

1969



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ALFRED F. BAUER
Vice President

GEORGE B. COALE
Vice President

EDWARD J. HANLEY
Chairman of the Board,
Allegheny Ludlum Steel Corporation

JOHN B. HENRICH
President

J. MURRAY JOHNSTON
Vice President

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Cresap, McCormick and Paget Inc.

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ALEXANDER & GREEN
120 Broadway, New York, N.Y. 10005

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Chairman

JOHN B. HENRICH
President

ALFRED F. BAUER
Vice President; General Manager,
Doehler-Jarvis Division

EDWARD F. BEALE
Vice President,
Corporate Development

GEORGE B. COALE
Vice President; General Manager,
Baroid Division

RICHARD A. DONOVAN
Vice President, Employee Relations

J. MURRAY JOHNSTON
Vice President; Manager,
TAM Division

JAMES MacGUFFIE
Vice President,
Mergers and Acquisitions

JOHN A. MARDICK
Vice President; General Manager,
Metal Division

CLAUDE M. MERRELL
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International Operations

ERIC G. ORLING
Vice President; General Manager,
Titanium Pigment Operations

HARRY W. SIEFERT
Vice President, Finance

KENNETH C. SPECHT
Vice President; Manager,
Paint Division

HENRY J. WHITSON
Vice President; Manager,
Pigments and Chemicals Division

MURIEL C. SHAW
Assistant Vice President, Finance

THOMAS P. MERRICK
Secretary

ARCHER D. SARGENT
Treasurer

EDWARD J. GUSTIN
Controller

JOHN A. LEE
Assistant Treasurer

JOHN C. LEE
Assistant Treasurer

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Assistant Treasurer

JOHN C. LEE
Assistant Treasurer

JOHN C. LEE
Assistant Treasurer

Stock symbol: LT—Listed on the New York
and Pacific Coast Stock Exchanges

TRANSFER AGENTS:

The Chase Manhattan Bank, N.A.,
One Chase Manhattan Plaza,
New York, N.Y. 10015

Old Colony Trust Company,
45 Milk Street,
Boston, Massachusetts 02106

National Trust Company Limited,
21 King Street East,
Toronto 1, Canada

Crocker-Citizens National Bank,
150 Post Street
San Francisco, California 94120

REGISTRARS:

Bankers Trust Company,
16 Wall Street,
New York, N.Y. 10005

The First National Bank of Boston,
45 Milk Street,
Boston, Massachusetts 02106

The Royal Trust Company,
66 King Street West,
Toronto 1, Canada

United California Bank,
405 Montgomery Street,
San Francisco, California 94104

TRUSTEE AND INTEREST PAYING AGENT:

The Chase Manhattan Bank, N.A.,
One Chase Manhattan Plaza,
New York, N.Y. 10015



NATIONAL LEAD

Seventy-Eighth Annual Report 1969

financial highlights

For the year	1969	1968
Sales	\$929,785,000	\$858,195,000
Net income	50,675,000	49,985,000
Per share	2.12	2.08*
Cash dividends paid	40,272,000	39,062,000
Per share	1.70	1.62½*
Property expenditures	39,830,000	45,010,000
At year end		
Working capital	185,861,000	203,633,000
Long term debt	94,688,000	54,761,000
Shareholders' equity	403,975,000	404,764,000

*Per share calculations adjusted for two-for-one stock split.

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Shareholders are cordially invited to attend the seventy-eighth annual meeting of National Lead Company, Thursday, April 16, 1970, in the Hotel Robert Treat in Newark, New Jersey at 2:00 p.m.

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E. R. Rowley, Chairman of the Board, and J. B. Henrich, President, leave the corporate research laboratories at Hightstown, New Jersey.

to our shareholders:

For National Lead, 1969 was a year characterized by internal and external developments supporting the Company's commitment to corporate growth. These included the continued reorganization of our operational and management structure, a major new venture, plant expansion, and new acquisitions.

Sales reached a record high during the year. Sales of \$929,785,000 for 1969 were 8.3 per cent above those of the previous year. Earnings totaled \$50,675,000, or \$2.12 per share, slightly higher than the \$49,985,000, or \$2.08 per share, in 1968.

Earnings growth for the year did not keep up with record sales due to production start-up costs at new plants, rising interest charges, and the continuing cost/price squeeze.

In 1969, nearly \$125 million was committed or spent for new ventures and plants and for acquisitions in the United States and abroad. Significant progress was made in the following principal areas:

New Expansion—The largest new venture is a magnesium and chemical complex on the shores of Utah's Great Salt Lake. This \$70-million project, to be completed in late 1971, will have a capacity of 45,000 tons of magnesium and will increase U.S. production of this light, strong metal by more than 30 per cent. The new plant also will produce chlorine and other chemicals from the brines of the Lake.

Two new foreign plants went on stream

last year, expanding the Company's production of titanium dioxide. This is the pigment that provides whiteness, brightness, and hiding power to paints, paper, and other products. These highly automated, computer-controlled production facilities at Varennes, Canada, and Nordenham, West Germany, ensure that National Lead will continue as a leading producer of this important pigment.

Expansion of the Company's chemical capacity also included the start of construction of a \$4-million mineral synthesis plant by the Baroid Division in Houston, Texas. Plans also were begun for a BENTONE[®] gellants plant in West Germany.

Corporate Development—We are presently midway in the development of a program begun last year, to reshape and streamline the management structure. The corporate organization has been bolstered by the realignment of several existing departments and the creation of some new corporate functions. Key executives, as well as middle management, have been given additional staff responsibilities in such vital areas as market research, long-range planning, employee relations, financial control, mining and exploration, and research and development.

To all these efforts we have applied the technique of management by objectives. We are making a total plan in setting goals, designing strategies, and calculating the physical and human resources needed to achieve orderly development and desired

sales and earnings targets.

In the employee relations field, we are developing rapidly a comprehensive manpower planning program. This will encompass individual programs of employee evaluation, succession, incentive, and recruitment. This effort is directed toward the continuing development of more effective employee programs, standards of performance, and personnel recognition. To realize its commitment to growth, National Lead must have the ability to attract, develop, and advance competent people, and this program is designed to achieve that objective.

Acquisition Progress—As part of the continuing program of diversification and broadening of the Company's operational base through acquisitions, three companies were acquired in 1969. In January, the \$38-million acquisition of the Lake View Trust and Savings Bank of Chicago was consummated. This already has proved to be the sound investment expected and has served to demonstrate our willingness to enter areas totally unrelated to our present major fields.

In July, certain assets of the McCullough Tool Company of Houston and Los Angeles were acquired for \$7.5 million. This company has an excellent line of services to meet the needs of the petroleum industry. With the talents and skills of McCullough's people integrated into the Baroid Division, National Lead now provides one of the most complete lines of oil field products and services.

Jonathan Manufacturing Company, acquired in September, is a multiproduct company making precision parts for the electronic and aerospace industries. This company meets our basic criteria for acquisitions since it has high growth potential and adds to National Lead's diversification.

Other Company Developments—

Richard M. Paget was elected to the Board of Directors. Mr. Paget is president of Cresap, McCormick and Paget Inc., management consultants. He is the Board's third outside director and succeeds William J. Welch, a retired vice president of the Company, who served as a valuable Board member for 17 years.

In April, shareholders at the Annual Meeting approved the resolution for the two-for-one split of the common stock. Also authorized was an increase in the number of shares of common stock from 30 million shares of \$5.00 par value to 60 million shares of \$2.50 par value each.

Early in 1969, the Board of Directors announced its intention of declaring dividends of equal amounts on a quarterly basis instead of three equal payments and a higher year-end payment. This change, coupled with an increased rate, raised the total dividends paid on a split-share basis for the year from \$1.62½ in 1968 to \$1.70 in 1969.

Financial Strength—National Lead's financial position continues to provide a solid base for expanding operations, with

total assets at the end of 1969 amounting to \$695,260,000. The Company has strong borrowing power for the major investments in new ventures and new production facilities it is planning during the next few years.

These are unsettled times, and it is difficult to foresee what is ahead for the economy and for National Lead in the next year. The Company has embarked on a substantial, long-range effort to develop further its operational skills and its management, to broaden its base and profitability in traditional industries, and to seek long-term and profitable investments in new fields and new ventures.

National Lead has a commitment to invigorate and redefine the character of the Company and to enhance its potential. We have the capabilities and loyalty of more than 29,000 people in the United States and around the world with which to accomplish these goals. With their help and our substantial financial and physical resources, we intend to grow and to prosper.

Respectfully submitted,


E. R. Rowley
Chairman of the Board


J. B. Henrich
President

March 16, 1970

highlights of the year

January—Acquired Lake View Trust and Savings Bank of Chicago for \$38-million cash.

February—Started joint study program on nuclear fuels for electric power with The Anaconda Company.

April—Announced \$70-million magnesium and chemical complex at Great Salt Lake, Utah.

Shareholders vote two-for-one stock split.

June—Chas. Taylor Sons completed \$8-million expansion with opening of research laboratory for high temperature refractories.

July—Acquired oil services business of McCullough Tool, Houston, for \$7.5 million and integrated it into Baroid Division.

New multimillion-dollar BENTONE® gellants plant planned for West Germany.

Opened \$30-million titanium dioxide plant in Nordenham, West Germany.

August—Baroid started construction of \$4-million mineral synthesis plant in Houston.

September—Acquired Jonathan Manufacturing, a maker of aluminum and steel precision parts.

December—A \$20-million environmental control program announced.

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corporate developments

Management Changes A number of executive promotions were made in 1969.

Eric G. Orling, a vice president and director of the Company and general manager of the Titanium Pigment Division, was given the additional responsibility of directing worldwide titanium pigment operations.

John A. Mardick was elected a vice president replacing Warren T. Trask who retired. He was also named general manager of the Metal Division. Mr. Mardick has been associated with the Company since 1948. He will continue to be responsible for the bearings operations of the Company.

Eugene F. Erbin was appointed general manager of the Magnesium Division. He was formerly general manager of technical service and market development for Titanium Metals Corporation of America.

Richard K. Martin was appointed general manager of Southern Screw Division upon the death of Fritz Jensen. Mr. Martin had been assistant general manager of the division.

John H. Watt was named assistant treasurer of the Company. He has been associated with the Company since 1946 and was formerly manager in the treasurer's department.

Colonel Richard K. Hunt became the Washington representative of the Company. A retired Marine officer, he was formerly military aide in the Office of the Vice President and Liaison Officer attached to Congress.

Progress in Employee Relations

Significant progress was made during 1969 in developing systems for forecasting and meeting future management manpower needs at National Lead. Programs in succession planning, performance appraisal, and management training were inaugurated. Vigorous programs in college and executive recruiting were pursued successfully.

