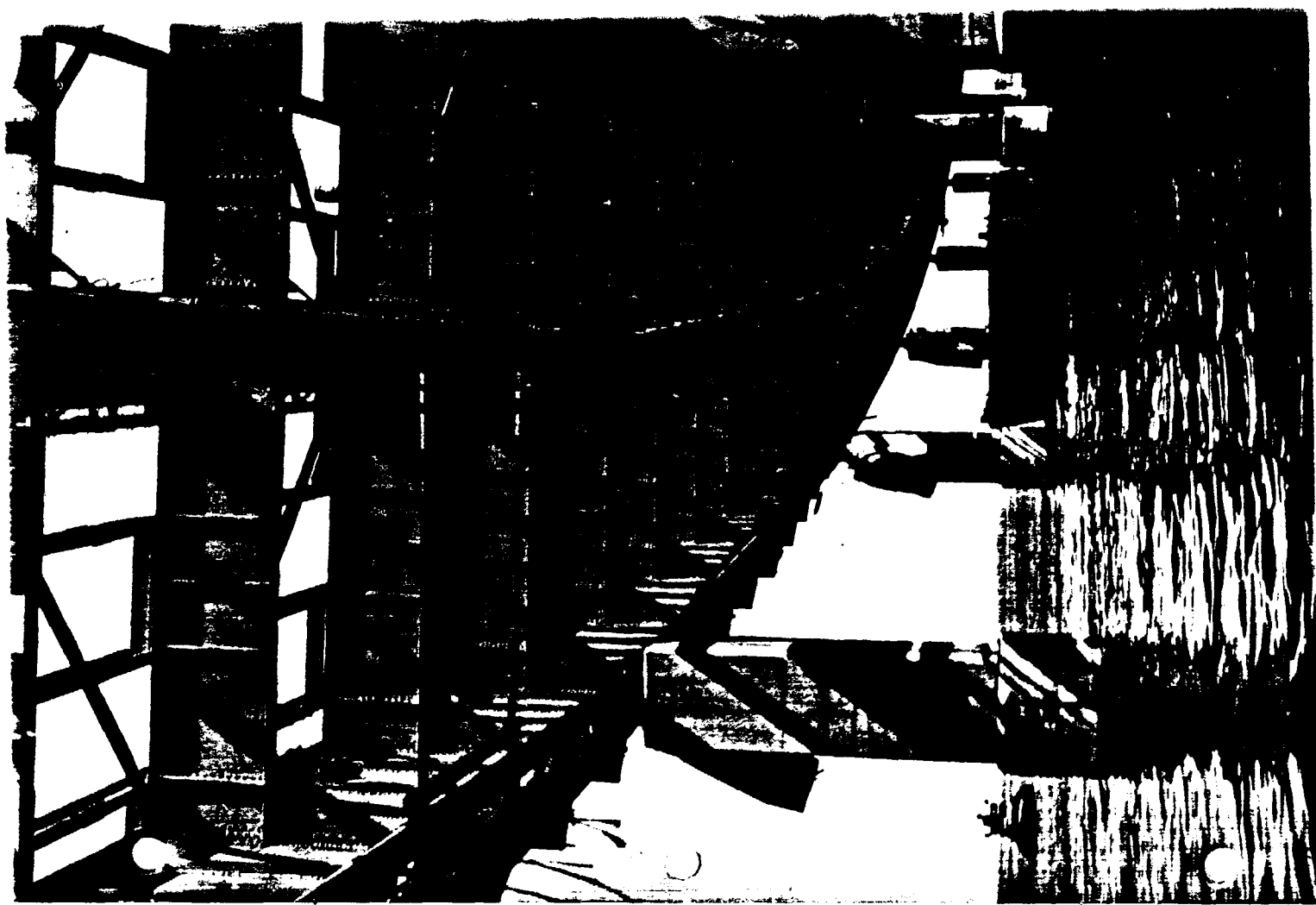
Recognizing the increasing importance of its activities outside of the North American continent, the Company has further broadened the scope of consolidation in presenting financial statements.

The consolidated financial statements for 1961, therefore, include all wholly owned United States and Canadian subsidiaries and, for the first time, all other major wholly owned subsidiaries. This change in the basis of reporting has been made feasible in large part by a substantial improvement in the international currency exchange situation. To make comparisons more meaningful, the 1960 figures have been restated to conform to the new basis of consolidation. The income of the unconsolidated subsidiaries is reflected in the statements only when received in the form of dividends.

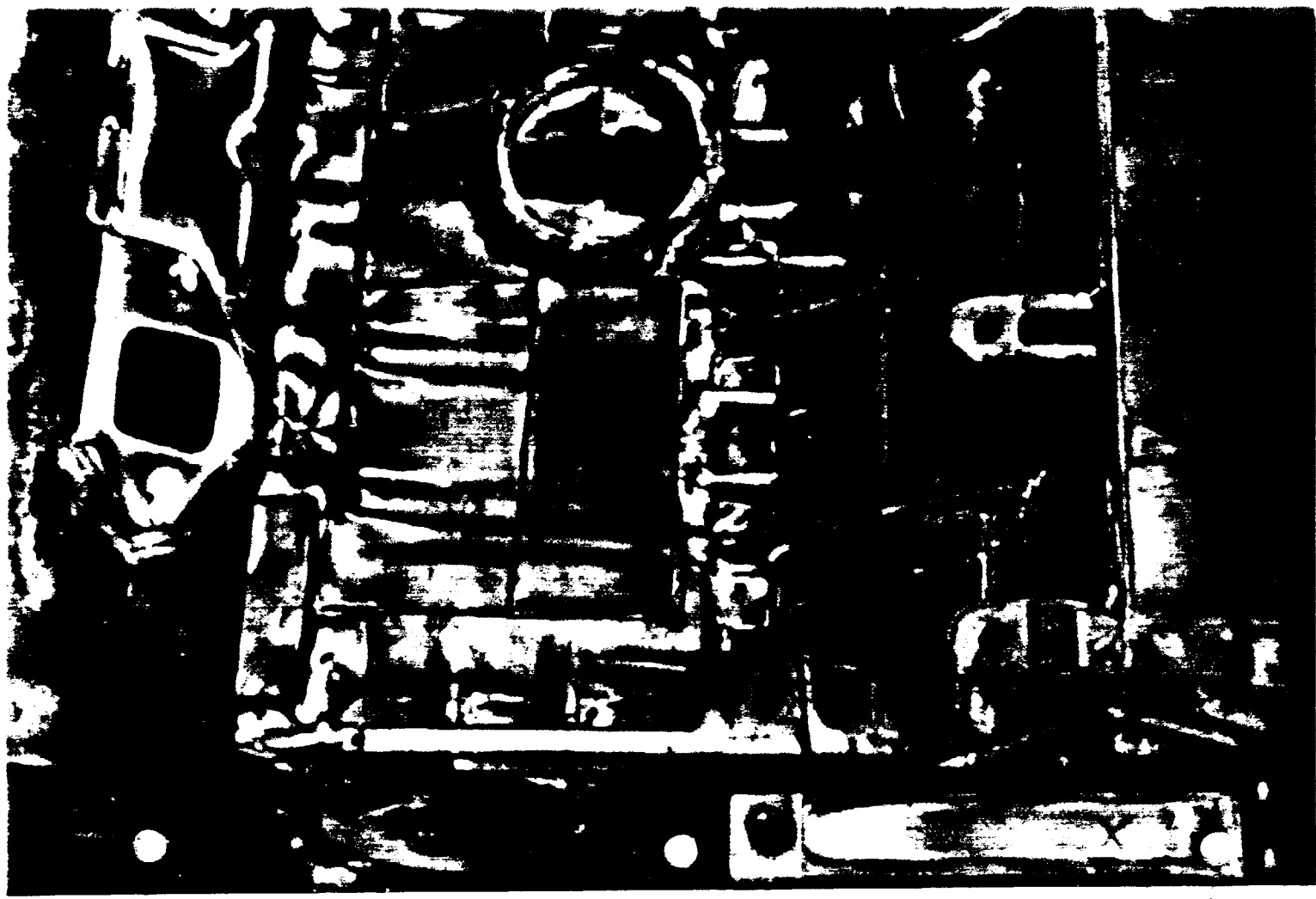
National Lead Company's 1961 consolidated sales and earnings closely approximated those of the prior year. Sales were \$555,672,358 compared with \$562,021,983 in 1960. Consolidated net income amounted to \$51,741,753 in 1961 and \$52,406,131 for the previous twelve months. After deducting \$2,181,161 of preferred stock dividends, the earnings per share of common stock were \$4.24 and

