51st Annual Report

NATIONAL LEAD COMPANY

FOR FISCAL YEAR ENDED
DECEMBER 31, 1942

51st ANNUAL REPORT

NATIONAL LEAD COMPANY

FOR FISCAL YEAR ENDED
DECEMBER 31, 1942

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

Executive Offices:
111 BROADWAY, NEW YORK CITY

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1942

ASSETS

Current Assets:		
Cash		$ 9,282,565.06
United States Government Securities at cost (at market quotations $3,834,203.28)		3,812,942.50
Other Marketable Securities (at market quotations $4,698,211.68) (Note 1)		1,397,438.12
Accounts and Notes Receivable	$12,661,355.13	
Less, Reserve for losses	979,400.56	11,681,954.57
Notes Receivable from Employees		231,523.34
Inventories (Note 2)		25,444,441.56
Total Current Assets		51,850,865.15
Investments in and Advances to Affiliated Companies less Reserves (Note 3)		8,037,815.32
Miscellaneous Investments less Reserves (Note 4)		1,341,805.89
Plant Property and Equipment (including intangibles) (Notes 5 and 6)	$93,474,782.48	
Less, Reserves for Depreciation and Depletion	36,687,351.21	56,787,431.27
Patents and Licenses, less amortization		117,135.31
Prepaid expenses, deferred charges, etc.		520,060.48
Post-war Refund of Excess Profits Taxes		480,000.00
		$119,135,113.42

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

0000-NLI-000018257

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1942

LIABILITIES

Current Liabilities:		
Accounts Payable and Accrued Liabilities		$ 3,952,194.61
Payable to Affiliated Companies (Note 3)		155,600.57
Provisions for Taxes, including Federal Income and Excess Profits Taxes		11,768,773.30
Dividend Payable February 1, 1943 on Class B Preferred Stock		116,193.00
Total Current Liabilities		15,992,761.48
Reserves:		
Fire Insurance	$ 4,797,284.02	
Employer's Liability	426,664.30	
Pension	2,086,188.75	
Contingencies	3,425,000.00	
General Inventory (Note 7)	700,339.71	
Amount Equal to Post-war refund of excess profits taxes	480,000.00	
Miscellaneous	81,634.37	11,997,111.15

CAPITAL

Capital Stock:	Authorized	Issued	
Preferred Class A, 7 pct. cumulative, non-callable, $100 Par Value	$25,000,000.00	$24,367,600.00	
Preferred Class B, 6 pct. cumulative, non-callable, $100 Par Value	25,000,000.00	10,327,700.00	
Common, $10 Par Value	50,000,000.00	30,983,100.00	
	$100,000,000.00	65,678,400.00	
Capital Surplus		336,672.92	
Earned Surplus		30,742,793.50	
		96,757,866.42	
Less, Reacquired Capital Stock (Note 8)		5,612,625.63	91,145,240.79
			$119,135,113.42

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

51st ANNUAL REPORT

This report for the fiscal year ending December 31, 1942 will be presented to the Stockholders at their Fifty-first Annual Meeting, April 15, 1943.

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

BUSINESS CONDITIONS The year 1942 was one of continuing readjustments. Since most of the Company's products are of the type for which a larger market exists in time of peace than in time of war, the decline in sales from last year is understandable. On the other hand, certain products which are of vital importance to the prosecution of the war are being supplied in ever-increasing quantities, and every effort is being made to extend these activities.

NET INCOME Net Income for the year, after deduction of depreciation, taxes, all ordinary expenses incurred in the operation of the business and Other Charges, amounted to $4,246,369.73. After payment of dividends on both classes of Preferred Stock outstanding, amounting to $2,031,323.00, there remained a balance of Net Income applicable to the Common Stock of $2,215,046.73, equivalent to $0.717 per share on 3,090,664 shares outstanding during the year. Dividends on National Lead Company Preferred and Common Stocks owned by the Company itself are not included in this statement, either as disbursements or as income.