Our college recruiting program to find professional and executive talent includes visits to many predominantly minority-oriented colleges and universities in all parts of the country. The search for qualified employees was extended to include Student Career Days, devoted exclusively to the minority community.

Improvements were made in compensation and benefit programs for salaried employees.

Labor contracts were negotiated at 31 locations for 4,320 employees, providing for wage rates and fringe benefits commensurate with prevailing patterns. Time lost because of strikes was below 0.7 per cent of man-hours worked. Viewed broadly, Company-union relations continued satisfactorily.

Employment in all domestic and foreign National Lead operations, both partially and wholly owned, is now approximately 29,000. This is an increase of several thousand employees and is primarily a result of acquisitions made during the year.

The Company's continuing commitment

to Plans for Progress, National Alliance of Businessmen, and its internal Affirmative Action Program in 1969 was marked by a gratifying increase in the employment and advancement of minority group members.

Expanded Research and Development

A comprehensive plan of modernization and expansion of the Company's research and development activities was initiated during the year.

Two new groups were formed. The first is the Technical Coordination group responsible for accelerating development of the research process by pooling the expertise and efforts of the various divisions toward common objectives. The other is the New Ventures group which is responsible for speeding the conversion of research results into practical applications and development of new, profitable products.

During the year, we augmented our installation of the most modern scientific instruments in the Central Research Laboratory at Hightstown, New Jersey. The Chas. Taylor's Sons Company, The Baker Castor Oil Company, and the Baroid and Magnesium Divisions have built or acquired new research laboratories and have expanded their scientific staffs.

Several important research diversification programs were initiated during the year, which should lead the Company into new business opportunities. These include projects on organic chemicals and electronics.



National Lead's continuing research toward the control of atmospheric emissions led to development of a new digestion process at the St. Louis titanium pigment plant.

Environmental Health Plans were formulated during the past year to make additional investments of approximately \$10 million for plant atmospheric emissions control, waste-water treatment, and internal environmental control programs.

In these areas, the Company has developed an improved digestion process for the production of titanium pigment. This new, semicontinuous process spreads the digestion chemical reaction period over approximately one hour, in contrast to the previous time of about five minutes, and thus permits more complete control of emissions to the atmosphere. The process is now in use at the St. Louis titanium pigment plant and will also be installed at the Sayreville, New Jersey, plant. A patent application has been filed for the process.

Another technological innovation developed by the Company is a unique dust-collecting system for electric arc furnaces at the TAM Division's Niagara Falls plant. The system, nearly two years in development, is considered a major advance in the control of emissions from this type of equipment.

The Company is pursuing a program to achieve the most advanced state of the art for control of sulfur oxides in the manufacture of sulfuric acid. The first sulfuric acid manufacturing facility in the United States to use the new double absorption technique developed in West Germany is now being built at the St. Louis titanium pigment plant.

As part of the continuing program to

upgrade waste-water treatment facilities at its various locations, the Company also is engaged in extensive studies of advanced waste-water treatment concepts and evaluation of new equipment.

The Company is cognizant of its responsibilities as a corporate citizen and neighbor and strives to contribute to the most wholesome environment for its employees and the residents of its plant communities.

Shareholders At year end, there were 23,681,381 common shares outstanding compared with 23,830,730 common shares outstanding (adjusted for the two-for-one stock split in April, 1969) at the end of 1968. The number of shareholders at the end of 1969 was 50,824 as compared with 49,159 last year.

Geographic Distribution of Shareholders

Region	Per Cent
New England	10
Mid-Atlantic	35
South Atlantic	14
North Central	22
South Central	5
Pacific & Mountain	14

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report on consolidated operations

Metals 26% : \$245 Million in Sales.

Primary lead, zinc, tin, antimony and cadmium. Lead wool, foundry molds, castings, coatings; solders and printers metals.

Fabricated lead pipes and fittings for the plumbing and construction industries; Pumps, tanks, linings for chemical processing; sound insulation; battery plates; radiation shielding; lead shot.

Screws, bolts, and metal fasteners. Steel containers. Aluminum tooling plate and extrusions for aircraft.

Precious metals including gold, silver, platinum, iridium, palladium, osmium, rhodium, and mercury; chemicals for photographic film and papers.

Titanium Pigments 23% : \$212 Million.

Sulphate and chloride process titanium pigments for the paint, paper, plastic and rubber industries.

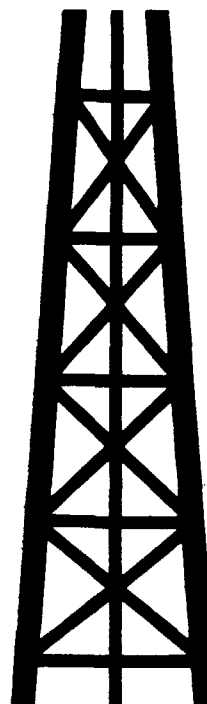
Prisms and lenses for optical systems, lasers, gem stones, and heat-sensing devices.



Die Casting 18% : \$169 Million.

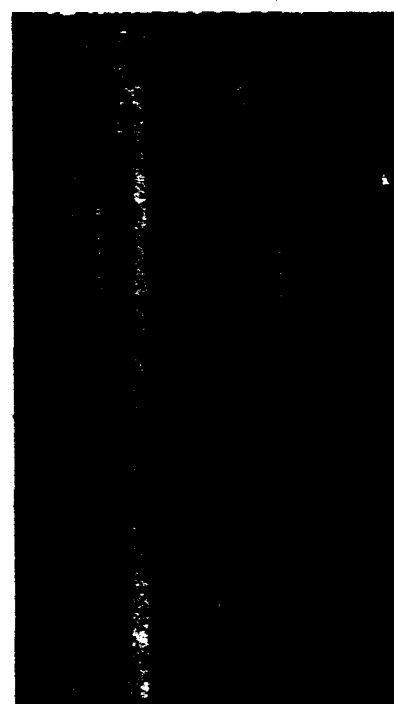
Custom producer of die castings in aluminum, zinc, magnesium and brass. Parts and assemblies for appliances, business machines, aircraft, motor vehicles, lawn mowers and many other industries.

Aluminum and steel elevated floor panels and site environmental systems.



Oil Well Drilling Services 9% : \$81 Million.

Oil well drilling materials. Chemicals for the petroleum and pollution control industries. Well logging services and testing equipment.



Bearings 5% : \$49 Million.

Precision bearings, rail journal bearings, roller bearings, diesel engine bearings.

Paint 5% : \$44 Million.

Dutch Boy paints.

Other Industries 5% : \$46 Million.

Nuclear fuel elements, fabricated depleted uranium products.

High temperature refractories: Zirconium oxides, and chemicals.

The spectacular view of molten metal shown at the far right symbolizes the Company's activity covering the full spectrum of base metal fabrication . . . from ingot to sheet, alloyed and rolled to exacting tolerances.



metal products

Metal products accounted for about 26 per cent of consolidated sales in 1969. A major contribution to these results was made in the smelting and refining of secondary lead and in the fabrication of lead shapes and alloys. Favorable market conditions and the introduction of new operational techniques also were important factors in the progress of this part of our business.

In the metals area, National Lead is involved in the marketing of lead, zinc, cadmium, antimony, and precious metals; and the production of steel containers and automotive brake pistons. Lead alloy products include such items as pipe, sheet, wire, shot, and solder. The strategic nationwide location of plants and warehouses and a reputation for efficiency and integrity in the industrial community afford the Company a highly favorable position in the metals industry.

Increased sales of antimonial lead offset minor declines recorded in other metal products. Shipments of blue lead, metal alloys, and sheet lead used for X-ray shielding and other specialty products fell short of the 1968 level, which was abnormally high because lead smelters owned by struck copper companies were not in operation.

The Goldsmith Division had a profitable year in 1969. Goldsmith is a leading supplier of silver nitrate to independent photographic film and photocopy companies and a large producer of silver chloride, rolled strip, and stamped

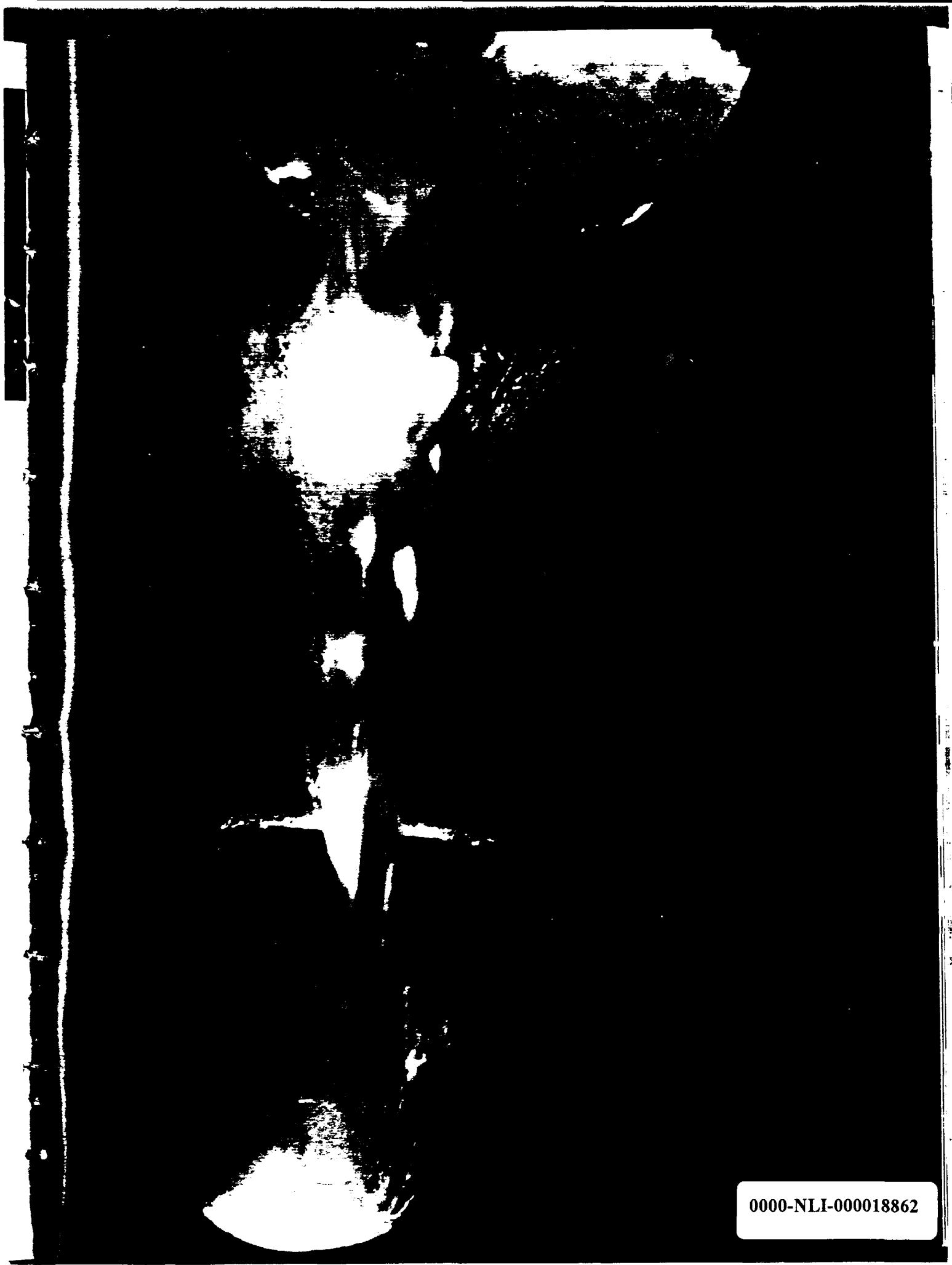
electrodes for battery cells. The recovery of silver from scrap and silver coins has become a more important operation than it has been heretofore owing to the scarcity of the metal. Strong growth possibilities in the electronics, electrical, and aerospace industries, and the consequent demand for silver and other precious metals, put this division in an advantageous position.