#### **Basis of Reporting**

#### **Sales and Earnings**



*Die cast aluminum engine block is subjected to photographic stress analysis. Doehler-Jarvis engineers use this technique in the design of die castings.*



\$4.29 for the years 1961 and 1960 respectively. Earnings for 1961 were based on 11,698,412 common shares outstanding at year end compared with 11,696,812 shares outstanding at December 31, 1960.

Minor reduction in sales volume was the main reason for the slight change in net income. However, it is gratifying to report that all of the Company's divisions operated profitably during the year and in many cases improved their competitive positions.

Although the sales of most product groups showed minor variations from the previous year, oil well drilling materials, screws and fasteners, lead chemicals and gelling agents registered satisfactory increases. A slight improvement in oil well drilling activity was more than proportionately reflected in sales of the products with which the Company serves this industry. Sales of screws and fasteners reached a level that severely taxed the Company's production facilities. Customer demand for lead chemicals, gelling agents and related products developed under the Company's research program, continues to improve year by year. Lead chemicals are employed primarily as stabilizers by the plastics industry and gelling agents are widely used in the paint and grease industries.

Dollar sales of die castings and some other fabricated metal products marketed by the Company were somewhat lower in 1961 without, however, any significant change in earnings in these categories. These products are generally priced in close conformity with the metal markets. Since the prices of base metals were lower in 1961 than in the previous year, dollar volume was thereby affected. At the present time, demand continues strong in these areas and there are indications that the volume of die cast aluminum engine blocks will be somewhat greater this year.

The United States Government has established quotas on

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imports of pig lead without, however, placing any corresponding restriction on imports of finished products made from this metal. The Company, therefore, continued to feel the effects of foreign competition in lead oxides and fabricated goods during 1961.

The sales of paints, and also barium, lead and titanium pigments, and other raw materials for the paint industry make up a substantial segment of the Company's business.

Domestic sales of these products were affected in a minor degree by unfavorable weather over much of the country during the normal painting season. Titanium pigments have another major market in the paper industry, where increasing usage is most gratifying. Sales of titanium pigments held up well in overseas markets in 1961.

The industries which purchase such items as journal bearings, special purpose titanium and zirconium chemicals and compounds, and high temperature refractory materials did not react to the upswing in general business activity until the latter part of 1961. Consequently, although the sales of these Company products were highly satisfactory during the fourth quarter, for the year they did not match the volume enjoyed in 1960.

The Company's precious-metal business, which includes gold, silver and the platinum group of metals, continues to turn in a creditable performance. It is becoming increasingly difficult to keep pace with the demand for silver chloride used in the manufacture of sea water batteries.

During the year the Company profitably disposed of its majority stock interest in Minnesota Linseed Oil Company which had been acquired in 1951. The decision to sell this stock was influenced by the declining importance of natural drying oil products as vehicles for the paint industry. Synthetic materials have been increasing in importance in this application and many of those required by the Company are produced in its own plants.

## Dividends

The Company's dividend payments to shareholders in 1961 totaled \$40,197,725 or 78 per cent of earnings after taxes. Regular quarterly payments to the preferred shareholders totaled \$2,181,161 for the year. Common shareholders received total dividends of \$38,016,564, the highest cash pay out in the Company's history. Dividends on the common stock amounted to \$3.25 a share, the same rate paid in 1960.

After dividend requirements there remained \$11,544,028 of net earnings which were added to earned surplus for the future development and growth of the Company.

## Taxes

The Company's provision for all taxes decreased from \$58,285,201 in 1960 to \$57,085,133 in 1961 in line with lower taxable income. The total tax bill for the year was equivalent to \$4.88 for each outstanding share of common stock or approximately 10¢ for each dollar of sales. State income, franchise and various other direct taxes totaled \$10,390,117 for the year.

## Financial Position

The Company's financial strength is reflected in the consolidated balance sheet as of December 31, 1961 which showed total assets of \$431,161,102. This is an increase of \$17,626,028 over the corresponding figure at December 31, 1960. The net earnings retained in the business accounted for most of the increase. The working capital of the Company, which is the excess of the current assets over the current liabilities and a measure of financial liquidity, showed an increase of \$8,584,997 during the year and by the end of 1961 it had reached the record high level of \$166,913,227. Inventories which are the largest individual item in the current assets are carefully controlled in conformity with the Company's business requirements. Shareholder equity increased by \$11,673,296 during 1961.

*The company's open pit mine at Tahawus, New York, has furnished over five million tons of ilmenite (titanium ore) since 1942. Mining operations on an extension of this ore body will begin this year.*



The gross investment in plant, property and equipment at the end of 1961 totaled \$347,040,211. Capital expenditures in 1961 were \$17,643,615 as compared with the 1960 amount of \$24,262,052.

In 1961 the charge for depreciation, depletion and amortization amounted to \$13,743,848. The corresponding figure for the preceding year was \$13,821,910.