TAXES The charge for Federal Income and Excess Profits Taxes for 1942 amounted to $7,908,457.43 as compared with $10,015,669.12 in 1941, a decrease of $2,107,211.69. The increases in rates of both the Normal and Excess Profits Taxes were offset by the decrease in net taxable income. The total charge to profits for all taxes amounted to $9,474,038.15 for the year 1942, equivalent to $3.065 per share of Common Stock.

OTHER CHARGES The item of Other Charges appearing on the Consolidated Earnings Statement, amounting to $2,877,242.15, is made up as follows: a foreign exchange loss resulting from the liquidation of cash remittances from National Lead Company S. A., our Argentine subsidiary, $228,587.62; addition to the Reserve for Contingencies, $625,000.00; loss on the abandonment and sale of mining properties at Rico and Bonanza, Colorado, $972,875.76; loss on the sale of Ponte Vedra assets, $458,330.27; and addition to Reserve for Foreign Investments, $592,448.50.

FOREIGN INVESTMENTS Following the precedent of previous years, there were added to the existing Reserve for Foreign Invesments all dividends, amounting to $592,448.50, received during the year from foreign corporations, (including, as heretofore, Patino Mines & Enterprises Consolidated (Incorporated) which, although a domestic corporation, has all of its assets and operations outside of the United States). The Reserve now totals $6,534,416.66 and this amount is deducted from foreign investments as they appear on the books, resulting in a net figure of $3,427,292.75.

EQUITY IN CONTROLLED COMPANIES Equity in net undivided profits of foreign subsidiaries located in North and South America, and of domestic companies controlled but not wholly owned, is estimated for 1942 to be 35 cents per share on the Common Stock. Earnings of companies located outside of North and South America are not included in this estimate. No provision has been made for such taxes as may become payable if and when accumulated earnings of subsidiaries are distributed to the parent company.

NET WORKING CAPITAL Net Working Capital amounted to $35,858,103.67 as of December 31, 1942, with a ratio of Current Assets to Current Liabilities of 3.2 to 1.

PLANT EXPANSION During the year the Property Account, after adjustments resulting from sales and retirements, showed an increase of $3,929,155.44 and a net increase of $1,589,808.11 after deducting depreciation and depletion. The major portion of this increase took place in the Titanium Division, reflecting the cost of completing the Company's MacIntyre Development which was discussed at length in the Annual Report for 1941.

MAGNESIUM REDUCTION COMPANY In May, 1942, at the request of the Government, the Company entered into a contract with Defense Plant Corporation for the erection and operation of a plant to produce magnesium metal and magnesium alloys. The Magnesium Reduction Company, a subsidiary, was formed for this purpose. Ground for the new plant was broken in June, and the first commercial production was obtained in December, 1942. All funds for the construction and operation are being provided by Defense Plant Corporation. The only return to National Lead Company from this undertaking is a nominal annual fee to cover expenses for supervision. We welcome this opportunity to take part in so important a phase of the war effort.

PONTE VEDRA COMPANY As the result of negotiations opened last fall a sale of all the properties and assets of the Company's subsidiary, Ponte Vedra Company (formerly Buckman & Pritchard,

Inc.), at Ponte Vedra Beach, Florida, was consummated in late December, 1942. The property, consisting of 17 miles of ocean front, was acquired in 1922, because of the deposits of ilmenite ore, the basic mineral for the manufacture of titanium pigments, which occurred in the beach sands. With the growth of the industry and the development of larger and cheaper foreign sources of supply, further mining operations on the property later became impracticable and the Company was faced with the problem of its most advantageous disposal. Following unsuccessful efforts to sell the whole property as it then stood, at an acceptable price, a program was entered upon looking to the gradual development of the entire tract for sale for residential purposes and a beginning was made with the northernmost and most accessible portion. Here a limited area was first set aside as a Community Center and the adjacent area was platted into restricted lots for sale for residential purposes. Subsequently improvements were made by the construction of a golf course, Inn, cottages and a Bath Club. Until the outbreak of the present war the financial return from this development had shown steady improvement and encouraged your management to anticipate a final liquidation of this investment without loss. Unfortunately, however, existing war restrictions and uncertainty as to post-war conditions have rendered a reasonably early realization of this expectation less probable, and for that reason, and because of the essential dissimilarity between such a real estate development and the regular business of the Company, your management thought it prudent to conclude the sale above referred to, notwithstanding the resultant book loss shown elsewhere in this Report under Other Charges.