Sales increased in the Steel Package Division, a maker of small steel containers, and in the Screw Machine Division a leading supplier of master cylinder and hydraulic brake pistons for the automotive industry. The Screw Machine Division's production capacity will be increased in 1970 with the installation of automatic multi-spindle machines.

Morris P. Kirk & Son, Inc., a majority owned subsidiary, located on the West Coast, which is engaged in the manufacture of lead products and alloys, increased its sales. Production improvements to be effected in 1970 will significantly increase output.

Pioneer Aluminum, Inc., a subsidiary of Kirk and a distributor of aluminum aircraft extrusions and manufacturer of aluminum tooling plate, had a somewhat disappointing year. In 1970, it will expand its capacity for melting and casting aluminum tooling plate for the aerospace and other industries and thus improve its profit potential.

Southern Screw Division, which manufactures screws and metal fasteners, reported favorable earnings and sales



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(Left) National Lead's position as a leading producer of screws and metal fasteners has been solidified by the early-1970 start-up of Southern Screw Division's new plant in Puerto Rico.

(Right) Precision cast aluminum tooling plate manufactured by Pioneer Aluminum, must meet the exacting quality standards of the aerospace industry.



metal products *continued*

despite a seven-week strike. Sales to its major customers—the automotive, appliance, and furniture industries—were higher than for the previous year. Over-all, the entire metal fastener industry enjoyed a high demand for its products. A new plant in Puerto Rico, which began production in early 1970, will help promote the growth of the division. Further expansion and a broadened product base are being contemplated.

Jonathan Manufacturing Company, which was acquired in September, increased its profits and sales in 1969. Development of a new precise-action ball bearing steel slide for the commercial market and expanded marketing and manufacturing of food, drug, and chemical equipment accounted for the major portion of the increase. The steel slides are used in equipment that must be easily accessible, such as computers, business machines, telephone systems, and home audio systems. In September, Jonathan acquired Anaheim Citrus Products of Anaheim, California, a processor of citrus peel used for pectin extract and livestock feed.

Magnesium The Magnesium Division was established in April, and development of a \$70-million plant at Utah's Great Salt Lake is proceeding on schedule.

Construction has begun at the plant site on the southwest shore of the Lake about 60 miles from the Utah capital. Transportation lines—a 14-mile road and a 20-mile railroad spur—have been

completed to the site of the plant. Nearly 30 square miles of solar ponds have been built. These giant evaporating ponds serve to concentrate the lake waters into a chemical-rich brine, high in magnesium content. Construction of the main plant buildings, including a large-scale pilot facility, will begin in the early spring.

National Lead's chemical-metal complex, which will be completed late in 1971, will extract magnesium from the brines of the Lake. Capacity of the facility will be 45,000 tons of the light, strong metal, thereby increasing this country's production by more than 30 per cent. Initial output will also include 80,000 tons of chlorine. Divisional headquarters are located in Salt Lake City, and key members of the engineering, marketing, and research staffs have been recruited.

(Right) The new sulfate process titanium pigment plant at Nordenham, West Germany, went on stream in July. Its capacity of 40,000 tons a year will supply Europe's rapidly growing markets.

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(Left) The plastic and paint industries are the largest customers for the chloride process pigments produced at Sayreville, N.J., Leverkusen, West Germany and Varennes, Canada.

(Right) Titanium pigment, dispersed in water, has been developed especially for the paper industry; it may be unloaded from tank cars in a fraction of the time required for bagged pigments.

titanium pigments

Sales of titanium pigments made up 23 per cent of consolidated sales in 1969. Worldwide titanium dioxide operations were consolidated during the year under one management, and beneficial results from the new organization already have become evident.

Sales of the Company's TITANOX® and KRONOS® titanium dioxide pigments increased satisfactorily in 1969, continuing the upward trend of the previous year. New production facilities, including the new chloride process plant at Varennes, Canada, and the new sulfate plant at Nordenham, West Germany, were brought on stream. Their combined annual capacity of 50,000 tons will enable the Company to supply a greater portion of the worldwide demand for these products and further solidify our marketing position. National Lead now supplies more than 25 per cent of the world's titanium dioxide. The sales of some of the newer, more sophisticated grades, chloride as well as sulfate, were maintained at a high level, and additional manufacturing facilities are being planned.

Slightly lower earnings in 1969 were due to start-up costs at the new plants and severe production cutbacks caused by emission control problems at the St. Louis facility. These atmospheric control problems were corrected late in the year, and production was resumed at optimum levels.

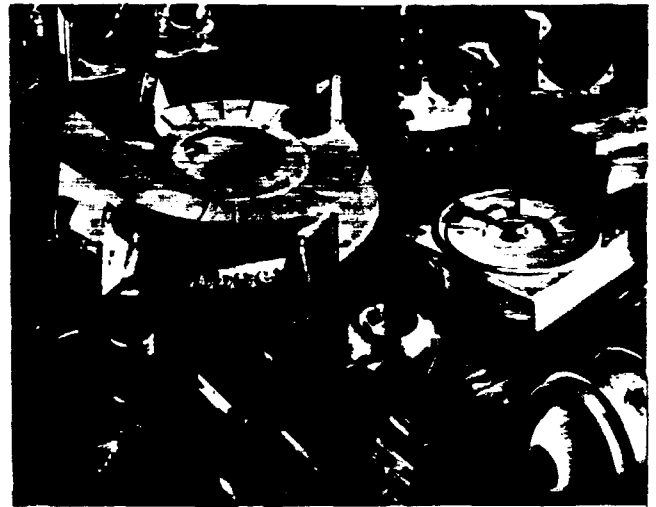
The already widespread acceptance of National Lead's titanium dioxide by its

two major consumers, the paint and paper industries, was enhanced by the introduction of new products. Additional grades of titanium dioxide for use in latex paints—the fastest growing segment of the paint industry—provide our customers with a choice of grades for all specific uses. The introduction of tank car shipments of pigment dispersed in water enabled us to serve the paper industry more economically and with better quality. Efforts to penetrate further the plastic, ink, and ceramic industries are meeting with success.

Plans laid during this year for increasing the efficiency of our worldwide technical and manufacturing facilities will further improve the profit position in the coming years.

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Doehler-Jarvis Division, the world's largest custom die caster, serves major industries with a vast array of parts. Die castings range from one-piece aluminum automotive transmission housings on the left to specialized magnesium castings for office machines, agricultural products, industrial tools and photographic equipment on the right.



Die casting

Die castings and die cast metals represented approximately 18 per cent of consolidated sales in 1969.

The Doehler-Jarvis Division, the world's leading custom die caster, rebounded from the effects of a strike in 1968. A new sales record was established in 1969, and earnings improved. Demand for die cast components and assemblies, especially for the automobile industry, was strong until the last quarter when a softening was experienced.

Doehler-Jarvis is meeting the challenge posed by increasing competition from substitute materials with intensive research programs to reduce the cost of die cast zinc components and to expand the range of zinc die casting applications in new areas. Other research during the year led to initial production of die cast aluminum wheels for the automotive market. These wheels are used extensively as a style item on sports cars. It is anticipated that this market will develop into a major die cast application.

The Company has responded to the introduction of plastics in the automotive industry by direct entry into injection molding. Late in 1969, installation of a plastic injection molding facility was begun at the Doehler-Jarvis Grand Rapids plant. It includes equipment for automatic plating of injection molded plastic parts. Initial production runs already have been made at this unit, which has provision for further expansion.

Canadian subsidiaries, Barber Die

Casting Co. Limited and Lakeshore Die Casting, Ltd., increased sales and earnings. Metal Castings Doehler, Ltd. of Worcester, England, experienced an excellent year. High sales and improved operating efficiency resulted in a most satisfactory profit contribution.

Ridge Machine Co., which manufactures die casting machines and parts for Doehler-Jarvis and performs custom machining for other customers, satisfactorily increased both sales and earnings. Cochrane Foundry, Inc., a custom producer of non-ferrous sand castings, increased sales but earnings were slightly lower reflecting higher labor costs.

Floating Floors, Inc., had record sales and earnings. In 1969, the subsidiary was reorganized and moved to Toledo, Ohio. It is a leading supplier of elevated floors and site environmental systems for computer rooms and other applications. A new steel floor panel, introduced by Floating Floors, Inc., is expected to provide a quality entry into the low-cost end of the elevated floor market.

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(Below) Injection molded plastic parts, such as the grill for the 1970 Valiant "Duster," are produced and assembled by Amos-Thompson.

(Right) Expanded research efforts at Baker Castor Oil Company has led to the development of polyurethane adhesives for bonding metals, wood, glass, vinyl products, and metallic foils.



chemicals & plastics

Chemicals and plastics products sales accounted for approximately 9 per cent of consolidated sales in 1969.

The Pigments and Chemicals Division, which produces and markets a wide range of specialty chemical additives for use in coatings, plastics, rubber, ink, and cosmetics, experienced increased sales and profit improvements in 1969. The division also makes lead oxides for storage battery, glass, and ceramic manufacturers.

In the plastics field, specialized heat and light stabilizers were developed for vinyl resins, and gellants were introduced for thickening and flow control of cosmetics and paints. These products also have found wide application in inks, plastic foams, and flame retardants for the textile, paint and plastics industries.