The Company operates five titanium pigment plants, two of which are located in the United States and the others in Canada, Belgium and West Germany. Capacity has been recently increased at the Canadian plant to keep pace with the growing Canadian market. Expansions are also under way at the Belgian and German plants and are expected to be completed during the coming year. Both of these plants are strategically located to take advantage of the European Common Market.

Almost all of the Company's requirements for ilmenite used in the domestic production of titanium pigments are now supplied by its own mine at Tahawus, New York. Stripping operations are under way on an extension of the existing ore body which will assure the continuance of an economical ore supply for many years to come.

During 1961 the Company's production of lead shot was transferred from Omaha, Nebraska, to Granite City, Illinois where a new and highly efficient shot tower has been erected. With this increased capacity the Company will be able to meet the needs of a growing market for lead shot for ammunition, gamma radiation shielding and leaded steels.

Approval has been given to enlarge production facilities for screws and metal fasteners. As noted above, present equipment has been running at top capacity.

Economic considerations, resulting from depressed metal prices and depletion of the lead and cobalt ore bodies, made it desirable to close down the Company's

## **Plant Investment**

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*Titanium metal supplied by TMCA is used extensively in the production of NASA's Mercury Project space capsules.*



mine at Fredericktown, Missouri and liquidate the operation.

The research and development laboratory at Hightstown, New Jersey, under construction since May 1961, is scheduled to be opened late this year. This new facility should provide an environment which will encourage continued development of new and improved products and processes which are essential to the Company's growth and progress.

Titanium Metals Corporation of America has completed its first decade as the leading fully integrated producer of titanium metal. Earnings for the year 1961 amounted to \$1,798,000 on sales of \$34,660,000, compared with \$1,023,000 and \$28,523,000 respectively for the year previous. Dividends of \$500,000 were paid in 1961 to each of the joint owners, National Lead Company and Allegheny Ludlum Steel Corporation.

Much of the increase in 1961 sales of the metal was accounted for by stepped-up activity in defense areas and space exploration. Titanium alloys' unique properties of high strength, light weight and rigidity at elevated temperatures, favor their use in applications which, literally, are as new as the metal. Many National Aeronautics and Space Administration projects currently in the news employ titanium metal furnished by TMCA.

These spectacular uses of titanium in no way overshadow its more prosaic place in the chemical processing field. Here the metal, thanks to unusual corrosion resistance properties, has virtually unlimited tonnage possibilities.

In preparation for the increasing demand for titanium in the mill shapes most widely used, TMCA began a \$14 million expansion program at its Toronto, Ohio, plant early this year. Continuous rolling and vacuum annealing

#### **Unconsolidated Affiliated Companies**

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equipment is being installed to produce wide titanium sheet. This investment is in addition to a \$2 million outlay in 1961 to enable the Toronto plant to turn out seamless and welded titanium tubing.

Morris P. Kirk & Son, Inc., headquartered in Los Angeles, which is engaged in the production and sales of lead and zinc alloys, lead oxides and fabricated metals, enjoyed a satisfactory year. In addition, Kirk operates extensive secondary metal converting facilities.

Pioneer Aluminum, Inc., a subsidiary of Morris P. Kirk & Son, Inc., reported a most successful year as a result of expanding activity in the aircraft industry. Its business as a major distributor of aircraft aluminum shapes and tooling materials has been carried on for the past year in new centralized facilities in Los Angeles.

During 1961, the Company purchased additional shares of The Baker Castor Oil Company, increasing its ownership from 52 per cent to 69 per cent. This subsidiary which produces castor oil and chemical derivatives in plants located at Bayonne, New Jersey and Los Angeles, continued to report satisfactory earnings. Baker is directing much effort, on the one hand, to widening its markets by uncovering new uses for castor products and, on the other hand, to developing adequate and competitive domestic sources of castor beans by supporting agronomy programs for castor bean production in the United States.

Capitalizing on the know-how of its Doehler-Jarvis Division, the Company has expanded its die casting operations overseas, operating through affiliated companies in England, Argentina and Brazil. Industrias Doehler do Brasil, S.A., which began production in 1960, attained full business status during 1961. Doehler Argentina S.A. commenced production in 1961. Metal Castings Doehler Limited at Worcester, England has been equipped with modern machines designed for die casting components comparable

in size and complexity to those produced by Doehler-Jarvis in the United States.

Operations carried on by Company affiliates in the Philippines, Australia and West Germany were satisfactory. Affiliated producers of oil well drilling materials in Trinidad and Italy performed well during the year. Restricted drilling activity in Venezuela has seriously hampered business in that area.

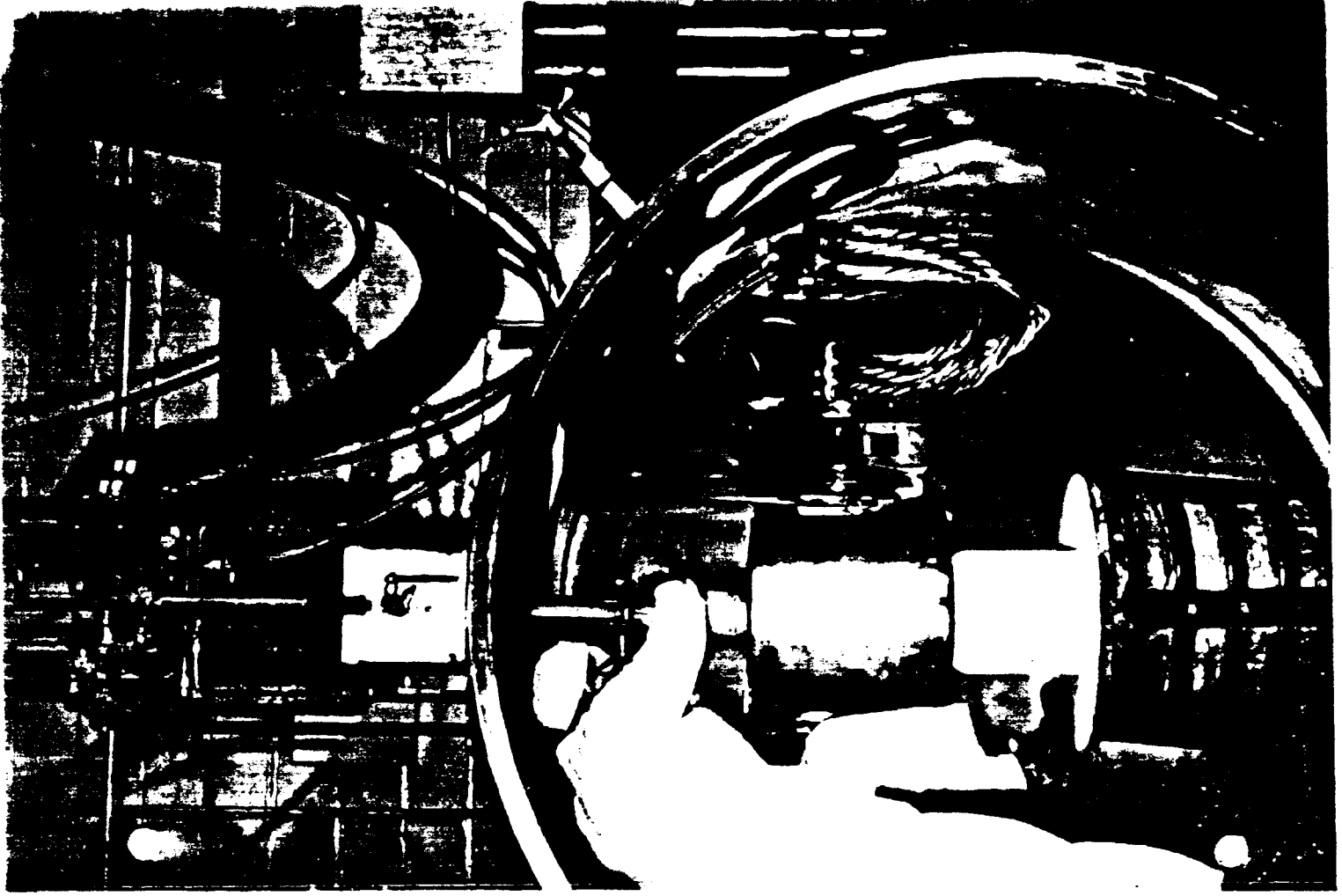
Total sales of Company subsidiaries and affiliates which are not consolidated approximated \$94,900,000 for the latest twelve-month period. Included in these sales figures are those for Minnesota Linseed Oil Company for their fiscal year ended July 31, 1961. National Lead Company's equity in the total combined net income of these companies was about \$1,355,000 and the dividends received from them amounted to \$3,027,000, including a substantial dividend from Minnesota Linseed Oil Company received prior to the sale of the Company's interest. At the end of 1961 the Company's equity in the net assets of these subsidiaries exceeded the Company's net investment and advances to them by about \$12,765,000.