MINING The Company's mining operations bear a direct relationship to the war effort and hence have become of increasing importance.

In the report for 1941 you were advised of the Company's purchase of the MacIntyre Iron Company properties located at Tahawus in the Town of Newcomb, Essex County, New York. When this project was put into operation in mid-July, 1942, there remained on hand at our plants only a small stock of ilmenite (titanium ore) previously imported from India. At Tahawus the Company produces not only ilmenite but a co-product, magnetite (iron ore). The magnetite is sold to the iron and steel industry for smelting in blast furnaces. This mining operation is deemed of such importance to the war effort that the Defense Plant Corporation is constructing a 29 mile railroad from North Creek, New York, to the mine in order to assure the availability of this supply of ilmenite and magnetite. Construction of the railroad started in August, 1942, and is scheduled to be completed in August, 1943.

Continued exploration and development have been carried on at the Company's Tri-State properties in Missouri, Kansas and Oklahoma, and at the mines operated by our subsidiary, Combined Metals Reduction Company, in Utah and Nevada. Production of zinc and lead in 1942 was materially increased from the previous year. It appears that further progress in the tonnages produced can be expected. The operation of the mining properties at Rico, Colorado, became uneconomical in 1942, and the properties were abandoned during the year. In addition, some non-operating properties at Bonanza, Colorado, were sold. The losses on these transactions are included in Other Charges itemized above.

RESEARCH Although calls to the armed forces have made appreciable inroads upon our research personnel, the Company has through the past year been carrying on important programs for the development of new processes and products as well as the improvement of those now in use.

CHANGE OF LOCATION OF PRINCIPAL OFFICE The Company has found it desirable to move its principal office to Sayreville, New Jersey, where one of its important plants is located. Under the New Jersey statutes, the annual stockholders meeting will be held at that location instead of in Jersey City, as heretofore.

WAR SAVINGS BONDS The purchase of War Savings Bonds by employees under the payroll deduction plan has been gratifying. A number of plants have received the Minute Man flag for more than 90% participation and in several cases the additional "T" flag for 10% or more of payroll has been awarded.

PERSONNEL We are proud of the service flags now hanging in the executive offices at 111 Broadway, New York, in honor of the 1,037 employees of the Company who have gone into the armed forces. A numeral on the gold star, indicating that six have already given their lives in the service of their country, is noted with deep sorrow.

OBITUARY It is my sad duty to report the loss by death of the following Company officials during the year:

Henry G. Sidford, Vice President and Director, after serving the Company and its predecessors in various capacities for fifty-three years, passed away at his home in Maplewood, New Jersey, on December 25.

Gustave W. Thompson, Chief Chemist for forty-six years previous to his retirement in 1938 and a member of the

Board of Directors for fourteen years, passed away in Brooklyn, New York, on April 22.

Reginald M. Rowe, Assistant Manager of Atlantic Branch, passed away in New York on October 6 after thirty-two years of service in the production and sales departments.

CONCLUSION Operations during the year have been carried on under trying conditions. Many difficult problems have been involved in the change over from our normal products to those demanded by the war effort. Considering the large number of our employees who have been called to the armed forces and other Government services, credit is due to those who have remained for the loyal and effective manner in which they have carried on under arduous circumstances. I take this opportunity to express to all employees of the Company the appreciation of the management.

Respectfully submitted,

FLETCHER W. ROCKWELL, *President*.