New pigments for corrosion-resistant paints were developed for better and longer protection of iron and steel. These have been used to protect major bridges and other metallic structures in the United States, and their use in the recent painting of the Eiffel Tower signaled the development of expanding applications in Europe.

The operations of the DeLore Division in the field of extender pigments continued to be satisfactory. Its barium sulfate pigments and LORITE®, its diatomaceous calcite, are used as fillers and extenders for brake linings, paints, sealing and

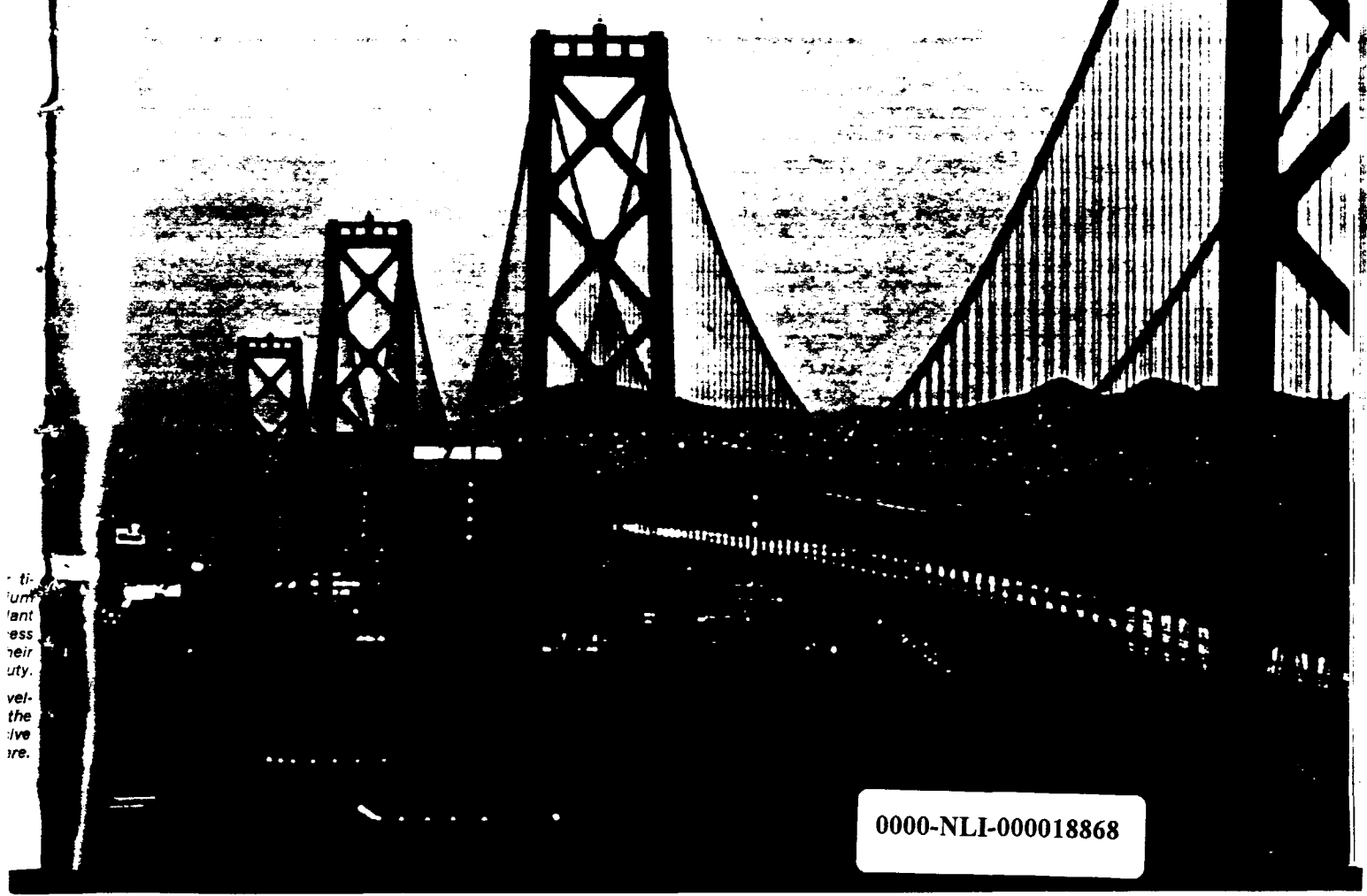
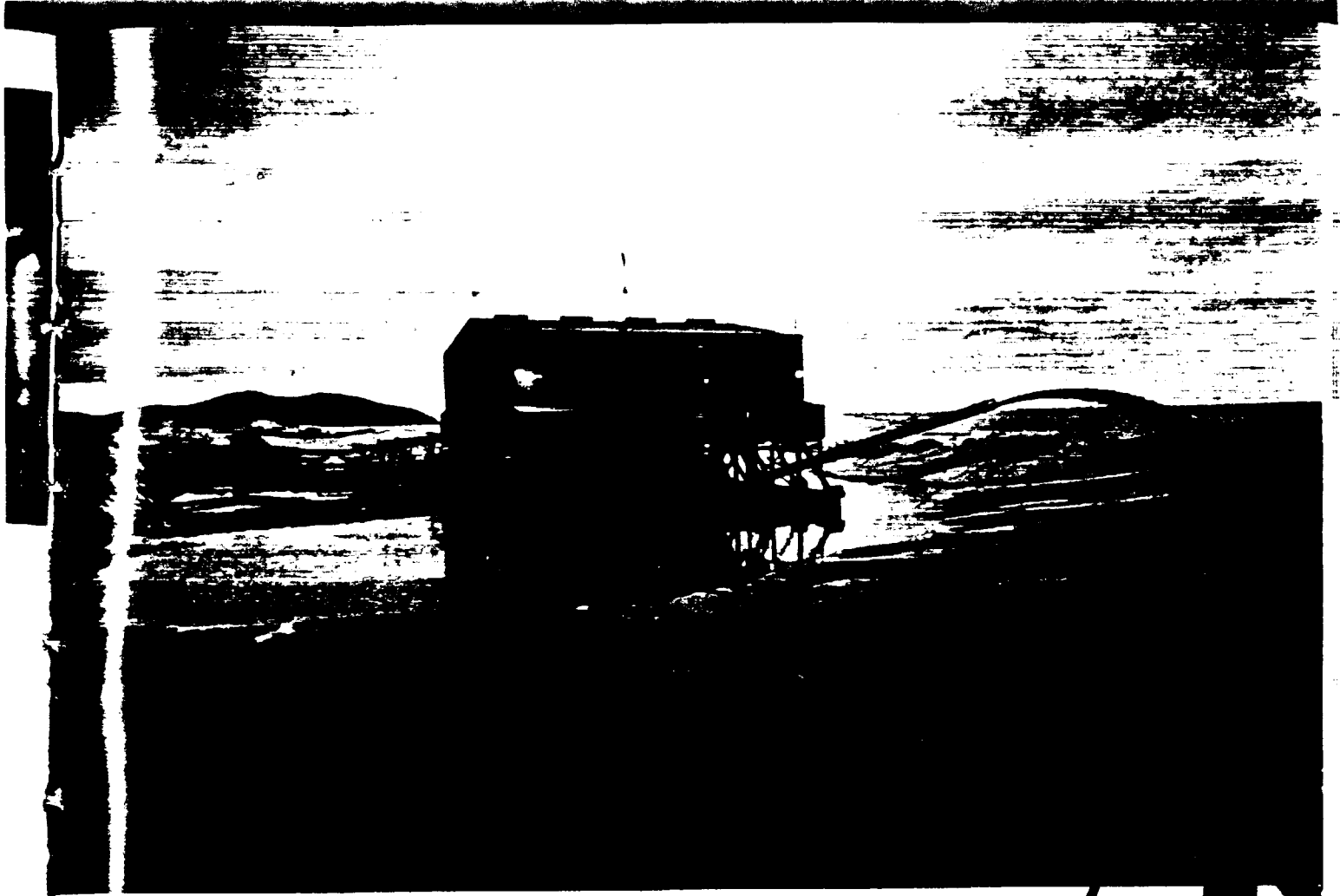
rubber compounds, seamless plastic flooring, and petroleum refining. In 1969, the division penetrated a new market—urethane foam for carpet backing.

Sales by the plastic sector of Amos-Thompson Corporation increased appreciably in 1969 with a complementary improvement in earnings. The A-T plastics group produces injection-molded and rotationally cast plastic parts for the automotive, appliance, office machine, and electronics industries.

The Wood Division of Amos-Thompson, which supplies hardwood face veneers for wall paneling and furniture, recorded higher sales despite the continuing weakness of the market. Earnings, however, declined as a result of a sharp increase in the cost of walnut logs.

(Top Right) Rutile, the vital raw material for titanium metal and chloride process titanium pigments, is extracted by this "floating" plant at Hawks Nest, Australia. Unique process restores Queensland beaches to their scenic beauty.

(Bottom Right) ONCOR® M50® Pigment, developed and produced by National Lead, protects the San Francisco Bay Bridge from the corrosive salt air atmosphere.



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Baroid engineers perform service work on drilling rigs under extreme operating conditions on the North Slope of Alaska.



Acquisition of McCullough Tool's services broadened the Company's operations in the dynamic petroleum industry.



Installation of automatic forging equipment at Bunting Brass improves properties and reliability while effecting economies.

oil well products & services

Baroid Division sales and services to the oil, chemical, and other industries were 9 per cent of National Lead sales in 1969. Baroid is one of the country's leading suppliers of oil well drilling materials, equipment, and services to the petroleum industry.

Worldwide oil and gas well drilling activity was slightly higher in 1969. Baroid sales increased due to expanded exploration and production in Alaska and Canada. International operations were at peak levels with particular growth recorded in North Africa, Australia, and Southeast Asia.

Sales volume in products for the water well and seismic industries rose during the year. Revenues also increased from rental of oil field equipment and from sophisticated electronic and mechanical services supplied to the drilling industry.

The recent acquisition of McCullough Tool Company's logging, perforating, and other wireline services contributed to the improvement of sales and the long-term outlook for the division. The capabilities of the McCullough organization in well completion and workover operations have broadened the scope of Baroid services to the worldwide petroleum industry.

Baroid is actively increasing the number and variety of its products related to air and water pollution control. New and improved chemical formulations developed by the Company for corrosion, scale, and biologic control provide the base for major growth

possibilities in virtually all industries, especially in filtration for environmental control. Sales of treatment chemicals to the oil industry and for water treating, pollution control, mining, and other industrial applications continue to increase.

Chemical manufacturing facilities at Houston were expanded early in the year with the completion of a new plant for the production of intermediate and basic chemicals.