## **New Products and Processes**

Research has resulted in the recent development of improved titanium dioxide pigments for the paint industry. One new pigment provides markedly higher opacity and better color in water reducible latex paints as well as ease of dispersion and excellent exterior durability; another, designed for use in house paints and enamels, gives improved opacity, whiteness and very high gloss. An additional titanium dioxide pigment has been developed for use in cosmetics. This pigment has exceptionally high purity and meets the rigid specifications of the cosmetic industry.

The Company is maintaining its position of leadership in the design and fabrication of gamma radiation shield-

*Electric arc vacuum melting furnace at Nuclear Metals Division, Albany, New York, plant, for thorium, uranium, zirconium and other refractory metal castings.*



ing, having built and delivered numerous shieldments to the sites of power and research reactors and to industrial concerns using radioactive isotopes. In addition to its lead shielding business, the Company continues its work in uranium not only as a contract operator for the Atomic Energy Commission but also as an independent supplier of fuel elements. While uranium is generally thought of in relation to nuclear applications, it has found an appreciable market in the aviation industry where in its depleted state the super-heavy metal is used for airplane counterweights. It is also being tested for certain ordnance items.

It might be noted here that the Company is putting to practical use the knowledge of its nuclear trained personnel in research aimed at product improvement. This work is being carried on as part of its participation in Industrial Reactor Laboratories, Inc. at Plainsboro, New Jersey.

In the area of national defense the Company has demonstrated on numerous occasions its capabilities in the engineering and production of military hardware. Currently active in the defense program, the Company is producing almost three hundred thousand die cast components for underwater signal devices.

High temperature refractories newly developed by the Company are being successfully used by the steel industry under the increasingly severe operating conditions encountered in modern furnaces. Specialized types of refractories are likewise finding wide acceptance in the fiber glass industry.

The Company pioneered the development of single crystals of strontium titanate for optical systems involving the infrared region of the spectrum. More recently, single crystals of titanium dioxide and calcium tungstate, both pure and with additions of other metallic compounds, have been developed for use in microwave and light amplification systems.

The Company has made considerable progress in the development of vacuum and high pressure die casting systems, and also fully automatic die casting machines. The vacuum method, which has been patented, produces castings that are more homogeneous and, therefore, stronger than those cast in conventional machines. It is used for parts that must meet unusual soundness and strength requirements. Both vacuum and high pressure systems can produce castings in aluminum, magnesium and zinc. A number of the fully automatic die casting machines are already in operation at various Doehler-Jarvis plants.

A study has been undertaken to determine whether an established electric furnace smelting process for converting ilmenite into slag for use in the production of titanium pigments can be successfully applied to ilmenite mined in Norway by the Company.

An accelerated research and development program is under way in connection with the encapsulation of individual fibers or particles of various materials in polyethylene. Production of encapsulated cellulose is expected to begin this year at a new plant at Sayreville, New Jersey.

Continuing interest in foreign countries offers the most promise at the present time for the R-N process for the direct reduction of iron ore.

At the end of 1961 there were 40,811 National Lead Company shareholders. Individuals, including joint owners, make up approximately 77 per cent of the total. The remaining 23 per cent consists mainly of investment funds, trusts and estates, insurance companies, charitable, educational and religious institutions.

The active interest shown by shareholders, as evidenced by attendance at annual meetings, high percentage of stock voted, and response to various communications, is greatly appreciated. The Company was awarded an "Oscar of

Industry" for the best 1960 annual report in the paint and coatings industry.

The Management looks forward to welcoming those shareholders who will attend the Annual Meeting to be held on April 19, 1962 at Sayreville, New Jersey.

Employees of National Lead Company and wholly owned subsidiaries numbered 21,380 at the end of the year. Over 10 per cent of these employees had service of twenty-five or more years and at least 50 per cent were employed for ten or more years.

There were no important work-stoppages in 1961 and labor relations continued on a generally amicable basis.

In April 1961, Graham W. Corddry and Claude M. Merrell were elected vice presidents of the Company.

Mr. Corddry, manager of the Titanium Division, is also a director and a member of the executive committee. He has been with the Company since 1932.

Mr. Merrell directs the Company's foreign operations. He joined the Company in 1935 as a member of the auditing staff. In 1949 he became president of National Lead Company, S.A. at Buenos Aires, Argentina and in 1958 returned to New York to assume his present duties.

In June 1961, Thomas F. Owens was appointed treasurer of National Lead Company, succeeding Joseph J. Morsman, Jr. Formerly assistant comptroller, Mr. Owens has been with the Company since 1934.

As this report is written Company operations are at a reasonably high level and the outlook for the coming months appears promising.

