

National Lead Annual Report 1970

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Board of Directors

ALFRED F. GARY
 Vice President
EDWARD J. HANLEY
 Chairman of the Board
 Anthony L. Hanley & Co.
JOHN S. HENRICH
 President
J. MURRAY KENNEDY
 Vice President
JOSEPH A. MANNING
 Honorary Chairman
LEONARD M. NEWBORN
 Vice President

ERICH S. GRILING
 Vice President

EDWARD J. HANLEY
 President
 Crown McCann & Co.

E. R. DOWLEY
 Chairman

HARRY W. SHERMAN
 Vice President

MORRIS A. WRIGHT
 General Partner
 W. H. L. Co.

Executive Committee

E. R. DOWLEY
 Chairman

JOHN S. HENRICH

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Common Stock

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NATIONAL LEAD

Seventy-Ninth Annual Report 1970

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Financial highlights

For the year	1970	1969
Sales	\$915,877,000	\$929,785,000
Net income	38,071,000	50,675,000
Per share	1.60	2.12
Cash dividends paid	36,261,000	40,272,000
Per share	1.525	1.70
Property expenditures	58,635,000	39,830,000
At year end		
Working capital	241,739,000	186,876,000
Long term debt	180,902,000	94,688,000
Shareholders' equity	408,915,000	403,975,000

Shareholders are cordially invited to attend the seventy-ninth annual meeting of National Lead Company, Thursday, April 15, 1971 at the Hotel Robert Treat in Newark, New Jersey at 2:00 p.m.

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The year 1970 was one of lower sales and earnings which followed a national pattern for manufacturing industries such as ours. The results reflected a recessive economy, a cost-price squeeze, higher interest charges, and strikes in the automobile and transportation industries.

Sales amounted to \$915,877,000 in 1970, compared with \$929,785,000 the year before. Earnings totaled \$38,071,000, or \$1.60 a share, compared with \$50,675,000, or \$2.12 a share in 1969.

In view of lower earnings, our requirements for cash, and the prolonged softness in the economy, it was considered to be in the best interests of the company and its shareholders to reduce the dividend to 25 cents a share from 42½ cents in the fourth quarter of 1970. As a result, dividend payments in 1970 amounted to \$1.52½ a share, compared with \$1.70 a share in 1969.

This decision was based on careful and deliberate consideration. The dividend rate we had been paying was taking a disproportionate share of earnings and was reducing the working capital needed to maintain our future profitability. We have undertaken a company-wide cost reduction program, and this effort, together with the availability of funds for expansion programs now underway, should set the stage for improved earnings and growth in the years ahead.

Your company's financial position was strengthened by the successful offering in January, 1971 of \$100 million of debentures due December 15, 1995. The new financing is being used to repay funds borrowed from banks. The bank debt was incurred during 1969 and 1970 to finance capital expenditures, investments, and increases in working capital. Capital expenditures amounted to approximately \$40 million in 1969 and \$59 million in 1970. We estimate that expenditures for similar purposes in 1971 will amount to approximately \$80 million.

The thrust of our corporate efforts in 1970 was to lay the groundwork for a greater participation in the metal and chemical

markets, in which we have long been one of the leading producers and to develop new markets in our areas of competence. Our capital expenditures, development of raw materials, management program and higher investments in research and development have all been devoted to these objectives.

A few highlights of these activities, described in greater detail in the report that follows, are:

- Good progress in construction of our \$70-million magnesium metal plant at Great Salt Lake, Utah. The plant, which is expected to be completed in late 1971, will also be a producer of on-line and ultimately of other co-products.

- Completion of a \$4-million mineral synthesis plant in Houston, Texas, to produce fluid catalysts for cracking petroleum into high-quality gasoline and synthetic clay minerals for other applications.

- Expansion is continuing overseas with the start of construction a new plant in West Germany to manufacture gellants, the expansion of our titanium pigment plant in Belgium and the building of an anticorrosive pigment plant in the same location. Late in the year, we formed a majority-owned subsidiary in Australia to develop the use of metal die castings in that country.

- Our raw material producing capabilities were improved during the year both at home and abroad. Ilmenite mining operations at the Tellnes, Norway, facility are being expanded at a cost of \$6 million and our ilmenite mine at Tahawus, New York, expects to complete its \$4.5-million magnetite regrind circuit in early 1971. This will increase our output of ilmenite, which is used to manufacture titanium pigment and high-quality magnetite, a material used in steel production.

Implementation of our environmental control programs was accelerated during the year. Expenditures in this area, both in new and older facilities, are becoming a significant factor in the cost of doing business. The company is working to increase the effectiveness

to our shareholders.

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icers, environmental protection efforts and thus fulfill its corporate
 capita responsibilities. For example, in 1970, an additional \$3 million
 ogram, was spent for the purchase of low sulfur fuels to reduce emissions.
 been The new name of the company—N L INDUSTRIES, INC.—which you
 ail in are being asked to approve at the annual meeting, is indicative not
 only of the company's present diversity but also of its future
 objective and goals. As you know, we are today a broadly based
 lum manufacturer of metal and chemical products operating around the
 ted to world. Our distinctive NL corporate identification symbol will aid
 and us materially in establishing awareness that N L INDUSTRIES, INC.
 is the new name for National Lead. Research has shown that two out
 ston, of three business executives recognize the NL device as the symbol of
 National Lead. Retaining this familiar symbol and associating it
 with the new corporate name should help significantly in transferring
 its association from National Lead to N L INDUSTRIES, INC.
 action of Thus, our new name, while maintaining continuity with the past,
 ansion is less restrictive and more accurately embraces the total
 n range of our corporate interests.
 ear, Now the company is building a new and stronger base. Subject to
 the economic factors beyond our control, we are optimistic for the
 ring year ahead. With your support, and with the capable people and
 at the resources at its command, we believe your company cannot help
 lion but realize its new potential.
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E. R. Rowley
 E. R. Rowley,
 Chairman of the Board

J. B. Henrich
 J. B. Henrich,
 President

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Management Changes A number of executive promotions were made in 1970.

Harry W. Seferi, vice president, Finance, was elected to the Board of Directors succeeding George B. Coale, who retired after having been a member since 1959. Mr. Seferi, who was also named to the Executive Committee, joined National Lead in 1968.

Edgar J. Hagstette, Jr., was elected a vice president and was named general manager of the Baroid Division succeeding Mr. Coale. Mr. Hagstette, formerly assistant general manager of the division, has been with National Lead since 1946.

Archer D. Sargent was appointed assistant vice president, Finance. His former position was treasurer and he has been associated with the company for 37 years.

Vincent R. McLean was appointed treasurer succeeding Mr. Sargent. He joined National Lead in 1969 and was previously with Mobil Oil Corporation.