A further step in the diversification of this division was taken by the start of construction of a \$4-million mineral synthesis plant adjacent to the present plant complex. The plant will supply products applicable to many markets but most particularly to the oil, petrochemicals, and plastics industries. The division will also provide related backup technical services to these industries.

bearings

Bearings accounted for slightly more than 5 per cent of consolidated sales. Sales and earnings increased over 1968 levels.

The products in this area include brass and bronze castings; precision bearings for internal-combustion engines, gas-turbine compressors and allied applications; and roller and journal bearings for the railroad industry. Bronze bushings, bars, and sintered and powdered bronze and iron parts also are produced for a variety of industrial equipment.

Magnus Metal Division, maker of journal and motor-support bearings for the railroad industry, was the largest contributor to sales and earnings. Magnus Roller Bearing Division, established in 1968, completed its first production year. Machinery has been installed to permit the production of a much larger volume during 1970.

The Bunting Brass and Bronze Company increased its production capacity with the installation of two Auto Forge units and a vertical continuous casting machine. The full benefits of this automated equipment should be realized in 1970.

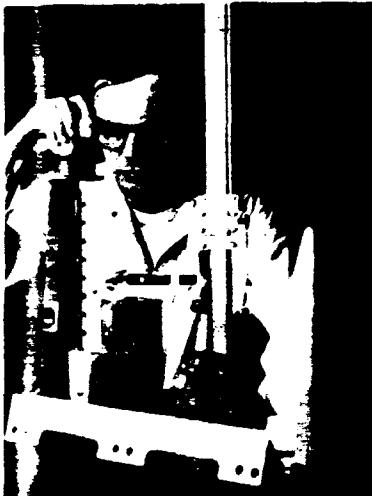
Sales and earnings were down from last year's levels at the American Bearing Division because of higher unit costs and competitive factors. Automatic equipment is being installed to reduce manufacturing costs. Aluminum Match Plate Corporation increased its sales though earnings were depressed due to lower profit margins.

Outlook for the bearings products of National Lead appears favorable in 1970 as capacity increases and cost-reduction programs are realized.

paints

Sales of the DUTCH BOY® line of quality paints were some 5 per cent of consolidated sales, consistent with the Paint Division's sales contribution in recent years.

The familiar DUTCH BOY continued as a prominent figure in an extensive



The Nuclear division has pioneered the casting and fabrication of depleted uranium.



Refractory materials for lining glass and steel furnaces are test-fired at the new research lab of The Chas. Taylor's Sons Company.



Dutch Boy "color packs" are just a small part of the complete sales arsenal supplied to dealers.

nationwide TV advertising program. Latex interior and exterior paints were the featured subjects of DUTCH BOY commercials appearing in prime time on network television during the peak of the painting season. A special local TV advertising program also was conducted, reaching 40 major markets throughout the country.

Sales of products in this grouping were approximately 5 per cent of 1969 sales.

Sales and profit performance of the TAM Division were well ahead of those of the previous year. Its extensive line of spacers, which provide texture control and color stability for ceramic glazes, outperformed sales by the industry. Operations also were excellent for the division's electro-ceramics products. These are basic materials used in the production of dielectric components by television and other electronics manufacturers. During the year, TAM also began producing thermistors, tiny electronic heat switches.

Operations for the specialized refractory products of The Chas. Taylor's Sons Company were at an all-time record. Its rapid growth is the result of the need to meet the increasing demand of the iron and steel, metallurgical and glass industries for quality high-temperature refractory materials. Taylor completed a

three-year, \$8-million capital expenditures program during 1969 with the start-up of production at expanded manufacturing facilities at South Shore, Kentucky. It also relocated its headquarters and research laboratory to a new complex in Greater Cincinnati and began construction of a refractory cement and specialties plant there.

In Florida, the Edgar Plastic Kaolin Company is completing a substantial expansion of a glass sand production facility. Operations of this new acquisition were very satisfactory in its first full year as a part of National Lead.

The Tool and Engineering Division experienced continued growth. The division through its unique services and skills prepares special dies and tooling for the production of prototype body parts for car models several years in advance of introduction. Its facilities were expanded in 1969 as a result of a sizable increase in assembly work. This now includes the building of complete prototype bodies of future car models.

Depleted uranium fabricated by the Nuclear Division gained wide acceptance during 1969 for use as a counterweight in aircraft. The Company received orders during the year for counterweights to be used on every major commercial aircraft presently on the drawing board.

Depleted uranium—a metal of very high density—also is being used increasingly for shielding with nuclear, X-ray, and other equipment where protection from

radioactivity is necessary. National Lead's Albany, New York, plant produces the largest depleted uranium castings required for radiation shielding purposes.

Soon to be completed is a joint study by The Anaconda Company and National Lead of the market potential in the fabrication of nuclear fuels for electric power generation.

The Baker Castor Oil Company had sales and earnings ahead of those of last year. Baker is oriented principally to the manufacture and sale of castor oil and organic chemical specialties, with emphasis on fatty chemicals. The company's chemicals have wide application in the electrical, electronics, and protective coatings industries.

National Lead has made an offer to purchase the remaining minority interest in Baker. These negotiations will be completed during 1970.

Titanium Metals Corporation of America

increased sales in 1969 by 20 per cent or \$10,000,000 despite a 3½-month strike at the Toronto, Ohio, plant that ended early in the year. Profit margins, however, continued to be adversely affected by the prevailing weak market caused by industry overcapacity and the financial requirements of TIMET's recently completed \$50,000,000 capital investment program.

A net loss of \$502,000 did not allow for the payment of a dividend to the parent companies, Allegheny Ludlum Steel Corporation and National Lead, but was a significant improvement over the loss of \$2,545,000 for 1968.

Indications are that the titanium industry is recovering. After reaching a peak shipping rate of 28,300,000 pounds of titanium in 1966, industry shipments declined gradually to 23,800,000 in 1968. In 1969, however, a recovery to a new high of approximately 32,000,000 pounds took place and further improvement is expected in the 1970's.

In anticipation of expected growth in demand, TIMET recently completed construction of an extrusion plant, bar finishing facilities, and installation of rotating die bar and special-shape forging equipment at its Toronto, Ohio, plant. The capacity of the Henderson, Nevada, plant also was expanded.

These new facilities will enable TIMET to effectively maintain its leadership in the expanding market for non-aerospace

titanium products. Promising new uses for the metal, particularly in equipment for power generation, desalinization, and metal processing, received marketing emphasis that should yield major sales gains in 1970.

During the year, the affiliate was awarded a contract to supply 2,000 tons of titanium sponge to the federal stockpile, the full effect of which will be reflected in 1970 earnings. This large order is well within the current production capability of the Nevada plant.

The outlook for TIMET and the aerospace industry is encouraging, especially because of the increased use of titanium in the new jumbo transport aircraft. Such aircraft as the Boeing 747, McDonnell-Douglas DC-10 and the Lockheed L-1011 will provide a sustained market for the next several years. The Federal Government's decision to proceed with the development of the prototype of a supersonic transport, the Navy's Grumman F-14 program, and the Air Force's new F-15 fighter program also will increase the demand for titanium in the foreseeable future.

Lake View Trust and Savings Bank

had an excellent year in 1969. Its earnings after taxes of \$4,520,000 reflected a large improvement over results for the previous year.

Organized in 1905, the bank has grown to over \$300 million in total assets, is the eighth largest in Chicago and the 184th largest commercial bank in the United States.

The bank has been working actively with

retailers and real estate owners in their efforts to develop commercial projects in its area. The recent development of a 72-acre industrial park should benefit the local retail business and, in turn, have a favorable effect on the bank's future prospects.

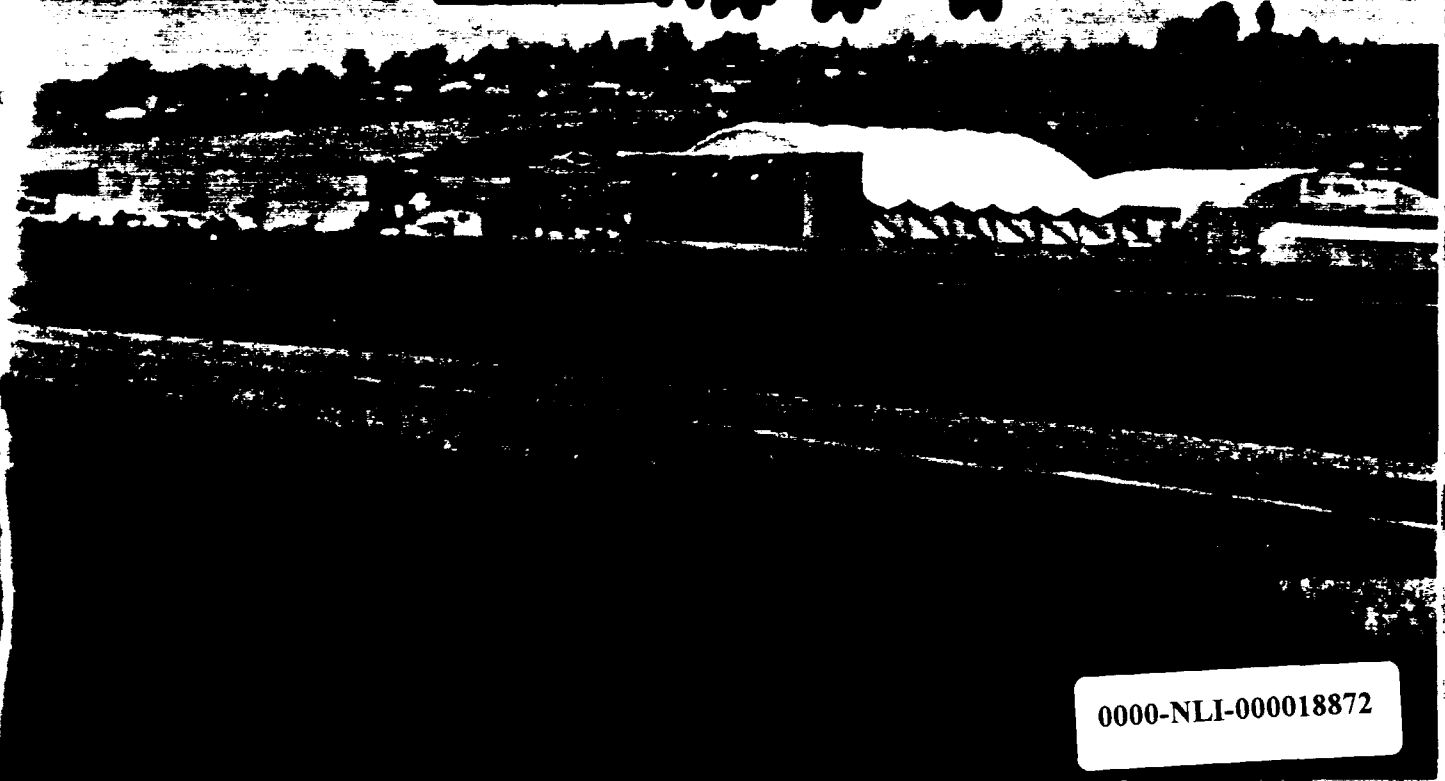
R-N Corporation in 1969 witnessed an intensification of worldwide interest in the SL/RN process for the direct reduction of iron ore for steelmaking. Several process licenses were granted, and there was a broadening of areas for future licensing. This process can cut the capital investment of steelmaking up to 50 per cent by eliminating the blast furnace.