Looking to the future, the Company is so oriented that prompt and full advantage can be taken of emerging markets and investment opportunities. As in the past, the Company is in an excellent position to meet the needs of

## Changes in Organization

## Shareholders and Employees

## Looking Forward

**National Lead  
Company  
Financial Statement  
for 1961**

new industries as they appear on the scene. Plastics, synthetics, electronics, nuclear energy, space exploration — each of these new fields in turn has found National Lead Company a ready and dependable source of supply for products unknown and unneeded a generation or so ago.

Thus situated, and fortified by the cooperation of shareholders, the continuing support of customers and the loyalty of its employees, the Company looks to the future with optimism.

By Order of the Board of Directors

*J. A. Martin*

President

March 19, 1962.

*The seventieth Annual Meeting of the shareholders of National Lead Company will be held at the principal offices of the Company in Sayreville, New Jersey, at the foot of Chevalier Avenue on Thursday, April 19, 1962, at 11:00 a.m. All shareholders are cordially invited to attend.*

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*National Lead Company and its Consolidated Subsidiaries*  
**Balance Sheets**  
*December 31, 1961 and 1960*

| <b>Assets</b>                                                                                                                                                                                                          | <b>1961</b>          | <b>1960</b><br>Related* |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|
| <b>Current assets:</b>                                                                                                                                                                                                 |                      |                         |
| Cash and certificates of deposit.....                                                                                                                                                                                  | \$ 47,268,412        | \$ 43,850,682           |
| Government, state and municipal obligations, at cost<br>(approximates market) .....                                                                                                                                    | 16,733,057           | 15,243,232              |
| Other marketable securities, at cost (at market<br>quotations: 1961, \$4,720,000; 1960, \$3,890,000) .....                                                                                                             | 3,518,059            | 2,459,683               |
| Accounts and notes receivable, less reserves: 1961,<br>\$1,843,144; 1960, \$1,819,972 .....                                                                                                                            | 64,742,911           | 58,274,374              |
| Inventories (Note 2) .....                                                                                                                                                                                             | 109,844,764          | 107,730,151             |
| Total current assets .....                                                                                                                                                                                             | 242,107,203          | 227,558,122             |
| Notes receivable under Stock Option Incentive Plan (Note 3) .....                                                                                                                                                      | 460,934              | 597,811                 |
| Investments in, at cost or below, and advances to unconsoli-<br>dated subsidiaries, less reserve of \$3,406,163 (Note 4) .....                                                                                         | 15,214,102           | 14,303,426              |
| Miscellaneous investments and advances, at cost or below,<br>less reserve of \$754,705 (Note 5) .....                                                                                                                  | 3,589,236            | 3,855,327               |
| Plant, property and equipment (including intangibles of<br>\$20,692,311 not being amortized) at cost, less reserves for<br>depreciation, depletion and amortization: 1961,<br>\$181,569,212; 1960, \$172,980,588 ..... | 165,470,999          | 162,088,918             |
| Prepaid expenses and deferred charges .....                                                                                                                                                                            | 4,318,628            | 5,131,470               |
|                                                                                                                                                                                                                        | <u>\$431,161,102</u> | <u>\$413,535,074</u>    |
| *See Note 1                                                                                                                                                                                                            |                      |                         |
| <b>Liabilities</b>                                                                                                                                                                                                     | <b>1961</b>          | <b>1960</b><br>Related* |
| <b>Current liabilities:</b>                                                                                                                                                                                            |                      |                         |
| Accounts payable and accrued liabilities .....                                                                                                                                                                         | \$ 36,729,339        | \$ 32,494,227           |
| Provisions for taxes .....                                                                                                                                                                                             | 38,329,360           | 36,600,388              |
| Dividends on Class B preferred stock .....                                                                                                                                                                             | 135,277              | 135,277                 |
| Total current liabilities .....                                                                                                                                                                                        | \$ 75,193,976        | \$ 69,229,892           |
| Inventory reserve (Note 2) .....                                                                                                                                                                                       | \$ 11,326,492        | \$ 11,337,814           |
| <b>Capital</b>                                                                                                                                                                                                         |                      |                         |
| Capital stock:                                                                                                                                                                                                         |                      |                         |
| Preferred Class A, 7 per cent cumulative, noncallable,<br>par value \$100; shares authorized 250,000, issued 243,676 .....                                                                                             | \$ 24,367,600        | \$ 24,367,600           |
| Preferred Class B, 6 per cent cumulative, noncallable,<br>par value \$100; shares authorized 250,000, issued 103,277 .....                                                                                             | 10,327,700           | 10,327,700              |
| Common, par value \$5; shares authorized 20,000,000,<br>issued: 1961, 11,703,372; 1960, 11,701,772 (Note 3) .....                                                                                                      | 58,516,860           | 58,508,860              |
| Capital surplus (Note 3) .....                                                                                                                                                                                         | 93,212,160           | 93,204,160              |
| Earned surplus .....                                                                                                                                                                                                   | 36,134,146           | 36,012,878              |
|                                                                                                                                                                                                                        | <u>217,926,931</u>   | <u>206,382,903</u>      |
| Less, Reacquired capital stock, at cost (Note 6) .....                                                                                                                                                                 | 347,273,237          | 335,599,941             |
|                                                                                                                                                                                                                        | <u>2,632,603</u>     | <u>2,632,603</u>        |
|                                                                                                                                                                                                                        | <u>\$344,640,634</u> | <u>\$332,967,338</u>    |
|                                                                                                                                                                                                                        | <u>\$431,161,102</u> | <u>\$413,535,074</u>    |

0000-NLI-000018681

National Lead Company and its Consolidated Subsidiaries  
**Statements of Income and Earned Surplus**  
For the Years Ended December 31, 1961 and 1960

|                                                      | 1961          | 1960<br>Related* |
|------------------------------------------------------|---------------|------------------|
| Net sales                                            | \$555,672,858 | \$562,021,983    |
| Cost of sales (Note 2)                               | \$358,003,305 | \$361,140,679    |
| Depreciation, depletion and amortization             | 13,743,848    | 13,821,910       |
| Administrative, selling and general expenses         | 81,528,753    | 81,948,555       |
| Taxes, including state income taxes                  | 10,390,117    | 10,121,341       |
|                                                      | \$463,666,023 | \$467,082,485    |
| Other income, net                                    | \$ 92,006,335 | \$ 94,989,498    |
| Income before United States and foreign income taxes | 98,436,769    | 100,569,991      |
| Provision for United States and foreign income taxes | 46,695,016    | 48,163,860       |
| Net income                                           | \$ 51,741,753 | \$ 52,406,131    |
| Per share of common stock                            | \$4.24        | \$4.29           |