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1942

ASSETS

Current Assets:		
Cash		$ 9,282,565.06
United States Government Securities at cost (at market quotations $3,834,203.28)		3,812,942.50
Other Marketable Securities (at market quotations $4,698,211.68) (Note 1)		1,397,438.12
Accounts and Notes Receivable	$12,661,355.13	
Less, Reserve for losses	979,400.56	11,681,954.57
Notes Receivable from Employees		231,523.34
Inventories (Note 2)		25,444,441.56
Total Current Assets		51,850,865.15
Investments in and Advances to Affiliated Companies less Reserves (Note 3)		8,037,815.32
Miscellaneous Investments less Reserves (Note 4)		1,341,805.89
Plant Property and Equipment (including intangibles) (Notes 5 and 6)	$93,474,782.48	
Less, Reserves for Depreciation and Depletion	36,687,351.21	56,787,431.27
Patents and Licenses, less amortization		117,135.31
Prepaid expenses, deferred charges, etc.		520,060.48
Post-war Refund of Excess Profits Taxes		480,000.00
		$119,135,113.42

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

0000-NLI-000018261

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1942

LIABILITIES

Current Liabilities:		
Accounts Payable and Accrued Liabilities		$ 3,952,194.61
Payable to Affiliated Companies (Note 3)		155,600.57
Provisions for Taxes, including Federal Income and Excess Profits Taxes		11,768,773.30
Dividend Payable February 1, 1943 on Class B Preferred Stock		116,193.00
Total Current Liabilities		15,992,761.48
Reserves:		
Fire Insurance	$ 4,797,284.02	
Employer's Liability	426,664.30	
Pension	2,086,188.75	
Contingencies	3,425,000.00	
General Inventory (Note 7)	700,339.71	
Amount Equal to Post-war refund of excess profits taxes	480,000.00	
Miscellaneous	81,634.37	11,997,111.15

CAPITAL

	Authorized	Issued	
Capital Stock:			
Preferred Class A, 7 pct. cumulative, non-callable, $100 Par Value	$25,000,000.00	$24,367,600.00	
Preferred Class B, 6 pct. cumulative, non-callable, $100 Par Value	25,000,000.00	10,327,700.00	
Common, $10 Par Value	50,000,000.00	30,983,100.00	
	$100,000,000.00	65,678,400.00	
Capital Surplus		336,672.92	
Earned Surplus		30,742,793.50	
		96,757,866.42	
Less, Reacquired Capital Stock (Note 8)		5,612,625.63	91,145,240.79
			$119,135,113.42

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

NATIONAL LEAD COMPANY

and its Wholly Owned Domestic Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1942

Sales, less returns and allowances		$127,679,608.05
Cost of goods sold, exclusive of depreciation, depletion and taxes		96,554,626.67
Gross profit before depreciation, depletion and taxes		31,124,981.38
Other Income (Note 11)		1,716,143.08
		32,841,124.46
Administrative, selling and general expenses	$11,865,574.83	
Depreciation and depletion	3,897,899.60	
Taxes, other than federal income and excess profits taxes	1,565,580.72	
Other charges and additions to reserves (Note 12)	2,877,242.15	20,206,297.30
Net income before provisions for federal income and excess profits taxes		12,634,827.16
Provision for federal income and excess profits taxes (including $4,800,000.00 excess profits taxes)	8,388,457.43	
Less, post-war refund of excess profits taxes	480,000.00	7,908,457.43
Net Income		4,726,369.73
Reserve equal to post-war refund of excess profits taxes		480,000.00
Balance transferred to earned surplus		$ 4,246,369.73
Balance of net income transferred to earned surplus, as above		$ 4,246,369.73
Dividends on preferred stocks:		
Class A	1,566,551.00	
Class B	464,772.00	2,031,323.00
Remainder equivalent to $0.717 per share of common stock outstanding		$ 2,215,046.73

CONSOLIDATED STATEMENTS OF SURPLUS

For the year ended December 31, 1942

EARNED SURPLUS

Balance, December 31, 1941		$ 30,320,201.24
Net income for 1942		4,246,369.73
		$ 34,566,570.97
Deduct, Adjustment (Note 9)		247,122.47
		$ 34,319,448.50
Dividends:		
On Class A preferred stock, $7 per share	$1,566,551.00	
On Class B preferred stock, $6 per share	464,772.00	
	2,031,323.00	
On common stock, $.50 per share	1,545,332.00	3,576,655.00
Balance, December 31, 1942		$ 30,742,793.50

CAPITAL SURPLUS

Balance, December 31, 1941	$ 120,719.20
Add, Adjustments (Note 10)	215,953.72
Balance, December 31, 1942	$ 336,672.92