The Canada Metal Company Limited, a secondary smelter and refiner of lead scrap as well as a producer of lead products, brass and bronze forgings, bars and bushings, zinc alloys, and powdered metals, increased its earnings in 1969. Higher sales volume, firmer metal prices, and improved operations through increased capacity of equipment accounted for the good year.

Mineral Deposits Limited of Australia completed a large expansion of its production facilities. Worldwide demand has been increasing for the rutile ore it supplies for titanium metal and chloride process titanium dioxide. This mineral sands producer also mines the raw material used to produce zirconium and titanium compounds made by the TAM Division.

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financial report

Sales: Sales in 1969 set an all time record of \$929,785,000, representing an 8.3% increase over 1968. Increased sales in 1969 have been recorded in almost all major categories. United States and foreign sales also increased, respectively, over the 1968 level.

	1969	1968
United States	\$796,371,000	\$743,259,000
Foreign	133,414,000	114,936,000
	<u>\$929,785,000</u>	<u>\$858,195,000</u>

Earnings: Net income for 1969 totaled \$50,675,000, or \$2.12 per share. Comparative earnings of United States and foreign operations were as follows:

	1969	1968
United States	\$38,106,000	\$39,410,000
Foreign	12,569,000	10,575,000
Net Income	<u>\$50,675,000</u>	<u>\$49,985,000</u>

Per share of common stock \$2.12 \$2.08

All per share figures stated in this report have been calculated on the basis of the average number of shares outstanding during the period and after giving effect to the two-for-one stock split which was effective April 18, 1969.

Dividends: In 1969, the amount of dividends paid per share was increased to \$1.70 from \$1.625 per share paid in 1968. The Company has paid cash dividends on its common stock every year since 1906. Total cash dividends paid in 1969 and 1968 amounted to \$40,272,000 and \$39,062,000, respectively.

Taxes on Income: The provision for United States and foreign taxes on income amounted to \$44,593,000 in 1969, compared to \$46,313,000 in 1968. The provision for deferred income taxes (arising principally from accelerated depreciation utilized for tax purposes) amounted to \$3,568,000 and \$240,000 for 1969 and 1968, respectively. The Company's United States income tax returns

- Bearings
- Paints
- Other Industries
- Oil Well Materials and Services
- Chemicals and Plastics
- Die Castings
- Titanium Pigments
- Metal Products

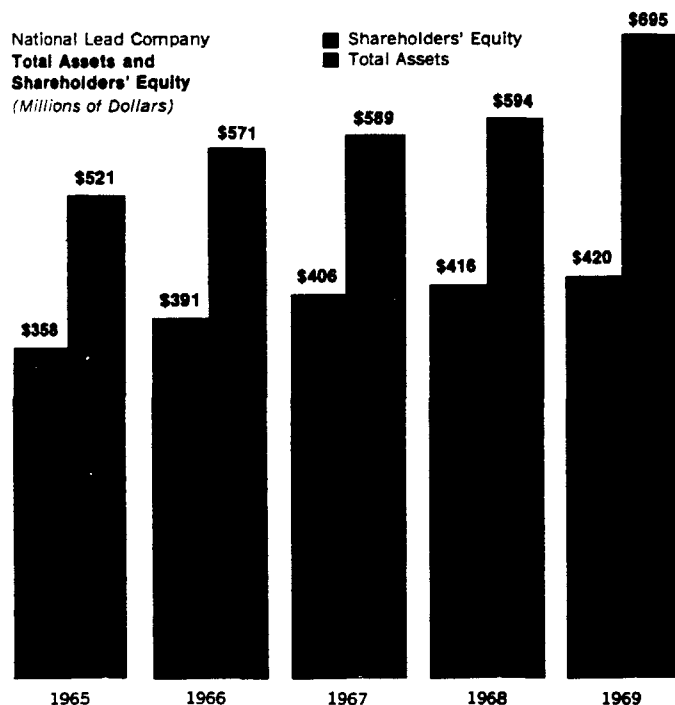
National Lead Company Sales by Product (Millions of Dollars)



have been examined and settled through year 1964. Years 1965 and 1966 are now under examination. The liability for taxes on income covers both United States and consolidated foreign subsidiaries and the Company believes that adequate provision has been made for all years not yet examined.

Financial Position: The Company continued to maintain its strong financial position during 1969. Total assets increased in 1969 to \$695,260,000 and shareholders' equity, exclusive of treasury stock, increased to \$420,230,000.

The following chart illustrates the growth in total assets and shareholders' equity, exclusive of treasury stock, over the past five years.



At December 31, 1969, net assets of consolidated foreign subsidiaries aggregated \$100,721,000.

Book value per share amounted to \$17.06 at the end of 1969, compared with \$16.98 at the beginning of the year. Working capital at year end amounted to \$185,861,000 as compared with \$203,633,000 at December 31, 1968. This change resulted principally from increased short term borrowings from banks to finance capital investments.

The following schedule compares working capital at year end 1969 and 1968:

	1969	1968
United States	\$143,344,000	\$162,435,000
Foreign	42,517,000	41,198,000
	<u>\$185,861,000</u>	<u>\$203,633,000</u>

The utilization of working capital is shown on the consolidated source and application of funds statement on page 26.

Inventories at the end of 1969 amounted to \$176,130,000, an increase of \$21,708,000 over the comparable 1968 amount.

A comparative summary follows:

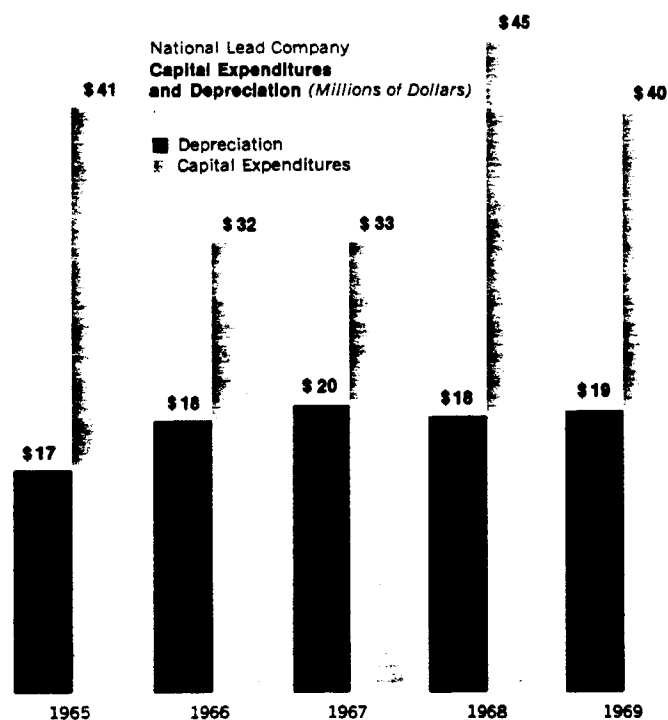
	1969	1968
Raw materials	\$ 41,003,000	\$ 40,406,000
Finished & in process	115,905,000	99,069,000
Supplies	19,222,000	14,947,000
	<u>\$176,130,000</u>	<u>\$154,422,000</u>

Property, Plant and Equipment: During the year the Company invested \$39,830,000 in property, plant and equipment.

Major expenditures were made for the Company's titanium pigment operations, Doehler-Jarvis division operations, the acquisition of certain operating assets of McCullough Tool Company for the Baroid Division, The Chas. Taylor's Sons Co. operations and initial investment in the Magnesium Division facilities.

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continued



Manufacturing properties

Land	\$ 13,785,000	\$ 12,162,000
Buildings	142,208,000	130,656,000
Machinery & equipment	357,351,000	327,558,000
Mining properties	39,257,000	38,660,000
Intangibles not being amortized	22,492,000	22,492,000
	<u>575,093,000</u>	<u>531,528,000</u>
Less reserves	301,924,000	278,645,000
	<u>\$273,169,000</u>	<u>\$252,883,000</u>

Manufacturing properties are depreciated principally on the straight line method; mining properties are depleted on either the unit of production or the straight line method.

Long-Term Debt: At December 31, 1969 long-term debt had increased to \$94,688,000 from \$54,761,000 at the end of 1968. The composition of long term debt at December 31, follows:

	1969	1968
4 3/4% subordinated debentures due in annual installments of \$850,000 through 1973 and \$1,297,000 thereafter to April 1988	\$24,798,000	\$24,876,000
6 1/2% deutsche mark bearer bonds, due 1972 through 1979	16,275,000	15,000,000
Bank loans incurred for purchase of Bank at prime interest rates, due 1971 through 1976	38,000,000	
5 1/2% to 6 3/4% bank loans	8,694,000	11,133,000
Other	6,921,000	3,752,000
	<u>\$94,688,000</u>	<u>\$54,761,000</u>

The debentures outstanding at December 31, 1969 and 1968 are after deducting \$2,515,000 and \$3,287,000, respectively, representing the principal amount of debentures held by the Company.

In January 1970, the Company entered into a credit agreement with 18 banks which provides for the borrowing of up to a maximum of \$135,000,000. Initial borrowings of \$58,000,000 will be used to settle short term loans outstanding at December 31, 1969 under terms of a previous credit agreement. The Company may, on or before May 1, 1971, convert such borrowings as it may have made to a long term loan repayable over a 4 year period in 8 equal semi-annual installments.

The agreement provides that the Company must maintain consolidated working capital of at least \$100,000,000 and contains certain restrictions on additional borrowings and payment of cash dividends. Approximately \$86,000,000 of retained earnings is free of such restrictions.