**Earned surplus:**

At beginning of year as previously reported:

|                                                           |               |
|-----------------------------------------------------------|---------------|
| Unappropriated                                            | \$166,931,108 |
| Appropriated                                              | 9,304,306     |
| Foreign subsidiaries not previously consolidated (Note 1) | 17,994,383    |
| Restated balance at beginning of year                     | 194,169,797   |
| Net income                                                | 52,406,131    |
|                                                           | \$246,575,928 |
| Dividends:                                                |               |
| Class A preferred stock, \$7 per share                    | \$ 1,640,051  |
| Class B preferred stock, \$6 per share                    | 541,110       |
| Common stock, \$3.25 per share                            | 2,181,161     |
|                                                           | 38,016,564    |
|                                                           | \$ 40,197,725 |
| Earned surplus at end of year                             | \$217,926,931 |

\*See Note 1

0000-NLI-000018682

**Notes to Financial Statements**

1. The consolidated financial statements for 1961 include all wholly owned United States and Canadian subsidiaries and, for the first time, all other major wholly owned subsidiaries. The financial statements for 1960 have been restated to conform to the new basis of consolidation. Foreign currency has been translated at appropriate rates of exchange.

2. Inventories are priced at the lower of cost (on various "average," "first-in, first-out" or "last-in, first-out" bases) or market.

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

|          | Normal<br>Quantities<br>(Short Tons) | Fixed<br>Inventory<br>Price<br>Per Pound |
|----------|--------------------------------------|------------------------------------------|
| Lead     | 49,687 1/4                           | \$ .03                                   |
| Tin      | 1,124 1/4                            | .21                                      |
| Antimony | 1,400                                | .05                                      |

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

At December 31, 1961, the unpaid balances of the purchase prices of 7,775 shares are evidenced by promissory notes bearing interest at 3 per cent and payable within 10 years from the dates thereof. These shares are pledged with the Company as collateral.

The excess of the net proceeds over the par value of common stock sold upon exercise of the stock options has been credited to capital surplus: 1961, \$121,268; 1960, \$380,461.

Changes during 1961 under the Plan are summarized as follows:

|                                 | Range of<br>Option Prices<br>Per Share | Shares  |
|---------------------------------|----------------------------------------|---------|
| Under option, January 1, 1961   | \$75.644<br>to \$116.375               | 149,725 |
| Options granted                 | 75.050<br>to 87.281                    | 3,350   |
|                                 |                                        | 153,075 |
| Less:                           |                                        |         |
| Options exercised               | 85.975                                 | 1,600   |
| Options terminated              | 85.975                                 | 3,600   |
| Under option, December 31, 1961 | 75.050<br>to 116.375                   | 147,875 |

Shares reserved for future options at the beginning and end of the year were 82,065 and 82,315, respectively. Options may be granted up to April 17, 1963.

4. Unconsolidated subsidiaries comprise subsidiaries more than 50, but less than 100 per cent owned, and certain minor wholly owned foreign subsidiaries.

Based upon audited financial statements, the equity of the Company in the net assets of the principal unconsolidated subsidiaries and amounts relating to such equity approximated:

|                                                                  | 1961         | 1960         |
|------------------------------------------------------------------|--------------|--------------|
| Equity in net assets                                             | \$27,578,000 | \$28,172,000 |
| Excess of equity over the Company's net investments and advances | 12,765,000   | 14,522,000   |
| (Decrease) in excess equity during year                          | (1,757,000)  | (773,000)    |

Notes to Financial Statements, continued

5. The equity of the Company in the net assets of Titanium Metals Corporation of America, 50 per cent owned, as shown by audited financial statements, exceeded the cost of the Company's investment, included in miscellaneous investments, by approximately \$11,566,000 at December 31, 1961 and \$11,167,000 at December 31, 1960

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

|                   | Shares | Costs              |
|-------------------|--------|--------------------|
| Preferred Class A | 9,383  | \$1,147,727        |
| Preferred Class B | 13,092 | 1,435,354          |
| Common            | 4,960  | 49,522             |
|                   |        | <u>\$2,632,603</u> |

General:

Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserve, percentage depletion and depreciation charges. No provision has been made for such taxes as may be paid if and when accumulated earnings of subsidiaries are distributed to the parent company, since such taxes may never accrue.

Under agreements with the Atomic Energy Commission, certain consolidated subsidiaries operate plants owned by the U.S. Government under fixed fee contracts. The accompanying financial statements do not include the assets, liabilities or results of operations of such plants.

Lybrand, Ross Bros. & Montgomery  
Certified Public Accountants  
2 Broadway, New York, N. Y.

To the Stockholders of  
National Lead Company  
New York, N. Y.

We have examined the consolidated balance sheet of NATIONAL LEAD COMPANY and its Consolidated Subsidiaries as of December 31, 1961 and the related statements of income and earned surplus for the year then ended. We have examined or have received reports of other public accounts upon their examinations of the 1961 financial statements of the consolidated and the major unconsolidated subsidiaries. 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. The 1960 financial statements, similarly examined, have been restated, with our concurrence, to reflect the inclusion of the major wholly owned foreign subsidiaries as described in Note 1 to the financial statements.

In our opinion, based upon our examinations and upon the reports of other public accountants, the accompanying financial statements present fairly the consolidated financial position of National Lead Company and its consolidated subsidiaries at December 31, 1961 and 1960 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 23, 1962