Edwin C. Burmeister was named chairman of the board of Lake View Trust and Savings Bank, a subsidiary in Chicago. Don Kreider was named president and chief executive officer of the bank succeeding Mr. Burmeister. Mr. Burmeister began his association with Lake View in 1914 and became its president in 1948. Mr. Kreider has had more than 30 years of bank management and financial experience.

Expanded Research & Development Reorganization and modernization of the company's research and development activities, initiated in 1969, accelerated during the year. New technical programs were instituted, additional technological equipment was acquired, and highly qualified scientists were recruited for the central research laboratory and for some of the other research facilities in the United States and overseas. Spending for research and development amounted to approximately \$18 million in 1970.

Magnesium research was expanded in support of the new production facility now being built in Salt Lake City. Studies are concentrating on the development of magnesium alloys for new applications of the metal and on the improvement and modernization of magnesium die casting technology.

Research into the use of new synthetic minerals in the refining of petroleum is being intensified. These efforts are linked to the production operations of the catalyst manufacturing plant recently completed in Houston.

Our New Ventures group, whose mission is to start new units based on advanced technology, established a new electronics department. This department produces and markets a variety of components such as thermistors, which are precision miniature control devices used in TV sets, electrical appliances, computers and control systems.

Progress in Employee Relations The development of management talent continued to be emphasized at National Lead in 1970. Succession plans and executive training programs have been established by all major divisions and subsidiaries.

In the area of labor relations, 34 contracts covering 3,000 employees were negotiated in 1970. Wage and benefit increases, in general, corresponded with area patterns. Time lost because of strikes was less than one per cent of man-hours worked. On the whole, company-union relations were satisfactory over the year.

Additional emphasis is being placed on industrial safety through the introduction and implementation of an advanced and expanded Total Accident Control program. Every employee is being introduced to this concept, and all levels of management are being trained in methods of accident prevention. As a result, accident experience shows an improved trend with reductions in both frequency and severity. While still unsatisfactory, a reduction in the injury frequency of 21 per cent was accomplished in 1970.

Implementation of National Lead's Affirmative Action program in 1970 provided both female and minority employees with new and challenging opportunities. The company continued to accept its positive commitments to regulatory agencies and the National Alliance of Businessmen in its adherence to fair and equitable employment practices.

Employment in domestic and foreign National Lead operations, both partially and wholly owned, totaled approximately 28,500 at the end of 1970.

corporate developments

Mining and Exploration In 1970, National Lead expanded its operations for raw materials and is now covering five continents. Drilling was conducted in Tennessee for zinc in a joint venture with Cominco American and an exploration project was completed in Brazil with Itau, a Brazilian cement producer, for bauxite deposits. In North America, activities were concentrated in copper, uranium and silver-lead.

Litigation An action has been instituted against the Company in the Circuit Court of the City of St. Louis, Missouri, alleging that the Company's St. Louis titanium pigment plant polluted the atmosphere, thus allegedly creating a nuisance. Compensatory damages, totaling in the aggregate \$1,750,000, and punitive damages, totaling in the aggregate \$7,000,000, for 350 plaintiffs are sought. The Company has denied the allegations of the complaint. Motions have been filed, and the suit is awaiting disposition. The Company believes it is covered in this action by adequate insurance. The insurance carrier has taken the position that any award of punitive damages would be outside the coverage of the policies and has reserved its right to disclaim liability for compensatory damages. The carrier has undertaken defense of the action with a full reservation of its rights.

In the opinion of local counsel for the Company, disposition of the above-mentioned action will not have a substantial effect upon the earnings or the financial condition of the Company.

Shareholders The number of shareholders was 59,707 at the end of 1970, an increase of over 17 per cent as compared with the 51,324 holders a year earlier. The growth in National Lead shareholders of record has been more than 40 per cent in the past five years.

Environmental Control Environmental protection programs are an increasingly important aspect of National Lead's operations. There is nothing simple about environmental control. Because of the diversity of our business, we deal with many types of control techniques. Each environmental problem requires a specific solution, even

in cases where the products made are similar in nature. The age and design of equipment, its proximity to other facilities, and the location and topography of the plant site are some of the factors that affect control methods. Even the most technologically advanced control system available must usually be adapted to the individual plant requirements.

As far back as the early 1930's, National Lead had emission control equipment built into its production facilities. Our efforts in the environmental control area have increased during 1970 and will continue to advance. Expenditures for both environmental control equipment and the continuing operating costs are additional operating expenses that will have an effect on company earnings. However, your company is controlling emissions not only as a matter of compliance but also because as a good corporate citizen we wish to ensure a healthy environment.

During 1970, the company installed a number of environmental control devices including cyclones and fabric dust arrestors; general and special-purpose scrubbers; and odor and smoke control incinerators. In addition to control equipment, the company has modified some production processes to reduce emissions to a minimum. Nearly all our facilities have converted to low sulfur fuels. The company has also installed waste-water recycling equipment and industrial waste-water treatment facilities at many of its operations. Noise control studies are underway at our locations to develop effective noise-abatement techniques.

The double absorption acid plant being built at the company's St. Louis titanium pigment facility (shown below) is nearing completion and is expected to be on stream in early 1971. The project experienced major construction delays as a result of jurisdictional labor disputes and material delivery delays caused by the national teamsters' strike. This acid-producing unit will be the first of its kind in the United States and will reduce emissions to the lowest level known to modern technology.

In 1970, the company spent approximately \$10 million on capital and operating costs for new environmental control projects, and expenditures for 1971 are expected to be above this level.



Metals & Bearings

METAL DIVISION: Antimony, cadmium, lead and zinc metals; fabricated lead products. New York, N.Y.
ALUMINUM MATCH PLATE CORPORATION: Sand, shell and permanent mold castings of nonferrous metals. Kenmore, N.Y.
AMERICAN BEARING DIVISION: Precision sleeve bearings, bearing seals, bushings and machine parts. Indianapolis, Ind.
GOLDSMITH DIVISION: Precious metals and metal oxides. Chicago, Ill.
JONATHAN MANUFACTURING CO.: Precision parts and services. Fullerton, California
MAGNESIUM DIVISION: Magnesium metal and chlorine (on-stream late 1971). Salt Lake City, Utah
MAGNUS METAL DIVISION: Brass and bronze journal bearings and castings. Chicago, Ill.
MAGNUS ROLLER BEARING DIVISION: Precision tapered roller bearings. Cincinnati, Ohio
MORRIS P. KIRK & SON, INC. (76%): Aluminum, lead and zinc alloys, fabricated lead products and lead oxides. Los Angeles, California
PIONEER ALUMINUM, INC. (76%): Aluminum and sheet aircraft extrusions and cast aluminum tooling plates. Los Angeles, California
REGAL MOLDS, INC.: Metal dies for plastics and forgings. Toledo, Ohio
SCREW MACHINE DIVISION: Hydraulic brake cylinders & pistons. 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
THE BUNTING BRASS AND BRONZE COMPANY: Brass, bronze, iron and aluminum parts. Toledo, Ohio
HOYT METAL COMPANY: Anti-friction metals. London, England