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

NATIONAL LEAD COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The other marketable securities are as follows:

	Amounts at Market Quotations	Book Amounts: Costs	Reserves	Net
Companies operating principally in the United States	$1,147,923.13	$ 660,125.55	$..........	$ 660,125.55
Companies operating in foreign countries	3,550,288.55	2,675,011.21	1,937,698.64	737,312.57
	$4,698,211.68	$3,335,136.76	$1,937,698.64	$1,397,438.12

2. The inventories are as follows:

Metals, flaxseed, and other raw materials on hand and in process, finished stocks, etc. $22,819,160.24

The above inventories are priced at the lower of cost or market with the exception of the metal quantities shown below which are priced in accordance with the "normal stock" method:

	Normal Quantity (short tons)	Fixed Inventory Price per Pound
Lead	49,687½	$.03
Tin	1,124½	.21
Antimony	259	.05

Materials and supplies, priced generally at first-in, first-out costs 2,625,281.32

$25,444,441.56

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

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

	Investments and Advances: Gross	Reserves	Net	Accounts Payable
Domestic Subsidiaries—Capital Stocks	$ 671,981.00	$ 1.00	$ 671,980.00	
Advances	5,896,391.95	1,605,118.83	4,291,273.12	
Foreign Subsidiaries—Capital Stocks	4,637,509.66	2,739,928.62	1,897,581.04	
Advances	1,647,440.79	932,881.65	714,559.14	
Account payable				$ 72,053.47
Domestic affiliate of which exactly fifty percent of the outstanding capital stock having voting power is owned by National Lead Company:				
Capital Stock	462,422.02	—	462,422.02	
Account payable				83,547.10
	$13,315,745.42	$5,277,930.10	$8,037,815.32	$ 155,600.57

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

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

Financial statements of subsidiaries, other than those in Continental Europe, are included in accompanying statements of unconsolidated subsidiaries.

4. The miscellaneous investments are as follows:

	Gross	Reserves	Net
Companies operating in the United States	$1,366,249.35	$ 102,283.46	$1,263,965.89
Companies operating in foreign countries	1,001,747.75	923,907.75	77,840.00
	$2,367,997.10	$1,026,191.21	$1,341,805.89

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

Certain investments included above were included in the balance sheet at December 31, 1941 as investments in affiliates.

0000-NLI-000018262

5. Goodwill:

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

During 1942, $250,443.47, representing the unamortized balance of good will other than that indicated by the above-mentioned appraisals in 1915, was deducted from plant account and charged to earned surplus.

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

6. The fixed assets include approximately $11,400,000 of war facilities which are being depreciated over a period of five years.

7. The general inventory reserves which were provided through charges to income of prior years were applied in the balance sheet at December 31, 1941 as reductions of inventories.

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

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

9. The deduction from earned surplus represents good will written off (see Note 5) less miscellaneous adjustment of $3,321.00 applicable to prior year.

10. The adjustments to capital surplus comprise the following:

Profit on sale during 1942 of 6,000 shares of Class A preferred treasury stock on basis of applying first costs against first sales	$117,456.49
Adjustment of excess of sales of treasury stock during prior years over cost as redetermined on above described basis adopted for 1942	98,497.23
	$215,953.72

11. Other income is as follows:

Dividends received (including $86,390 from unconsolidated subsidiaries)	$1,162,080.50
Interest received (net), profits on redemptions or sales of securities and miscellaneous income	554,062.58
	$1,716,143.08

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

Losses on sales or abandonments of fixed assets		$1,431,206.03
Loss on foreign exchange		228,587.62
Additions to reserves:		
Investment	$592,448.50	
Contingencies	625,000.00	1,217,448.50
		$2,877,242.15

GENERAL:

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

The consolidated financial statements include the financial statements of all wholly owned domestic subsidiaries. Financial statements of all foreign subsidiaries (other than those in Continental Europe) and domestic subsidiaries more than 50, but less than 100 per cent owned, are included in accompanying statements of unconsolidated subsidiaries. As indicated in such statements of unconsolidated subsidiaries, the company's equity in earnings of such subsidiaries for 1942 was approximately $1,145,000 more than the dividends of $86,390 received therefrom. During 1942 no dividends were received from the fifty per cent owned affiliate. On the basis of statements received from the fifty per cent owned affiliate, National Lead Company's equities in the net assets at December 31, 1942 and in the net income for 1942 were $607,000 and $75,000, respectively.