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

|                                                                | 1961          | 1960<br>Restated* | 1959          | 1958          | 1957        | 1956          | 1955          | 1954          | 1953          | 1952          |
|----------------------------------------------------------------|---------------|-------------------|---------------|---------------|-------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales .....                                                | \$555,672,358 | \$562,021,983     | \$530,550,817 | \$457,592,886 | \$534,270   | \$576,292,383 | \$533,728,730 | \$419,333,961 | \$436,050,592 | \$358,048,435 |
| Net Income before Taxes .....                                  | 98,436,769    | 100,569,991       | 101,174,233   | 84,305,289    | 1,537,900   | 107,521,101   | 89,436,792    | 67,153,316    | 62,836,357    | 48,386,163    |
| Taxes on Income .....                                          | 46,695,016    | 48,163,860        | 48,712,722    | 39,673,891    | 5,306,394   | 44,369,014    | 41,546,851    | 30,534,665    | 31,987,429    | 25,326,109    |
| Net Income .....                                               | 51,741,753    | 52,406,131        | 52,461,511    | 44,721,398    | 6,231,506   | 63,152,087    | 47,889,941    | 36,618,651    | 30,848,928    | 23,060,054    |
| Preferred Dividends .....                                      | 2,181,161     | 2,181,161         | 2,181,161     | 2,181,161     | 2,181,161   | 2,181,161     | 2,181,161     | 2,181,161     | 2,181,161     | 2,181,161     |
| Common Dividends .....                                         | 38,016,564    | 38,011,864        | 37,947,176    | 37,865,038    | 7,857,956   | 37,074,569**  | 32,417,308    | 23,735,838    | 19,779,867    | 14,729,644    |
| Total Cash Dividends .....                                     | 40,197,725    | 40,193,025        | 40,128,337    | 40,046,199    | 10,039,117  | 39,255,730    | 34,598,469    | 25,916,999    | 21,961,028    | 16,910,805    |
| Retained Earnings .....                                        | 11,544,028    | 12,213,106        | 12,333,174    | 4,675,199     | 16,192,389  | 23,896,357    | 13,291,472    | 10,701,652    | 8,887,900     | 6,149,249     |
| Earnings Per Common Share .....                                | 4.24          | 4.29              | 4.30          | 3.65          | 4.64        | 5.34          | 4.02          | 3.05          | 2.58          | 2.06          |
| Cash Dividends<br>Per Common Share .....                       | 3.25          | 3.25              | 3.25          | 3.25          | 3.25        | 3.25**        | 2.85          | 2.10          | 1.75          | 1.45          |
| Total Current Assets .....                                     | 242,107,203   | 227,558,122       | 205,350,494   | 184,392,427   | 83,995,439  | 198,413,275   | 196,758,738   | 178,569,448   | 164,812,640   | 122,870,494   |
| Total Current Liabilities .....                                | 75,193,976    | 69,229,892        | 66,689,074    | 64,240,475    | 70,175,917  | 80,925,260    | 83,598,897    | 73,980,730    | 72,983,811    | 53,767,414    |
| Working Capital .....                                          | 166,913,227   | 158,328,230       | 138,661,420   | 120,151,952   | 13,819,522  | 117,488,015   | 113,159,841   | 104,588,718   | 91,828,829    | 69,103,080    |
| Gross Property Account .....                                   | 347,040,211   | 335,069,506       | 292,122,311   | 287,800,726   | 260,592,510 | 238,609,305   | 228,267,837   | 210,718,867   | 203,511,823   | 161,540,966   |
| Reserves for Depreciation,<br>Depletion and Amortization ..... | 181,569,212   | 172,980,588       | 145,220,190   | 135,107,065   | 21,775,325  | 111,224,536   | 105,437,451   | 97,553,116    | 91,281,692    | 75,944,349    |
| Net Property Account .....                                     | 165,470,999   | 162,088,918       | 146,902,121   | 152,693,661   | 38,817,185  | 127,384,769   | 122,830,386   | 113,165,751   | 112,230,131   | 85,596,617    |
| Total Assets .....                                             | 431,161,102   | 413,535,074       | 380,511,351   | 361,213,437   | 358,369,280 | 353,176,014   | 336,411,632   | 310,468,896   | 294,647,263   | 223,910,550   |

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

\*\*Plus 2% stock dividend.

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## National Lead Company

### Branches

|                                                        |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Atlanta Branch</b>                                  | <b>Paints, Paint Materials and Chemicals:</b>                                                                                                                                                                          | <b>Metal Products and Alloys:</b>                                                                                                                                                                                | <b>Master Metals, Inc.</b>  | <b>Wholly Owned Domestic Subsidiaries</b>          |                                                                                                   |
| <b>Atlantic Branch (New York)</b>                      | <i>Antimony oxide, basic carbonate white lead, basic silicate white lead, basic lead silico chromate, red lead and litharge, battery oxides, paints, varnishes, enamels, gellants, stabilizers for vinyl plastics.</i> | <i>Lead pipe, sheet, traps, bends, wool, wire, ingot, shot; radiation shielding; battery grid, babbitt and type metals, solder, lead and zinc alloys; lead-lined valves and fittings; cinch anchors; pewter.</i> | <i>Lead and lead alloys</i> | <b>National Lead Company of Ohio</b>               | <b>Southern Screw Company</b><br>Statesville, North Carolina<br><i>Screws and Metal Fasteners</i> |
| <b>Baltimore Branch</b>                                |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             | <b>Contract-operator, Atomic Energy Commission</b> | <b>The Chas. Taylor's Sons Company</b><br>Cincinnati<br><i>High temperature refractories</i>      |
| <b>Chicago Branch</b>                                  |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>Cincinnati Branch</b>                               |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>Cleveland Branch</b>                                |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>National Lead Company of Massachusetts (Boston)</b> |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>Pacific Coast Branch (San Francisco)</b>            | <b>Primary Metals:</b>                                                                                                                                                                                                 | <i>On Pacific Coast, primary metals, metal products and alloys are sold by Morris P. Kirk &amp; Son, Inc.</i>                                                                                                    |                             |                                                    |                                                                                                   |
| <b>Philadelphia Branch</b>                             | <i>Antimony, cadmium, lead, tin and zinc.</i>                                                                                                                                                                          |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>St. Louis Branch</b>                                |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |
| <b>Southwestern Branch (Dallas)</b>                    |                                                                                                                                                                                                                        |                                                                                                                                                                                                                  |                             |                                                    |                                                                                                   |