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
SOCIÉTÉ BELGE du TITANE S.A.: Titanium pigments; gellants; lead pigments. Brussels, Belgium
TITAN CO. A.S.: Titanium pigments; gellants; lead pigments; stabilizers. Fredrikstad, Norway
TITANGESSELLSCHAFT m.b.H.: Titanium pigments; gellants; lead pigments. Leverkusen, West Germany
TITANIA A/S: Ilmenite ore mining. Hauge i Dalane, Norway

Die Castings

DOEHLER-JARVIS DIVISION: Die castings of aluminum, zinc, brass and magnesium, finishing and assembly services. Toledo, Ohio
COCHRANE FOUNDRY, INC.: Sand castings. York, Pa.
FLOATING FLOORS, INC.: Elevated flooring and site environmental systems for computer rooms. Toledo, Ohio
RIDGE MACHINE CO.: Specialized die casting equipment. Cleveland, Ohio
BARBER DIE CASTING CO., LTD.: Aluminum, brass, magnesium, zinc die castings. Hamilton, Canada
LAKESHORE DIE CASTING, LTD.: Aluminum, zinc die castings. Guelph, Canada
METAL CASTINGS DOEHLER, LTD.: Die castings. Worcester, England

Chemicals & Plastics

PIGMENTS & CHEMICALS DIVISION: Antimony oxide; lead pigments and chemicals; lead oxides for batteries; gellants and stabilizers. New York, N.Y.
AMOS-THOMPSON CORPORATION: Molded plastics; wood veneer and lumber. Edinburg, Indiana
THE BAKER CASTOR OIL COMPANY: Castor oils and chemical derivatives, polyurethane products. Bayonne, N.J.
DELORE DIVISION: Barium and calcium pigments. St. Louis, Mo.
EVANS LEAD DIVISION: Lead oxides. Charleston, W. Va.
INDUSTRIAS DERIPILOM S.A.: Lead oxides. Buenos Aires, Argentina

Oil Well Materials & Services

BAROID DIVISION: Oil well drilling materials and services. Drilling and petroleum industry: gellants for grease, water treating chemicals, well perforation and completion, nuclear well logging materials. Tulsa, Okla.
BAROID do BRASIL, S.A.: Oil well drilling materials. São Paulo, Brazil
BAROID OF CANADA, LTD.: Oil well drilling materials, 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 INDUSTRIAIS e COMERCIAIS PIGMINA S.A.: Bauxite mining. Salvador, Brazil.

Other Products

PAINT DIVISION: Dutch Boy paints. New York, N.Y.
CHAS. TAYLOR SONS, S.A.: High temperature refractories. Braine-la-Bugne, Belgium
EDGAR PLASTIC KAOLIN CO.: Kaolin clay and glass sand. Engle, Florida
ELECTRONIC DEPARTMENT: Specialty ceramic resistors. Hightstown, N.J.
NATIONAL LEAD OVERSEAS CAPITAL CORP.: European subsidiary financing. New York, N.Y.
NATIONAL LEAD COMPANY OF OHIO: Contract operator for U.S. Atomic Energy Commission's uranium ore concentration plant. Ferris, Ohio
NUCLEAR DIVISION: Depleted uranium; nuclear services. Albany, N.Y.
TAM DIVISION: Zirconium oxide, silicates and chemicals; zirconates, stannates and opacifiers. New York, N.Y.
THE CHAS. TAYLOR SONS COMPANY: Specialized high temperature refractories. Cincinnati, Ohio
THE TITANIUM ALLOY MANUFACTURING CO. PTY., LTD.: Tin Can Bay, Queensland, Australia
TOOL & ENGINEERING DIVISION: Dies, tooling, prototype assembly and engineering services. Kirscht castings. Chicago, Illinois

Affiliates Not Included in Consolidated Sales

ABBEY CHEMICALS LIMITED (52%): Gellants and stabilizers. London, England
BAROID AUSTRALIA PTY., LTD. (99%): Oil well drilling materials. Sydney, Australia
BAROID de VENEZUELA, S.A. (92%): Oil well drilling materials. Caracas, Venezuela
BAROID OF LIBYA, LTD. (49%): Oil well drilling materials. Benghazi, Libya
BAROID TRINIDAD SERVICES, LTD. (50%): Oil well drilling services. Trinidad, West Indies
CIA MINERA y REFINADORA, S.A. (49%): Antimony mining. Mexico City, Mexico
COLVER, S.p.A. (70%): Paints. Milan, Italy
INDUSTRIAS DOEHLER do BRASIL, S.A.: Die castings. São Paulo, Brazil
KRONOS TITANPIGMENT A.B. (76%): Titanium pigments; gellants; lead pigments. Stockholm, Sweden
LAKE VIEW TRUST AND SAVINGS BANK (99%): Commercial Bank. Chicago, Illinois
MINERAL DEPOSITS, LTD. (85%): Mining of rutile, zircon ores. Southport, Queensland, Australia
NATIONAL LEAD COMPANY (PHILIPPINES), INC. (51%): Paints and related products. Manila, Philippines
NATIONAL LEAD COMPANY, S.A.: Lead products. Buenos Aires, Argentina
R-N CORPORATION (50%): Process for the direct reduction and beneficiation of iron ores. New York, N.Y.
SCHRAUBENFABRIK NEUSTADT GOETZ & CIE GMBH (99%): Screws and metal fasteners. Neustadt-Schwarzwald, West Germany
SOCIÉTÉ INDUSTRIELLE du TITANE (91%): Titanium, lead pigments. Paris, France
QUEENSLAND TITANIUM MINES PTY. LTD. (75%): Mining of rutile, zircon ore. Tin Can Bay, Queensland, Australia
THE CANADA METAL COMPANY LIMITED (50%): Lead oxides, lead and zinc alloys, brass and bronze products, fabricated lead products. Toronto, Canada
THE CARTER WHITE LEAD COMPANY OF CANADA, LTD. (50%): Lead pigments; oxides; stabilizers. Montreal, Canada
TITANIUM METALS CORPORATION OF AMERICA (50%): Titanium metal sponge, ingot and mill products. West Caldwell, N.J.
WILSON-SNEAD MINING COMPANY, INC. (50%): Bauxite mining. Eutaw, Ala.

operations/national & international

(Figures in parentheses represent percentage of voting securities owned)

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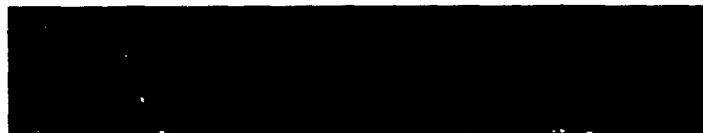
Metals & Bearings 33% : \$301 Million

aluminum, iron, cadmium, zinc, magnesium and
copper. Battery grid alloys. Pipe, sheet, solder, shot
and other fabricated products. Metal fasteners,
brackets, tooling plate. Precious metals, alloys
of chemicals, gold, platinum, and silver.
road and industrial bearings.