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

NATIONAL LEAD COMPANY

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

COMBINED STATEMENT OF INCOME
For the year ended December 31, 1942

Sales, less returns and allowances		$31,727,226.91
Cost of goods sold, exclusive of depreciation and depletion		26,491,269.45
Gross profit, before depreciation and depletion		$ 5,235,957.46
Other income (including foreign subsidiary profit of $217,615.33 on foreign exchange)		438,368.62
		$ 5,674,326.08
Administrative, selling and general expenses		$ 1,500,345.93
Depreciation and depletion		544,043.67
Other charges		114,070.31
Additions to reserves		55,596.78
		$ 2,214,056.69
Net income before provision for income and excess profits taxes		$ 3,460,269.39
Provision for United States and foreign income and excess profits taxes (including $1,366,545.27 United States excess profits taxes)	$2,069,456.06	
Less, post-war refund of United States excess profits taxes ($133,171.40) and debt reduction credit	136,654.53	$ 1,932,801.53
Net income for the year		$ 1,527,467.86
Reserve, equal to post-war refund of United States excess profits taxes		133,171.40
Balance transferred to earned surplus		$ 1,394,296.46
Minority Interests' portion		$ 162,870.10
National Lead Company's portion		1,231,426.36
		$ 1,394,296.46

Net income of foreign subsidiaries included above amounts to $858,458, of which $217,615 represents profit on foreign exchange.

COMBINED STATEMENT OF EQUITIES
For the year ended December 31, 1942

	Minority Interests	National Lead Company Interests
Balances, December 31, 1941	$ 540,218.03	$5,366,947.19
Adjustment during 1942 through acquisition by National Lead Company of shares from minorities	*3,497.09*	3,497.09
Net income for 1942	162,870.10	1,231,426.36
	$ 699,591.04	$6,601,870.64
Deduct:		
Cash dividends	$ 23,760.00	$ 86,390.00
Surplus transferred to statutory reserve	....	942.80
	$ 23,760.00	$ 87,332.80
Balances, December 31, 1942	$ 675,831.04	$6,514,537.84

0000-NLI-000018263

NATIONAL LEAD COMPANY

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

COMBINED STATEMENT OF ASSETS AND LIABILITIES

December 31, 1942

ASSETS

Current Assets:	
Cash	$ 1,564,350.80
United States Treasury Notes, Series C, at cost	400,000.00
Other Marketable Securities, at cost (at market quotations $98,828)	66,082.00
Receivable from National Lead Company	72,053.47
Accounts and Notes Receivable, less reserve for losses	3,061,735.02
Inventories priced generally at the lower of cost or market	5,008,310.23
Total Current Assets	$10,172,531.52
Miscellaneous Investments, at costs or written-down amounts	$ 1,768,792.10
Plant Property and Equipment	$12,337,511.98
Reserves for Depreciation and Depletion	5,415,463.84
	$ 6,922,048.14
Intangible Assets	$ 96,753.12
Prepaid Expenses, Deferred Charges, etc.	$ 169,155.68
Post-war Refund of Excess Profits Taxes	$ 133,171.40
	$19,262,451.96

0000-NLI-000018264

NATIONAL LEAD COMPANY

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

COMBINED STATEMENT OF ASSETS AND LIABILITIES

December 31, 1942

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	$ 2,223,252.75
Provisions for Taxes including United States and Foreign Income and Excess Profits Taxes	1,956,863.35
Total Current Liabilities other than advances from National Lead Company	$ 4,180,116.10
Advances from National Lead Company	$ 7,543,832.74
Reserves:	
Contingencies	$ 116,421.17
General Inventory	63,614.18
Statutory	34,927.49
Amount Equal to Post-war Refund of Excess Profits Taxes	133,171.40
	$ 348,134.24

EQUITIES

Minority interests	$ 675,831.04
National Lead Company interest	6,514,537.84
	$ 7,190,368.88
	$19,262,451.96

NOTES:

The above statement includes the assets and liabilities at October 31, 1942, and the accompanying statements of income and equities include the statements of income and equities for the year then ended of the Argentine subsidiary.