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National Lead Company

**Years ended December 31,
1968**

Revenues:

Net sales	\$858,195,000
Equity in majority owned foreign companies (after taxes) (Note 1)	1,348,000
Lake View Trust and Savings Bank (Note 2)	—
Other income	7,412,000
	<u>866,955,000</u>

Costs and expenses:

Cost of goods sold (Note 3)	623,304,000
Depreciation, depletion and amortization	18,187,000
Selling, general and administrative	124,749,000
Interest (Note 2)	3,753,000
Minority interest	664,000
	<u>770,657,000</u>

Income before taxes on income 96,298,000

Provision for United States and foreign income taxes 46,313,000

Net income 49,985,000

Income per common share (based on average shares outstanding) \$2.08

Retained earnings at beginning of year:

National Lead Company	309,873,000
Acquired Companies (Note 2)	5,607,000
	<u>365,465,000</u>

Less:

Dividends paid by:

National Lead Company—1969, \$1.70 per share; 1968, \$1.625 per share 38,880,000

Companies acquired prior to pooling 182,000

Pooling of interests adjustments (Note 2) 3,117,000

Retained earnings at end of year \$323,286,000

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National Lead Company

December 31,
1968

Assets

Current assets:

Cash, including time deposits	\$ 36,787,000
Marketable securities	2,110,000
Accounts and notes receivable, less allowances of \$1,991,000 in 1969 and \$1,910,000 in 1968	116,668,000
Inventories (Note 3)	154,422,000
Prepaid expenses	2,090,000
Total current assets	312,077,000

Investments:

Lake View Trust and Savings Bank (Note 2)	—
Unconsolidated subsidiaries (Note 1)	7,332,000
Associated companies (Note 4) and other investments, at cost less reserve	15,868,000

Property, plant and equipment, at cost, less accumulated depreciation and depletion of \$301,324,000 in 1969 and \$278,845,000 in 1968 (Page 21)	252,883,000
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Other assets	5,431,000
	<u>\$593,591,000</u>

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	December 31, 1968
Liabilities	
Current liabilities:	
Loans payable	\$ 23,510,000
Accounts payable and accrued liabilities	64,021,000
Taxes on income	20,913,000
Total current liabilities	108,444,000
Long term debt (Page 22)	54,761,000
Deferred taxes on income (related principally to accelerated depreciation)	16,213,000
Other liabilities and reserves (Note 1)	2,336,000
Minority interest	7,073,000
Shareholders' Equity (Notes 2, 5 and page 22)	
Common stock, per value \$2.50; shares authorized 60,000,000, issued 24,177,168 shares in 1969 and 24,174,718 shares in 1968	60,437,000
Capital surplus	32,590,000
Retained earnings	276,311,000
	416,313,000
Less treasury stock at cost: 1969, 495,787 shares; 1968, 543,988 shares	11,549,000
	404,764,000
	<u>883,591,000</u>

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National Lead Company

Year ended December 31, 1960

Source:

Net income	\$ 50,675,000	
Depreciation	19,207,000	
Increase in deferred taxes	3,568,000	
Long term borrowings, net	39,927,000	
Other	5,912,000	\$119,289,000

Application:

Increase in investments:		
Lake View Trust & Savings Bank	\$41,535,000	
Other	3,389,000	44,924,000
Dividends paid		40,272,000
Capital expenditures		30,830,000
Purchase of treasury stock:		
Used for acquisitions		7,071,000
Other		4,964,000
		137,061,000

Decrease in working capital	17,772,000
Working capital at beginning of year	203,633,000
Working capital at end of year	<u>\$185,861,000</u>

Represented by:

Current assets	\$347,318,000	
Current liabilities	161,457,000	<u>\$185,861,000</u>

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1. Consolidation principles The consolidated financial statements include the accounts of the Company, all domestic subsidiaries and major wholly-owned foreign subsidiaries transferred at appropriate rates of exchange. Pertinent financial data regarding foreign subsidiaries is shown on pages 20 and 21. Commencing in 1969 the Company stated its investments in major unconsolidated majority-owned foreign subsidiaries to reflect its equity in their underlying net assets, and included in income its equity in the net income of such subsidiaries.

Previously, these investments had been carried at cost, and income thereon was reflected to the extent received as dividends. The dividends received from such companies during 1968 are included in the income statement caption "Equity in majority-owned foreign companies." Prior years have not been restated since the effect would not be material. At December 31, 1968, the Company's equity in the underlying net assets of these companies exceeded the cost of its investment by approximately \$1,814,000, and such amount has been transferred to a Reserve for Foreign Operations.

Also transferred to this newly created reserve was the amount of \$3,628,000, which included a reserve previously deducted from the investments in unconsolidated subsidiaries and a gain resulting from recent French and German currency adjustments. It is intended that this reserve will absorb losses and be credited with gains resulting from major foreign exchange adjustments and other major unpredictable occurrences involving foreign operations.

2. Acquisitions During 1969, the Company exchanged a total of 207,904 shares of its treasury stock for all the outstanding stock of Jonathan Manufacturing Company and the H-K Corporation. These acquisitions have been accounted for as poolings of interests and, accordingly, the results of operations for 1969 include the net income of these companies for the entire year. No adjustment has been made for prior years since the effect would not be material. As a result of these transactions, capital surplus and retained earnings were charged \$390,000 and \$6,272,000, respectively, representing principally the appropriate portion of the excess of the cost of the treasury shares issued over the aggregate paid in capital of the acquired companies. The agreement with Jonathan Manufacturing Company provides for the delivery of additional Company stock, not to exceed 135,904 shares, contingent on the amount of Jonathan Manufacturing Company's net income (as defined) for the years 1969, 1970 and 1971.

In early January, 1969 the Company acquired for cash, 99.85% of the outstanding stock of the Lake View Trust and Savings Bank. The Company's investment in the Bank is reflected at cost, plus subsequent changes in equity.

Following is a summary of the pertinent financial information relating to the Bank as of December 31, 1969:

	(In thousands)
Assets	\$ 311,178
Deposits and other liabilities	308,714
National Lead's equity in Bank's net income	1,200
Less: Interest cost to National Lead, after applicable tax of \$1,080,000 on funds borrowed to purchase Bank	1,200
Net income attributable to Bank	\$ 1,200

3. Inventories Inventories are valued at the lower of cost (principally average cost) or market. Certain metal inventories are valued using the last-in, first-out method, which results

in such inventories being stated at less than current replacement cost at December 31, 1969. The valuation of a portion of these same inventories is further reduced by the use of the base stock method. Pursuant to such method, an inventory reserve (amounting to \$10,572,000 in 1969 and \$12,272,000 in 1968) is maintained based on quantities deemed normal at related fixed prices. Due to changes in operating conditions, and as part of its program to more effectively control the investment in inventories, the previously established normal quantities were reduced during 1969 resulting in an increase in net income of \$2,267,000. During 1969, net income was reduced by \$1,750,000 under the last-in, first-out method.

4. Associated Companies The Company's investments in its associated 50 percent owned companies are carried at cost. The Company's equity in the underlying net assets of these units exceeded its investments by \$18,666,000 at December 31, 1969 and \$19,113,000 at December 31, 1968.

5. Common Stock and Stock Options On April 19, 1969, the shareholders approved a two for one common stock split. The per share data included in this report for prior years has been restated to reflect this stock split.

Under provisions of the 1968 Stock Option Incentive Plan, 700,000 shares of the Company's common stock have been reserved for issuance to officers and to other key employees. Under the plan, options may be granted to purchase common stock at 100% of the market price at the date of grant and are exercisable over a period of five years from date of grant. Details of shares under option at December 31, 1969 and transactions during the year follow:

	1968 Plan
Balance at January 1, 1969	141,600
Granted	37,400
Balance at December 31, 1969	179,000
Price per share:	
Shares granted and outstanding at December 31, 1969	\$31 to \$36
Shares exercisable	179,000
Available for future options at December 31, 1969	500,600

With respect to the 1968 stock option plan, options for 94,480 shares expired during 1969 and options for 7,550 shares were exercised at an average price of \$34. Options for 1,400 shares were outstanding at December 31, 1969. These options expire in March 1970 and no additional options may be granted under the plan.

In connection with the acquisition of The Bunting Brass and Bronze Company in 1968, the Company granted to holders of stock options previously granted by Bunting, substitute stock options to purchase 3,134 shares of common stock of the Company at \$20.50 per share. During the year options were exercised to purchase 2,638 of these shares and the remaining options are exercisable.

The net excess (\$33,000) of the proceeds on the exercise of options over the cost or par value of the 10,308 shares issued was credited to capital surplus. Expenses relating to the common stock sold at \$125,000 were charged to capital surplus. The Company is authorized to issue 1,000,000 shares of preferred stock without par value. The rights of this preferred stock as to dividends, liquidation, disposition and conversion will be determined upon issuance.

6. Reserves The Company and its subsidiaries have various reserves which covering the liability

of their employees. Total pension costs approximated \$9,400,000 in 1969 and \$8,500,000 in 1968.

Unfunded service costs under the plans are charged to income as they accrue and are funded as to the major plans. The major portion of the prior service costs is being charged to income and funded over a period of thirty years. Unfunded vested benefits at December 31, 1969 amounted to approximately \$24,200,000.

7. Restatements Certain amounts in the 1968 financial statements have been restated to conform to classifications used in 1969 with no effect on net income or shareholders' equity.

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

To the Shareholders 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, 1969 and the related consolidated statements of income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished reports of other public accountants upon their examinations of the financial statements of certain consolidated and unconsolidated subsidiaries and fifty per cent owned companies. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries and companies, is based solely upon such reports. We made a similar examination of the financial statements of the Company and its Consolidated Subsidiaries for the year 1968.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of National Lead Company and its Consolidated Subsidiaries at December 31, 1969 and 1968, the consolidated results of their operations for the years then ended and the source and application of funds for the year 1969, all in conformity with generally accepted accounting principles applied on a consistent basis.