Titanium Pigments 23% : \$208 Million

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



Die Castings 15% : \$140 Million

aluminum, iron, brass and magnesium. Finishing, assembly
services for auto, appliance and other industries.



Chemicals & Plastics 11% : \$104 Million

acid, organic pigments, stabilizers, gellants, flame
retardant, battery oxides and specialty chemicals.
Injection molded plastics.



Well Materials & Services 10% : \$90 Million

drilling materials and services. Chemicals for the
petroleum and pollution control industries.



Other Products 8% : \$73 Million

High Ery paints. Nuclear products and services.
High temperature refractories. Titanium and
zirconium chemicals. Specialty ceramic resistors.



Consolidated sales: \$915,877,000

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Metals and bearings accounted for approximately 33 per cent of consolidated 1970 sales, and 29 per cent of pretax operating income.

National Lead's Metal Division has been active for many years as a leading producer of recycled lead materials. The company purchases used batteries and other lead-based products from scrap dealers and manufacturers. From these materials it recovers soft lead, antimonial lead and other alloys by smelting and refining at its strategically located recycling plants.

Despite the shortage of antimony, a metal added to lead to produce a hard alloy, which persisted through much of 1970, the company was able to maintain shipments of antimonial lead to battery manufacturers and other customers by stepping up smelting of antimony raw materials in its secondary processing plants. National Lead also increased antimony ore mining in Mexico, opened a concentrating mill in Nevada and enlarged the capacity of its Laredo, Texas, smelter, which is a major producer of commercial-grade antimony metal.

Although sales of body solder, zinc and zinc alloys were off because of the slow pace of auto production, the division showed increases in sales of fabricated lead products.

Increased efficiency in the metals area during the year was also a result of further progress made in decentralizing marketing and manufacturing operations into totally integrated regional profit centers. In addition, more emphasis was placed on the development of products to penetrate special markets.

Sales by the Goldsmith Division were reduced in 1970 chiefly because of the decreased use of silver brazing alloys for electrical and electronic contacts. Despite more competition, the division maintained its position as a primary supplier of silver nitrate chemicals to the photographic film industry.

Demand continued high for Goldsmith's silver chloride for salt water batteries, which are a vital component of marine sonobuoys. The division also experienced a sharp rise in sales of palladium chloride, a chemical that has found increased applications in electroless plating of circuits and of automotive plastics.

Southern Screw Division experienced a slight drop in sales of screws and other metal fasteners following the pattern of its major

customers—the automotive, appliance and furniture industries. In line with the trend of recent years, 1970 was marked by a continuing increase in sales of tapping screw products. The division established a plant in Arecibo, Puerto Rico, early in the year. The new facility bolstered production capacity of Southern Screw, one of the leaders in the country's small fastener industry.

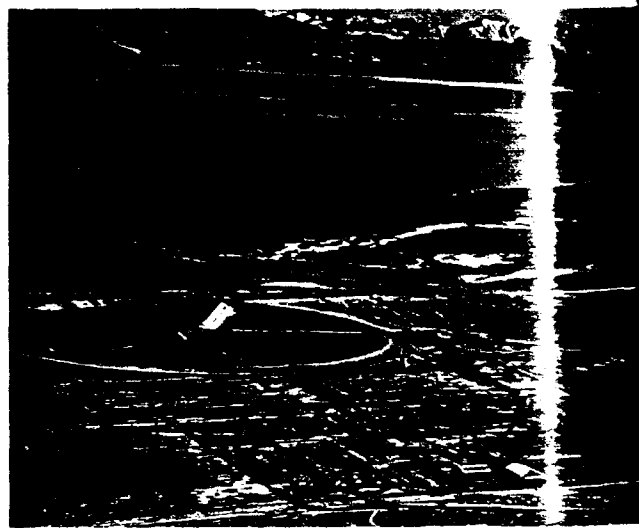
The performance in the bearings area during 1970 was good considering the mixed economic state of the railroad, a major customer. Magnus Metal Division, the largest part of this product segment, increased its sales and profits in 1970. Freight car journal bearings and motor support bearings for diesel locomotives both contributed to the higher sales record of Magnus. New machinery, which was installed late in the year, will produce tractor motor support bearings more efficiently and help the division to increase both the quality and quantity of these products.

Performance of The Bunting Brass and Bronze Company during 1970 was not as good as the previous year. Increased competitive pressures were felt as the total market for its products shrank considerably. For 1971, Bunting anticipates increasing capabilities in its Auto Forge automatic casting equipment and in continuous cast aluminum.

Although sales of American Bearing Division's products to diesel and gas engine and compressor manufacturers were slow in 1970, the division increased the volume of bearings sold to makers of gas turbines. Promising research and development work was carried on during the year in bi-metallic parts for the hydraulic fluid transmission industry.

Construction progress on National Lead's \$70-million magnesium and chemical complex, shown below, on the shores of Utah's Great Salt Lake is moving ahead quickly. The Magnesium Division plant's first production of the light, strong metal is expected late this year with commercial shipments slated for early 1972. Already, millions of gallons of magnesium chloride-rich brine from which the metal will be extracted have been accumulated in the huge, starfish-shaped holding pond. The plant, which will employ about 300 persons, will produce 45,000 tons of magnesium and 80,000 tons of chlorine when it is operating at full capacity.

metals & bearings



(Right) Lead shot, used for weights, shielding and by sportsmen, is made at our Illinois shot tower. By pouring molten lead at the top of the tower, lead droplets are formed which harden to shot as they fall more than 150 feet down the tower to water.

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Sales of titanium pigments comprised approximately 23 per cent of the company's consolidated sales and 27 per cent of pretax operating income.

The year was marked by an industry-wide price cut in May and by higher costs of labor and raw materials, which adversely affected earnings of the Titanium Pigment Division in the United States. As part of the company-wide cost reduction effort, the number of production and technical employees was reduced.

The increased number of captive titanium pigment plants operated by paint manufacturers, which came on stream in late 1969 and early 1970, tended to reduce the pigment market for independent producers such as National Lead. Although our Canadian and European operations started the year briskly, their markets generally receded into the slow economic pattern experienced in the United States as the year progressed.

Compared to 1969, sales to the paint industry were off significantly, and the lower volume to other industries, such as paper, rubber, ceramics, inks and fibers, also reflected the general sluggish economy. Only the plastics industry remained buoyant and there our sales volume was good.

In the area of product development, the U.S. Titanium Pigment Division successfully marketed an important, new pigment early in 1971. Designated as TITANOX® 2020, the new pigment provides paint manufacturers with a basic ingredient that can be formulated into their products to provide high durability, maximum opacity and superior gloss characteristics at no premium in price. This is a versatile type of titanium pigment that can be used

for both interior and exterior paints. Eurodear Titanium Pigments also developed and marketed several new super brilliant pigments for the plastics industry.