### Divisions

|                                                                                                       |                                                                                                                                                   |                                                                                                                                 |                                                                                 |                                                                                               |                                                          |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>American Bearing Division</b>                                                                      | <b>Goldsmith Bros. Division</b>                                                                                                                   | <b>Texas Mining and Smelting Division</b>                                                                                       | <b>Barold of Canada, Ltd.</b>                                                   | <b>Industrias Deriplom S.R.L.</b>                                                             | <b>The Titanium Alloy Manufacturing Co. Pty. Limited</b> |
| <i>Indianapolis</i>                                                                                   | <i>Chicago</i>                                                                                                                                    | <i>Laredo, Texas</i>                                                                                                            | <i>Calgary</i>                                                                  | <i>Buenos Aires</i>                                                                           | <i>Twined Heads, Australia</i>                           |
| <b>Precision bearings (Sold through American Bearing Corporation)</b>                                 | <b>Precious metals</b>                                                                                                                            | <i>Antimony and antimony oxide</i>                                                                                              | <i>Oil well drilling materials, well logging services and testing equipment</i> | <i>Lead oxides</i>                                                                            | <i>Rutile and zircon ores</i>                            |
| <b>Magnus Metal Division</b>                                                                          | <b>New York</b>                                                                                                                                   | <b>Titanium Alloy</b>                                                                                                           | <b>Canadian Titanium Pigments Limited</b>                                       | <b>Societe Belge du Titane S.A.</b>                                                           | <b>Titan N.V.</b>                                        |
| <i>Brass and bronze bearings and castings, stainless steel screening plates and special valves</i>    | <i>Brass and bronze bearings and castings, stainless steel screening plates and special valves</i>                                                | <i>New York</i>                                                                                                                 | <i>Montreal</i>                                                                 | <i>Brussels</i>                                                                               | <i>Rotterdam</i>                                         |
| <b>Barold Division</b>                                                                                | <b>Manufacturing Division</b>                                                                                                                     | <b>Manufacturing Division</b>                                                                                                   | <b>Titanium pigments</b>                                                        | <b>The Canada Metal Company, Ltd.</b>                                                         | <b>Titan Co. A/S</b>                                     |
| <i>Houston, Texas</i>                                                                                 | <i>Brass and bronze bearings and castings, stainless steel screening plates and special valves</i>                                                | <i>Zirconium oxide, silicates and chemicals; electronic titanates, zirconates and stannates; ferrous and non-ferrous alloys</i> | <i>Titanium pigments</i>                                                        | <i>Lead oxides; fabricated lead products; lead and zinc alloys; brass and bronze products</i> | <i>Fredrikstad, Norway</i>                               |
| <i>Oil well drilling materials, well logging services and testing equipment, gellants for greases</i> | <i>(Sold through Magnus Metal Corporation)</i>                                                                                                    | <i>titanates, zirconates and stannates; ferrous and non-ferrous alloys</i>                                                      | <b>Hoyt Metal Company of Great Britain, Ltd.</b>                                |                                                                                               | <b>Titanengesellschaft m.b.H.</b>                        |
| <b>DeLore Division</b>                                                                                | <b>Nuclear Metals Division</b>                                                                                                                    | <b>Titanium Division</b>                                                                                                        | <i>London</i>                                                                   |                                                                                               | <i>Leverkusen, West Germany</i>                          |
| <i>St. Louis</i>                                                                                      | <i>Uranium ore concentrates and nuclear feed materials, fuel elements, fabricated uranium products, nuclear research and development services</i> | <i>New York</i>                                                                                                                 | <i>Antifriction metals</i>                                                      |                                                                                               | <i>Titanium pigments</i>                                 |
| <b>Barium and calcium pigments</b>                                                                    |                                                                                                                                                   | <b>Titanium Division</b>                                                                                                        |                                                                                 |                                                                                               | <b>Titan A/S</b>                                         |
| <b>Doehler-Jarvis Division</b>                                                                        |                                                                                                                                                   | <i>New York</i>                                                                                                                 |                                                                                 |                                                                                               | <i>Hauge i Dalane, Norway</i>                            |
| <i>Toledo</i>                                                                                         |                                                                                                                                                   | <i>Titanium pigments and chemicals, ilmenite and magnetite iron ore</i>                                                         |                                                                                 |                                                                                               | <i>Ilmenite</i>                                          |
| <i>Aluminum, brass, magnesium and zinc die castings</i>                                               |                                                                                                                                                   | <i>(Sold through Titanium Pigment Corporation)</i>                                                                              |                                                                                 |                                                                                               |                                                          |
| <b>Evans Lead Division</b>                                                                            | <b>Steel Package Division</b>                                                                                                                     |                                                                                                                                 |                                                                                 |                                                                                               |                                                          |
| <i>Charleston, West Virginia</i>                                                                      | <i>St. Louis</i>                                                                                                                                  |                                                                                                                                 |                                                                                 |                                                                                               |                                                          |
| <i>Lead oxides</i>                                                                                    | <i>Small steel containers</i>                                                                                                                     |                                                                                                                                 |                                                                                 |                                                                                               |                                                          |

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## National Lead Company

### Partially Owned Domestic Affiliated Companies

|                                                                                                                                              |                                                                                                                                                                              |                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>Morris P. Kirk &amp; Son, Inc.</b><br>Los Angeles<br><i>Aluminum, lead and zinc<br/>alloys; fabricated lead<br/>products; lead oxides</i> | <b>R-N Corporation</b><br>New York<br><i>Direct reduction and<br/>beneficiation of iron ores</i>                                                                             | <b>Titanium Metals<br/>Corporation of America</b><br>New York<br><i>Titanium metal sponge, ingot<br/>and mill products</i> |
| <b>Pioneer Aluminum, Inc.</b><br>Los Angeles<br><i>Aluminum aircraft extrusions,<br/>zinc alloys, aluminum tooling<br/>plate</i>             | <b>The Baker Castor Oil<br/>Company</b><br>Bayonne, New Jersey<br><i>Castor oil, chemicals derived<br/>from castor oil and other oils<br/>and fats, chemical specialties</i> |                                                                                                                            |

### Partially Owned Foreign Affiliated Companies

|                                                                                                 |                                                                                                             |                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Abbey Chemicals Limited</b><br>London<br><i>Gellants; stabilizers for vinyl<br/>plastics</i> | <b>Industrias Doehler do<br/>Brasil, S.A.</b><br>São Paulo, Brazil<br><i>Aluminum and zinc die castings</i> | <b>Roto-Cast Limited</b><br>Montreal<br><i>Bronze castings</i>                                                                                       |
| <b>Bartina de Venezuela, S.A.</b><br>Caracas<br><i>Oil well drilling materials</i>              | <b>Lakeshore Die Casting,<br/>Limited</b><br>Oakville, Canada<br><i>Aluminum and zinc die castings</i>      | <b>Societe Chimique des<br/>Derives du Titane S.A.</b><br>Langerbrugge, Belgium<br><i>Titanium pigments</i>                                          |
| <b>Barold-Maffei, S.p.A.</b><br>Milan<br><i>Oil well drilling materials</i>                     | <b>Metal Castings Doehler<br/>Limited</b><br>Worcester, England<br><i>Aluminum and zinc die castings</i>    | <b>Societe Industrielle du<br/>Titane</b><br>Paris<br><i>Titanium pigments</i>                                                                       |
| <b>Barytes &amp; Minerals Limited</b><br>Trinidad<br><i>Lead and zinc concentrates</i>          | <b>Mineral Deposits Pty.<br/>Limited</b><br>Sydney, Australia<br><i>Rutile and zircon ores</i>              | <b>The Carter White Lead<br/>Company of Canada, Ltd.</b><br>Montreal<br><i>Lead pigments, lead oxides<br/>and stabilizers for vinyl<br/>plastics</i> |
| <b>Cla. Minera Castaño<br/>Viejo S.A.</b><br>Buenos Aires<br><i>Lead and zinc concentrates</i>  | <b>National Lead Company<br/>(Philippines), Inc.</b><br>Manila<br><i>Paints, varnishes and enamels</i>      | <b>Zinnwerke Wilhelmsburg<br/>G.m.b.H.</b><br>Hamburg, West Germany<br><i>Copper refinery shapes</i>                                                 |
| <b>Doehler Argentina S.A.</b><br>Buenos Aires<br><i>Aluminum and zinc die castings</i>          | <b>National Lead Company<br/>S.A.</b><br>Buenos Aires<br><i>Lead and lead products</i>                      |                                                                                                                                                      |

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