WITNESSED: 1969 APR 23 MONTGOMERY

New York, February 18, 1970

0000-NLI-000018880

National Lead Company

	1968	1967	1966
Net sales	\$858,195,000	\$818,905,000	\$865,687,000
Income before taxes	96,298,000	95,577,000	113,379,000
Net income	49,985,000	54,309,000*	61,634,000
Per common share	2.08	2.27*	2.56
Dividends paid on common shares	39,062,000	38,786,000	38,296,000
Per common share	1.825	1.625	1.625
Current assets	\$12,077,000	\$31,851,000	\$310,311,000
Current liabilities	108,444,000	102,187,000	97,721,000
Working capital	\$23,633,000	\$229,664,000	\$212,590,000
Property, plant and equipment	\$22,883,000	\$226,060,000	\$214,725,000
Property expenditures	35,010,000	32,860,000	32,440,000
Depreciation	19,207,000	20,130,000	23,447,000
Total assets	\$93,591,000	\$688,803,000	\$570,754,000
Shareholders' equity	404,764,000	\$99,640,000	\$388,586,000

0000-NLI-000018881

1965	1964	1963	1962	1961	1960
\$819,772,000	\$735,189,000	\$664,606,000	\$615,269,000	\$599,357,000	\$604,551,000
111,723,000	108,086,000	96,888,000	95,853,000	100,135,000	101,873,000
59,673,000	56,763,000	50,116,000	49,546,000	52,157,000	52,676,000
2.55	2.43	2.13	2.03	2.14	2.16
38,072,000	38,036,000	38,049,000	38,084,000	38,017,000	38,012,000
1.625	1.625	1.625	1.625	1.625	1.625
296,548,000	300,974,000	276,069,000	270,275,000	263,656,000	248,402,000
97,599,000	99,600,000	91,461,000	90,280,000	90,918,000	75,353,000
198,949,000	201,374,000	184,608,000	189,995,000	182,738,000	173,049,000
196,134,000	174,961,000	178,863,000	171,896,000	171,595,000	188,222,000
41,096,000	20,447,000	14,358,000	15,712,000	18,241,000	25,525,000
16,973,000	16,288,000	15,078,000	15,135,000	14,340,000	14,373,000
520,861,000	497,296,000	467,264,000	440,973,000	462,710,000	436,640,000
356,956,000	339,744,000	320,878,000	300,752,000	354,576,000	341,767,000

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Metal Products

GOLDSMITH DIVISION: *Precious metals and precious metal oxides.* Chicago, Ill.

JONATHAN MANUFACTURING CO.: *Precision parts and other services.* Fullerton, California

MAGNESIUM DIVISION: *Magnesium metal and chlorine (on-stream late 1971).* Salt Lake City, Utah

MORRIS P. KIRK & SON, INC. (76%): *Aluminum, lead and zinc alloys, fabricated lead products and lead oxides.* Los Angeles, California
MASTER METALS DIVISION: *Antimonial lead, soft lead, Babbit and solder metal.* Cleveland, Ohio; Detroit, Michigan

METAL DIVISION: *Antimony, cadmium, lead and zinc metals; fabricated lead products.* New York, N.Y.

PIONEER ALUMINUM, INC. (76%): *Aluminum and sheet aircraft extrusions and cast aluminum tooling plates.* Los Angeles, California

SCREW MACHINE DIVISION: *Hydraulic brake cylinders.* Chicago, Ill.

SOUTHERN SCREW DIVISION: *Complete line of screws and other metal fasteners.* Statesville, N.C.

STEEL PACKAGE DIVISION: *Small steel shipping containers.* St. Louis, Mo.

TEXAS MINING & SMELTING DIVISION: *Antimony metal and antimony oxide.* Laredo, Texas

TITANIUM METALS CORPORATION OF AMERICA (50%): *Titanium metal sponge, ingot and mill products.* West Caldwell, N.J.

HOYT METAL COMPANY: *Anti friction metals.* London, England

INDUSTRIAS DERIPLOM S. A.: *Lead oxides.* Buenos Aires, Argentina

SCHRAUBENFABRIK NEUSTADT GOETZ & CO GMBH (99%): *Screws and metal fasteners.* Neustadt/Schwarzwald, West Germany

THE CANADA METAL COMPANY LIMITED: *Lead oxides, lead and zinc alloys, brass and bronze products, fabricated lead products.* Toronto, Canada

NATIONAL LEAD COMPANY, S. A.: *Lead products.* Buenos Aires, Argentina

Titanium Pigments

TITANIUM PIGMENT DIVISION: *Titanium*

pigments and chemicals for the paint, paper, plastics and rubber industries. Sayreville, N. J.
CANADIAN TITANIUM PIGMENTS, LTD.: *Titanium pigments; gellants; lead pigments; stabilizers; zirconium and titanium compounds.* Montreal, Canada

DERIVES du TITANE, S.A.: *Titanium pigments.* Langerbrugge, Belgium

KRONOS TITAN N.V.: *Titanium pigments; gellants; lead pigments.* Rotterdam, Netherlands

KRONOS TITANIUM PIGMENTS, LTD.: *Titanium pigments.* London, England

KRONOS TITANPIGMENT A.B. (76%): *Titanium pigments; gellants; lead pigments.* Stockholm, Sweden

SOCIÉTÉ BELGE du TITANE S. A.: *Titanium pigments; gellants; lead pigments.* Brussels, Belgium

SOCIÉTÉ INDUSTRIELLE du TITANE (91%): *Titanium and lead pigments.* Paris, France

THE CARTER WHITE LEAD COMPANY OF CANADA, LTD. (50%): *Lead pigments; oxides; stabilizers.* Montreal, Canada

TITAN CO. A/S: *Titanium pigments; gellants; lead pigments; stabilizers.* Fredrikstad, Norway

TITANGESELLSCHAFT m.b.H.: *Titanium pigments; gellants; lead pigments.* Leverkusen, West Germany

TITANIA A/S: *Titanite ore mining.* Hauge I, Oslo, Norway

Die Casting

DOEHLER-JARVIS DIVISION: *Die castings of aluminum, zinc, brass and magnesium. Assembly services.* Toledo, Ohio

DOCHRANE FOUNDRY, INC.: *Sand castings for prototyping and production.* York, Pa.

FLATIRON FLOORS, INC.: *Elevated flooring and air environmental systems for computer rooms.* Toledo, Ohio

RIDGE MACHINE CO.: *Specialized die-casting equipment.* Cleveland, Ohio

BARBER DIE CASTING CO. LTD.: *Aluminum and zinc die castings.* Guelph, Canada

INDUSTRIAS DOEHLER do BRASIL, S.A.: *Die castings.* Sao Paulo, Brazil

INDUSTRIAS DOEHLER do BRASIL, S.A. (95%): *Die castings.* Sao Paulo, Brazil

BARBER DIE CASTING CO. LTD.: *Aluminum, brass, magnesium, zinc die castings.* Hamilton, Canada

Chemicals & Plastics

AMOS-THOMPSON CORPORATION: *Molded plastics; wood veneer and lumber.* Edinburg, Indiana

DELORE DIVISION: *Barium and calcium pigments.* St. Louis, Mo.

LANDOVER MANUFACTURING DIVISION: *Cast acrylic sheeting.* Landover, Md.

PIGMENTS & CHEMICALS DIVISION: *Antimony oxide; lead pigments and chemicals; lead oxides and separators for batteries; gellants; stabilizers.* New York, N.Y.

ABBEY CHEMICALS LIMITED (52%): *Gellants, stabilizers for vinyl plastics.* London, England

Oil Well Products & Services

BAROID DIVISION: *Oil well drilling materials and services. Chemicals for petroleum industry, gellants for grease; water treating chemicals. Well perforation and completion, nuclear well logging.* Houston, Texas

BAROID OF AUSTRALIA, LTD. (99%): *Oil well drilling materials.* Sydney, Australia

BAROID do BRASIL, S.A.: *Oil well drilling materials.* Salvador, Brazil

BAROID OF CANADA, LTD.: *Oil well drilling materials and services.* Calgary, Canada

BAROID INTERNATIONAL, S.p.A.: *Oil well drilling materials.* Rome, Italy

BAROID OF NIGERIA, LTD.: *Oil well drilling materials.* Lagos, Nigeria

BAROID (U.K.), LTD.: *Oil well drilling materials.* London, England

PERUBAR, S.A.: *Oil well drilling materials.* Lima, Peru

PIGMENTOS MINERAIS INDUSTRIAL e COMMERCIAL PIGMINA S.A.: *Barytes mining.* Salvador, Brazil

BAROID OF LIBYA, LTD. (49%): *Oil well drilling materials.* Benghazi, Libya

BAROID de VENEZUELA, S.A. (89%): Oil well drilling materials. Caracas, Venezuela
BARYTES & MINERALS LIMITED (50%): Oil well drilling materials. Trinidad, British West Indies

Bearings

ALUMINUM MATCH PLATE CORPORATION: Sand, shell and permanent mold castings of non-ferrous metals. Kenmore, N. Y.

AMERICAN BEARING DIVISION: Precision sleeve bearings, bearing seals, bushings and machine parts. Indianapolis, Ind.

THE BUNTING BRASS AND BRONZE COMPANY: Brass, bronze, iron and aluminum parts. Toledo, Ohio

MAGNUS METAL DIVISION: Brass and bronze journal bearings and castings. Chicago, Ill.

MAGNUS ROLLER BEARING DIVISION: Precision tapered roller bearings. Cincinnati, Ohio

Paint

COLVER INDUSTRIAL PAINTS, S.p.A. (70%): Paints. Milan, Italy

PAINT DIVISION: Dutch Boy Paints, New York, N.Y.

NATIONAL LEAD COMPANY (PHILIPPINES), INC. (51%): Paints and related products. Manila, Philippines

Other Industries

THE BAKER CASTOR OIL COMPANY (71%): Castor oils and chemical derivatives, polyurethane products. Bayonne, N.J.

CHAS. TAYLOR SONS, S.A.: High temperature refractories. Brussels, Belgium

EDGAR PLASTIC KAOLIN CO.: Kaolin clay and glass sand. Edgar, Florida

LAKEVIEW TRUST AND SAVINGS BANK (88%): Commercial bank. Chicago, Illinois

GENERAL DEPOSITS, LTD. (88%): Mining of rutile, zircon ores. Sydney, Australia

NATIONAL LEAD COMPANY OF OHIO: General operator for U.S. Atomic Energy Commission's uranium ore concentration plant. Fennville, Ohio

NATIONAL LEAD OVERSEAS CAPITAL CORP.: European subsidiary financing. New York, N. Y.

NUCLEAR DIVISION: Depleted uranium; fuel elements; nuclear services. Albany, N. Y.

QUEENSLAND TITANIUM MINES PTY. LTD. (75%): Mining of rutile, zircon ores. Tin Can Bay, Queensland, Australia

R-N CORPORATION (50%): Process for the direct reduction and beneficiation of iron ores. New York, N. Y.

TAM DIVISION: Zirconium oxide, silicates and chemicals; zirconates and stannates. Opacifiers for porcelain enamels; electronic products. New York, N. Y.

THE CHAS. TAYLORS SONS COMPANY: Specialized high temperature refractories. Cincinnati, Ohio

THE TITANIUM ALLOY MANUFACTURING CO. PTY., LTD.: Mining of rutile, zircon ores. Tweed Heads, Australia

TOOL & ENGINEERING DIVISION: Dies; tooling; prototype assembly and engineering services. Kankakee, Illinois

WILSON-SNEAD MINING COMPANY, INC. (50%): Bauxite mining. Eufaula, Alabama

Figures in parentheses represent percentage of voting securities owned, or partially owned companies.

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