Looking to the future, the Titanium Pigment Operations embarked on a significant plant expansion and modernization program both in the United States and overseas. Of particular note was the start of a \$6-million expansion of the Telemark, Norway, Ilmenite mine to raise its capacity to 1-million tons of concentrate annually. This development should place the company in a good position to meet the growing worldwide demand for titanium pigment feed materials. Construction also began on a \$4.5-million magnetite reagent plant at the MacIntyre Development in upstate New York. The new production facility will liberate additional titanium dioxide values from the ilmenite ore mined there as well as upgrade the quality of its magnetite feed used by the steel and heavy media industries.

In Belgium, a multimillion-dollar construction project was begun at the company's Langerbrugge plant site for a second facility to expand further the manufacture of titanium pigment. Another operation now being built at the Leverkusen, West Germany, plant will increase production of titanium trichloride for the European market.

In another phase of titanium pigment operations, sales of strontium titanate boules experienced strong growth during 1970. This increase reflected the greater demand for simulated diamond jewelry in the fashion market. The Commercial Crystals Department manufactures these crystals not only for fabrication into gem stones but also for various optical applications.

titanium pigments



Product innovation and quality control are accomplished in more than 30 divisional and corporate laboratories around the world. A lab technician checks titanium pigment samples for quality at one of our West German plants.

(Right) The paper and printing industries are large users of the company's titanium pigments. This pigment is unequalled for its brilliant whiteness and opacity.

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Die castings and die cast metals represented approximately 15 per cent of consolidated 1970 sales and 13 per cent of pretax operating income.

Operations of the Doehler-Jarvis Division were adversely affected both by the general decline of the economy and by the General Motors strike since much of the division's output is absorbed by the automobile industry.

Increased emphasis was given to expansion of the market for magnesium die castings, and sales in this area showed a significant increase. When the company's magnesium plant is completed, a continuing source for this die casting metal will be assured. Magnesium die castings have already proved useful because of their light weight and great strength in such consumer products as hand tools, small appliances and photographic equipment.

National Lead continued its leadership in the development of large, complex aluminum castings. Die cast automatic truck transmission castings, produced by Doehler for the Allison Division of General Motors, are the largest and most complex castings ever produced in this country and weigh up to 70 pounds.

The settlement of the General Motors strike as well as the increased economic activity which has been forecast for the year ahead are expected to strengthen the demand for consumer durables which constitute the major market for die castings. Continued emphasis on expanding the market for magnesium die castings should also contribute to the improved outlook for 1971.

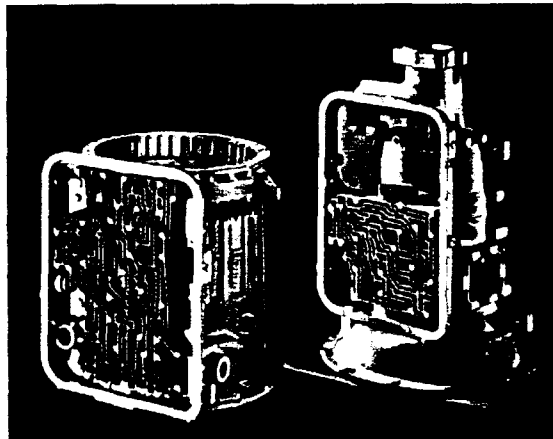
A jointly owned die casting subsidiary, Doehler Australia Pty. Ltd., was formed with the company's Australian licensee, Emco Limited, in Sydney, Australia. The new firm started operations in early 1971 as a major supplier of die cast parts to Australia's growing automotive and appliance industries.

National Lead's Canadian subsidiaries, Barber Die Casting Co. Limited and Lakeshore Die Casting, Ltd., experienced lower sales and earnings owing to the decline in the Canadian automobile industry and the General Motors strike. However, a sizable growth in orders was experienced by our British subsidiary, Metal Casting Doehler Ltd., which maintained its leadership position in the English die casting industry.

Floating Floors, Inc., a subsidiary that produces elevated floor site environmental systems for computer rooms, had lower sales and earnings as a result of the declining economy which caused heavy emphasis to be placed upon lower cost steel and wood core floor plates in the industry. Although the unit makes products in these materials, it has only recently begun to market them.

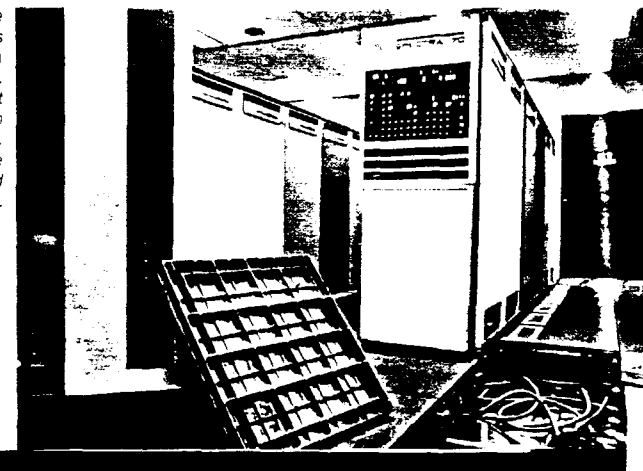
The company's plastic manufacturing capability was further increased with the installation of inject-on-molding equipment by the Doehler-Jarvis Division at its Grand Rapids, Michigan plant. Also installed were complete automatic lines for electroplating and painting finishes. The new equipment produces plastic components ranging from 28 to 140 ounces for motor vehicles and electrical appliances.

die castings



Die cast parts made by Doehler-Jarvis are found in a variety of everyday products ranging from chain saw housings (Right) to large truck transmission castings (Left).

Die casting is a method that offers a fast, economic mass production route from raw material to finished product. Panels in computer rooms (Right) provide easy access to cables, wiring, pipes and ducts that run beneath the floor.



0000-NLI-000018901

Ltd. Chemicals and plastics products accounted for approximately 21 per cent of 1970 consolidated sales and 10 per cent of pretax operating income.

Sales and earnings were increased over those of last year by the Pigments and Chemicals Division, which manufactures a variety of specialty chemical additives for use in coatings, plastics, rubber, ink, cosmetics and other products. It also produces lead oxides for the storage battery, glass and ceramic industries and anticorrosive pigments for steel structures.

Flame-retardant chemical sales also showed an increase, and this upward trend is expected to continue. New government safety regulations require that specified textiles, fabrics and plastics be flameproofed and, early in 1971, the division introduced a line of sophisticated flame retardants designed to enable these materials to meet these standards.

Sales of viscosity regulators and gellants increased over 1969. These products are employed as suspension and flow control agents in plastics, paints, inks and cosmetics.