Included above are the following foreign assets and liabilities: Current assets, $5,443,284, and current liabilities (other than advances from National Lead Company), $1,807,560 (translated into United States dollars at exchange rates at the balance sheet date), plant property and equipment, plus other non-current assets, $4,727,540, reserves for contingencies, etc., $214,963 (translated generally at exchange rates effective at dates of acquisition of control of the subsidiary by National Lead Company and subsequent additions substantially at average exchange rates during year of addition); advances from National Lead Company, $1,647,441 (carried at the dollar amount reflected in the books of the parent company); reserves for depreciation and depletion, $1,510,588 based generally on dollar cost of fixed assets.

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

AUDITORS' REPORT

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

We have examined the consolidated and individual balance sheets of NATIONAL LEAD COMPANY and its subsidiaries (other than those incorporated in Continental Europe, Argentina, Canada and England) as of December 31, 1942 and the related consolidated and individual statements of income and surplus for the fiscal year then ended and have received reports of chartered accountants upon their examinations of the balance sheets of the Argentine subsidiary as of October 31, 1942, and the Canadian and English subsidiaries as of December 31, 1942, and the related statements of income and surplus for the fiscal years ended those dates. We have reviewed the systems of internal control and the accounting procedures of National Lead Company and its subsidiaries (other than as mentioned above) and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, based upon the above outlined examinations and the above-mentioned reports of chartered accountants, the accompanying consolidated balance sheet and related consolidated statements of income and surplus present fairly the consolidated position of National Lead Company and its wholly owned domestic subsidiaries at December 31, 1942 and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

March 10, 1943.

0000-NLI-000018265

STOCK HOLDINGS IN NATIONAL LEAD COMPANY

	*Number of Holders December 31, 1942	1941	Increase	Decrease
Common	11,781	11,727	54	....
Preferred Class "B"	2,047	2,039	8	....
Preferred Class "A"	3,786	3,791	....	5
Total	17,614	17,557	57	....

The number of women owning Stock is as follows:

	*Number of Holders	Number of Shares	Average Holdings
Common	4,986	858,470	172
Preferred Class "B"	1,020	29,231	29
Preferred Class "A"	2,197	76,626	35
Total	8,203	964,327	
Per Cent of Total Stockholders			46.57
Per Cent of Outstanding Par Stock			31.41

The number of accounts closed and opened during 1942 were as follows:

	Total	Common	Class "B" Pfd.	Class "A" Pfd.
Closed	1,991	1,419	240	332
Opened	2,048	1,473	248	327

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

DIRECTORS

EDWARD F. BEALE
Philadelphia, Pa.

LEONARD T. BEALE
Philadelphia, Pa.

WILLIAM V. BURLEY
St. Louis, Mo.

WILLIAM H. CROFT
Chicago, Ill.

CLAUDE F. GARESCHE
Short Hills, N. J.

CHARLES A. GEATTY
Red Bank, N. J.

KENDALL MARSH
New York, N. Y.

WILLIAM F. MEREDITH
New York, N. Y.

JOSEPH J. MORSMAN
Chicago, Ill.

LEONARD G. REICHHARD
Westfield, N. J.

FLETCHER W. ROCKWELL
Greenwich, Conn.

HAROLD ROWE
Englewood, N. J.

CHARLES SIMON
Jamaica, N. Y.

JAMES A. TAYLOR
Toronto, Ont.

HERMAN T. WARSHOW
New York, N. Y.