The recession in home and industrial building and the strike in the auto industry adversely affected our additives market in the polyvinyl chloride (PVC) plastics industry. This business will improve in 1971 if expected government subsidies stimulate new housing construction. PVC plastics are used to make many products ranging from house siding and furniture upholstery to insulated wire, pipe and electrical conduit.

Two new plants presently under construction in Europe will come

on stream in 1971 and help to expand National Lead's market there. The Belgian plant will make the ONCOR® anticorrosive pigments used to protect metal structures. This will be the first plant of its kind in Europe. BENTONEX gellants will be manufactured at a new West German facility.

During the year, the company discontinued the manufacture of acrylic plastic sheet and of battery separators made of encapsulated cellulose. Both operations had become uneconomic.

Sales and earnings of Amos-Thompson Corporation plastics and wood products declined, but sales increases resulted from the manufacture and assembly of automotive grilles in injection-molded plastic. This product sector appears promising for 1971 from the standpoint of new orders.

Sales and earnings by the Baker Castor Oil Company reflected a continued increase over those of last year. Early in 1970, National Lead acquired the remaining capital stock of this producer of commodity castor oil and chemical specialties.

The chemical derivatives business continues to be a top sales performer. During the past year, Baker developed a number of new commercial products, one of which was a castor-urethane adhesive used for installing artificial plastic turf. The outlook appears favorable for this adhesive with increasing use of this artificial turf in sports arenas and recreational areas.

Baker is also active in other fields such as additives for protective coatings, surface active agents, and various specialties for textile and metal finishing.

Chemicals & plastics



(Above) Vinyl stabilizers made by the company are used in plastic and vinyl products like raincoats, boots and umbrellas.

(Left) National Lead's ONCOR® pigments provide metallic structures such as this French radio tower with the best protection against corrosion. Paints for highway traffic marking and steel bridges also contain this product.

0000-NLI-000018902

Sales and services to the oil, chemical and other industries by the Baroid Division accounted for 10 per cent of consolidated sales and 17 per cent of pretax operating income. Baroid is a leading international supplier of oil well drilling materials, and services.

In 1970, the division moderately increased its sales over the previous year's level. Gains were made in the sale of drilling muds in overseas markets, particularly in the North Sea, Southeast Asia and South American areas. Growth was also achieved in sales of chemicals used for water treatment and corrosion and scale control as well as in products marketed to the mineral exploration field. Decreased activity in the drilling industry in the United States during 1970 adversely affected the division's performance.

Increased demand was recorded for the logging, perforating and other wireline services of the McCullough services department, which was acquired in 1969. These services relate directly to the production capacity of oil wells so that the industry can get maximum output of petroleum and natural gas.

Baroid's new \$4-million mineral synthesis plant, adjacent to its present manufacturing complex in Houston, was completed and went on stream late in the year. Market testing of several new products from this plant, including catalysts for petroleum refining, is underway.

The division's chemical manufacturing facilities, also in Houston, were placed in full operation during 1970. The intermediate organic chemicals produced by the plant are used in many of Baroid's products thereby achieving cost savings over materials previously purchased.

Baroid continued development of its business involving the treatment of waste water and other pollutants in the petroleum production industry. In 1970, it also concentrated on promoting new products and equipment to aid in minimizing and controlling pollution that results from oil well drilling, particularly in offshore operations.

Because shipping costs are a large factor in supplying drilling muds to remote locations, the division has developed a new product that cuts bulk and weight. Initial production of this concentrated, high-performance viscosifier to answer this need commenced in 1970.

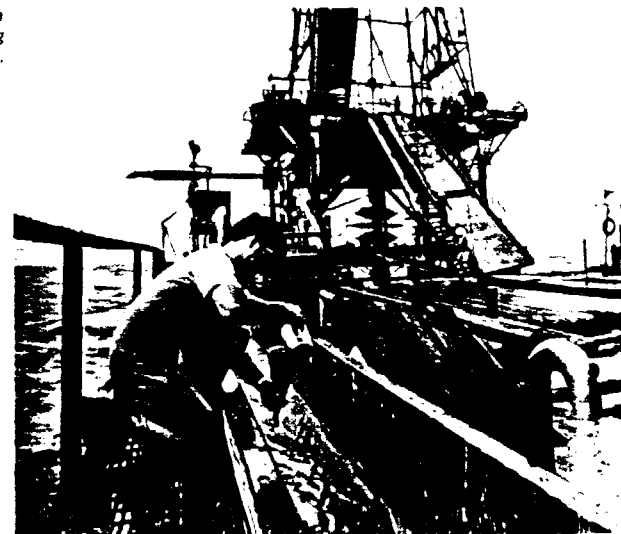
Baroid has mining operations and reserves of barite and other basic raw materials for drilling mud in several locations in this country as well as in Canada, Italy and Latin America. During 1970, the division's search for new sources included Australia, where both barite and bentonite deposits were explored and developed as possible raw material sources for the growing Southeast Asian oil well drilling market.

The outlook for 1971 is for increased sales despite uncertainty in some industries. A substantial increase in domestic drilling activity would materially improve 1971 prospects. Although there are favorable indications for such an increase, the timing is indefinite. The primary factors needed to stimulate drilling are increased prices for crude oil and natural gas plus regularly scheduled offshore lease sales. On a worldwide basis, a tremendous demand for energy virtually assures increased drilling to boost oil and gas reserves.

oil well materials & services

Baroid scientists have developed new lines of chemicals for the growing waste water treatment market and other industrial water treatment applications.

Oil workers on a Lake Maracaibo, Venezuela platform utilize Baroid's oil well drilling muds and chemicals.



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This product group includes DUTCH BOY® paints, specialized refractories, zirconium and titanium chemicals, kaolin clay, pigments, nuclear products and automotive prototype tooling. This group accounted for approximately 8 per cent of consolidated sales and 10 per cent of pretax operating income.

Sales of the Paint Division decreased slightly during the year, and a new, medium priced line of paint under the ACCLAIM® trademark was introduced to the national market.

The paint and varnish manufacturing operations were closed down at the San Francisco plant and transferred to Los Angeles. The San Francisco plant had been in continuous operation since 1891.

For 1971, DUTCH BOY paints has planned a vigorous advertising and promotional campaign that will feature the DUTCH BOY trademark and the slogan, "If there's a DUTCH BOY on the outside, there is quality on the inside." This campaign will appear on television and in magazines and newspapers throughout the major markets in the United States.

In the TAM Division, sales were off for the year as a result of depressed markets in the electronics and home-building industries. Milling capacity of zirconium silicates, used in the manufacture of ceramic tile and glazed brick, was expanded with the installation of new equipment.

At The Chas. Taylor's Sons Company, a softening in the world refractory market, particularly blast furnace refractories, led to a decline in earnings. This subsidiary manufactures high-temperature refractory products for the steel, glass and chemical processing industries.

During the year, Taylor started production at a new specialty refractory and cement plant in Cincinnati. These products are used to build and maintain melting furnaces, especially those of the new induction type. The year also marked the first full 12 months of operation of expanded and modernized facilities built under an \$8-million capital expenditure program.

Product improvements were made in chemical bonded mullite bricks used by the metals industry. A new gunning castable was also developed for hot patching or maintenance of blast furnaces and soaking pits in steel mills.

Edgar Plastic Kaolin Company continued to modernize its facilities. Located in Florida, this subsidiary mines kaolin clays for the production of china and glassware.

In the Nuclear Division new applications for depleted uranium, a very high density metal, were made possible by the development of a new casting method called "Unicast." This versatile technique increases the number of cast shapes that can be produced and reduces manufacturing costs. Expansion of services in the shipping of spent nuclear power fuel should also grow with new shipping cask designs the division has developed. The research reactor field is steadily declining and the division plans to phase out this operation.

Production of prototype auto body tooling, parts and assemblies continued at a good pace during the year in the Tool and Engineering Division, and prospects for 1971 appear favorable. This division prepares special dies and tooling for prototype auto bodies and parts for future car models.



Depleted uranium, fabricated by the Nuclear Division, shields radiation therapy equipment such as this Picker Cobalt 60 unit used in the treatment of cancer.

Zircon opacifiers, known for their ability to improve color and texture, are utilized in the manufacture of ceramic glazes and tile for swimming pools, bathrooms and laboratories.

Dutch Boy paints uses the medium of television extensively in its nationwide marketing. This is the filming of a Dutch Boy commercial that will appear this year.



0000-NLI-000018904

Titanium Metals Corporation of America As a result of the stretch-out in delivery of transport planes to the airline industry and cutbacks in government funding of military aircraft and aerospace programs, sales of Titanium Metals Corporation of America (TIMET) declined to \$49,947,000. In 1970, TIMET, a 50 per cent owned subsidiary with Allegheny Ludlum Industries, Inc., had a loss of \$5,641,000 as compared to a loss of \$502,000 in 1969.

During the year, titanium was used increasingly in chemical processing and environmental control devices. Titanium consumption for chemical processing equipment has been rising at a 20 per cent compounded rate annually.

Approximately \$2 million in titanium was sold in 1970 for environmental control devices. Westinghouse Electric Corporation will use CODEWELD titanium tubing from TIMET in an acid mine drainage project now being built for the state of Pennsylvania. This plant will red-alk and purify 5-million gallons a day of brackish and acidic water that has collected in abandoned coal mines and is polluting nearby streams.

Efforts to penetrate the oil refinery market with titanium tubing in heat exchangers have resulted in two major commercial installations with several promising possibilities for the future. Another growth area for titanium tubing, still in its infancy, is in the desalinization and purification of seawater.

The unique corrosion-resistant characteristics and electrolytic properties of titanium tubing permit design and operation conditions never before attainable in electrochemical processing. Titanium anodes are replacing graphite in the manufacture of chlorine gas, and titanium cathodes are being used to refine copper and other metals. Both markets for these electrodes are expected to grow considerably in the next several years.

Prospects for significant improvement in the titanium industry will be dependent on the sale of McDonnell-Douglas DC-10, Lockheed L-1011 and Boeing 747 wide-bodied jet transports to the commercial airlines, the actual construction of the two prototype supersonic transports (SST), adequate federal funding of the Navy's F-14 fighter, the Air Force's F-15 fighter and B-1 strategic bomber as well as the increased use of titanium in the industrial market areas.

Lake View Trust and Savings Bank had another fine year in 1970. Its earnings after taxes were \$4,466,000, compared with

\$4,520,000 in 1969. The high interest rates that prevailed through most of the year moderated in the fourth quarter and are expected to decline during most of 1971.

The bank, which is the eighth largest in Ohio and ranked 204th among commercial banks in the United States, had total assets of \$327,429,000 at year end as compared with \$311,178,000 a year earlier. The community served by Lake View continues to be financially strong, and long-range plans are being formulated to determine the future services of the bank in relation to area needs.

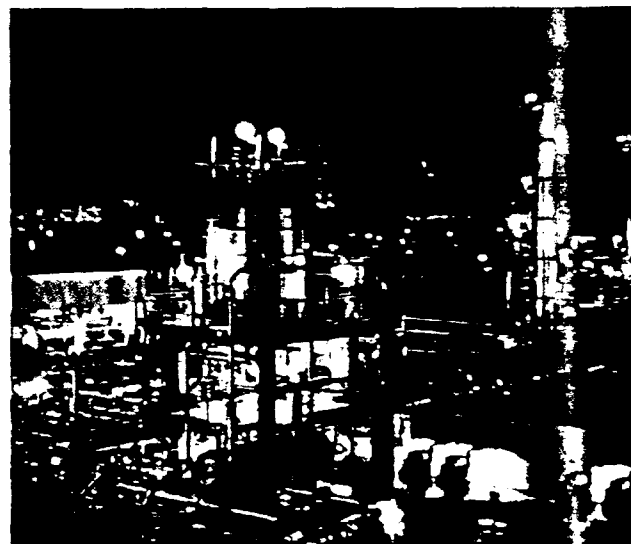
The Bank Holding Company Act Amendments of 1970 prohibit a bank holding company such as National Lead Company, starting after December 31, 1980 engage in any activities other than banking or activities closely related to banking, subject to conditions that the Federal Reserve Board may impose. While the company must divest itself of control of the bank by December 31, 1980, it might be necessary or advisable to do so prior to that date if the Federal Reserve Board objected to acquisitions or new activities of National Lead.

R-N Corporation, a 50 per cent owned subsidiary, saw two commercial plants using modifications of its process go into operation and a third plant completed during the year. In the United States, there is growing interest in the application of the process for the treatment of steel mill waste prior to its conversion into steel.

The Canada Metal Company Limited, a 50 per cent owned subsidiary, increased its profitability in 1970 on slightly higher sales. A producer of nonferrous products and alloys, Canada Metal also makes zinc and brass forgings and bronze bars and bearings. Improved earnings resulted from a better overall performance that included more efficient use of production facilities and the introduction of several new product lines during the year.

Mineral Deposits Limited of Australia continued to produce more at an expanded rate during 1970. This 85 per cent owned subsidiary moved to a new headquarters in Southport, Queensland. Its mining machinery department, which has been widening export of separation equipment, is planning to enter the United States market in 1971. Mineral Deposits mines rutile, zircon, monazite and ilmenite, which are the basic raw materials for titanium metal and titanium pigment as well as the zirconium and titanium compounds.

affiliates



Oil refineries, chemical and utility plants are using increasing amounts of titanium tubing in heat exchangers and other process equipment for its superior anti corrosion characteristics.

0000-NLI-000018905

throughout the year. Sales in 1970 amounted to \$915,877,000, representing a 5% decrease from 1969 sales. Foreign sales in 1970 increased over 1969, whereas United States sales declined.