EXECUTIVE COMMITTEE

FLETCHER W. ROCKWELL, Chairman

WILLIAM H. CROFT
C. F. GARESCHE
CHARLES A. GEATTY
LEONARD G. REICHHARD
HAROLD ROWE
CHARLES SIMON
H. T. WARSHOW

EXECUTIVE OFFICERS

President
FLETCHER W. ROCKWELL

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

Assistant to the President
M. DOUGLAS COLE

Secretary
HENRY O. BATES

Treasurer
CHARLES SIMON

Comptroller
H. T. WARSHOW

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

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

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

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

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

0000-NLI-000018266

DEPARTMENTS

Advertising........Wm. Knust, Manager
Engineering........Andrew Mayer, Chief Engineer
Flaxseed........J. A. Johansen, Manager
Insurance........Hamlin & Co., Managers
Manufacturing and Mining........L. G. Reichhard, Production Manager
Metal........C. A. Geatty, Manager
Purchases........E. R. Dondorf, Manager
Sales........H. J. Irvin, Manager
Patents........C. F. Kaegebehn, Manager
Research Laboratories........Alex Stewart, Director
Traffic........D. R. Norris, Manager

COMMITTEES

FLAXSEED AND LINSEED OIL COMMITTEE

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

MANUFACTURING COMMITTEE

L. G. Reichhard, Chairman
C. A. Geatty
Andrew Mayer
E. H. Norman
E. R. Rowley, Secretary
F. J. Shirley

METAL SALES COMMITTEE

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

NEW PRODUCTS COMMITTEE

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

OXIDE SALES COMMITTEE

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

RESEARCH AND DEVELOPMENT COMMITTEE

C. A. Geatty, Chairman
R. L. Hallett, Chief Chemist
Gustav Jebsen
L. G. Reichhard
Alex Stewart

WHITE LEAD SALES COMMITTEE

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

PENSION AND LIFE INSURANCE BOARD

H. T. Warshow, Chairman
M. D. Cole
C. A. Geatty
H. O. Bates, Secretary
Charles Simon

BRANCHES

NATIONAL LEAD COMPANY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMBINED METALS REDUCTION COMPANY, — Stockton, Utah
E. H. SNYDER, Vice President
Miners of Lead-Zinc-Silver Ores

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

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

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

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

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

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

MIDWEST CARBIDE CORPORATION, — Keokuk, Iowa
L. F. LOUTREL, President
Manufacturers of Calcium Carbide

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

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

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

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

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

Products Manufactured by National Lead Company and Affiliated Companies

PAINTERS' MATERIALS

White Lead, Dry, Paste, Paint	Red Lead, Dry, Paste, Paint
Colors, Dry and in Oil	Linseed Oil, American and Calcutta, Raw, Boiled, Refined, Varnishmakers'
Flatting and Lead Mixing Oils	Titanium Pigments
Wall Primer	
Liquid Drier	

ARCHITECTURAL MATERIALS

Lead Pipe	Sheet Lead
Glaziers' Lead	Lead Sash Weights
Solder	Lead Traps and Bends
Antimonial Lead Products	Cinch Expansion Bolts

ACID MANUFACTURING EQUIPMENT

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

BEARING METALS

Babbitt Metals	Pressure Die Castings
Precision Bearings	Satco Metal

PRINTERS' METALS

Linotype Metal	Stereotype Metal
Monotype Metal	Electrotype Metal
Impression Lead	Blatchford Sectional Base

LEAD OXIDES

Red Lead	Rubbermakers' Oxides
Litharge	Varnishmakers' Oxides
Orange Mineral	Enamelmakers' Oxides
Glassmakers' Oxides	Potters' Oxides
Colormakers' Oxides	Storage Battery Oxides

MISCELLANEOUS METAL PRODUCTS

Airplane Die Metal	Tin Lined Pipe
Bar Lead	Lead Wool
Antimonial Lead Products	Lead Wire
Special Tellurium Lead Products and Castings	Pewter and Britannia Metal
Block Tin Pipe	Tellurium Sheet Lead and Pipe

GENERAL PRODUCTS

Brown Sugar of Lead	Linseed Oil Cake and Meal
White Sugar of Lead	Castor Oil
Copperas	Copper Sulphate
Zinc Sulphate	Sodium Sulphide
Zinc Chloride	Oil Well Drilling Muds