United States sales accounted for approximately 78% of total sales in 1970. Foreign sales accounted for the remaining 22%. The Company's sales are diversified into a number of product lines, including metals and bearings, titanium pigments, die castings, chemicals and plastics, oil well materials and services, and other products. The Company's sales are also diversified geographically, with a significant portion of sales coming from foreign countries. The Company's sales are also diversified by product type, with a significant portion of sales coming from industrial products. The Company's sales are also diversified by customer type, with a significant portion of sales coming from industrial customers. The Company's sales are also diversified by market type, with a significant portion of sales coming from industrial markets. The Company's sales are also diversified by region, with a significant portion of sales coming from industrial regions. The Company's sales are also diversified by product type, with a significant portion of sales coming from industrial products. The Company's sales are also diversified by customer type, with a significant portion of sales coming from industrial customers. The Company's sales are also diversified by market type, with a significant portion of sales coming from industrial markets. The Company's sales are also diversified by region, with a significant portion of sales coming from industrial regions.

Sales: Sales in 1970 amounted to \$915,877,000, representing a 5% decrease from 1969 sales. Foreign sales in 1970 increased over 1969, whereas United States sales declined.

	1970	1969
United States	\$779,226,000	\$796,371,000
Foreign	136,651,000	133,414,000
	<u>\$915,877,000</u>	<u>\$929,785,000</u>

Earnings: Net income for 1970 totaled \$38,071,000, or \$1.60 per share. Comparative earnings of United States and foreign operations were as follows:

	1970	1969
United States	\$ 26,406,000	\$ 38,106,000
Foreign	11,665,000	12,569,000
	<u>\$ 38,071,000</u>	<u>\$ 50,675,000</u>

Per share of common stock	<u>\$1.60</u>	<u>\$2.12</u>
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Per share figures stated in this report give effect to the two-for-one stock split which was effective April 17, 1969.

Lines of Business: The Company's primary lines of business accounted for approximately the percentages of consolidated net sales and of income before income taxes (before allocation of net executive office expense, parent company interest expense and the net contribution of the Lake View Trust and Savings Bank), as indicated on the charts to the right.

Dividends: On November 24, 1970, the dividend for the fourth quarter of 1970 was reduced to \$.25 per share from \$.425 per share, the amount paid in each of the three preceding quarters of 1970. Dividend payments per share for 1970 totaled \$1.525 as compared with \$1.70 for 1969.

Taxes on Income: The provision for United States and foreign taxes on income amounted to \$26,987,000 in 1970, compared to \$44,593,000 in 1969. The provision for deferred income taxes (arising principally from accelerated depreciation utilized for tax purposes) amounted to \$4,096,000 and \$3,568,000 for 1970 and 1969, respectively. The Company's United States income tax returns have been examined and settled through 1966. The year 1967 is now under examination. The liability for taxes on income covers consolidated United States and foreign subsidiaries and the Company believes that adequate provision has been made for all years not yet examined.

financial report

sales

metals & bearings

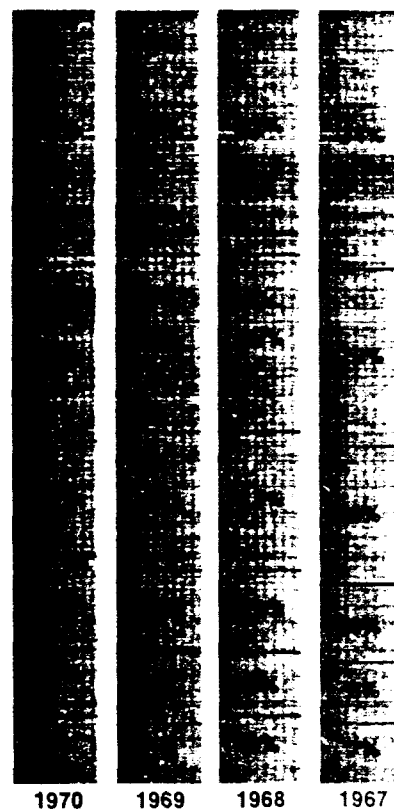
titanium pigments

die castings

chemicals & plastics

oil well materials & services

other products



profits

metals & bearings

titanium pigments

die castings

chemicals & plastics

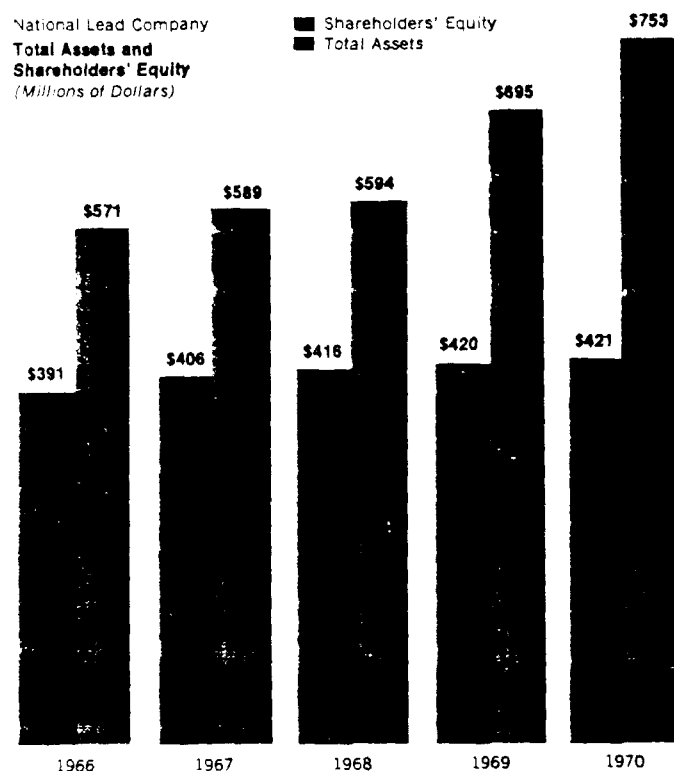
oil well materials & services

other products



Financial Position: The Company continued to maintain its strong financial position during 1970. Total assets increased to \$752,649,000 and shareholders' equity, exclusive of treasury stock, increased to \$420,737,000.

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



financial report *continued*

At December 31, 1970, net assets of consolidated foreign subsidiaries aggregated \$102,032,000.

Book value per share amounted to \$17.17 at the end of 1970, compared with \$17.06 at the beginning of the year. Working capital at year end amounted to \$241,739,000, as compared with \$186,876,000 at December 31, 1969. This change resulted principally from the conversion of short-term borrowings to long-term debt.

Working capital at year end 1970 and 1969 was as follows:

	1970	1969
United States	\$204,233,000	\$144,359,000
Foreign	37,506,000	42,517,000
	<u>\$241,739,000</u>	<u>\$186,876,000</u>

The utilization of working capital is shown in the consolidated source and application of funds statement on page 22.

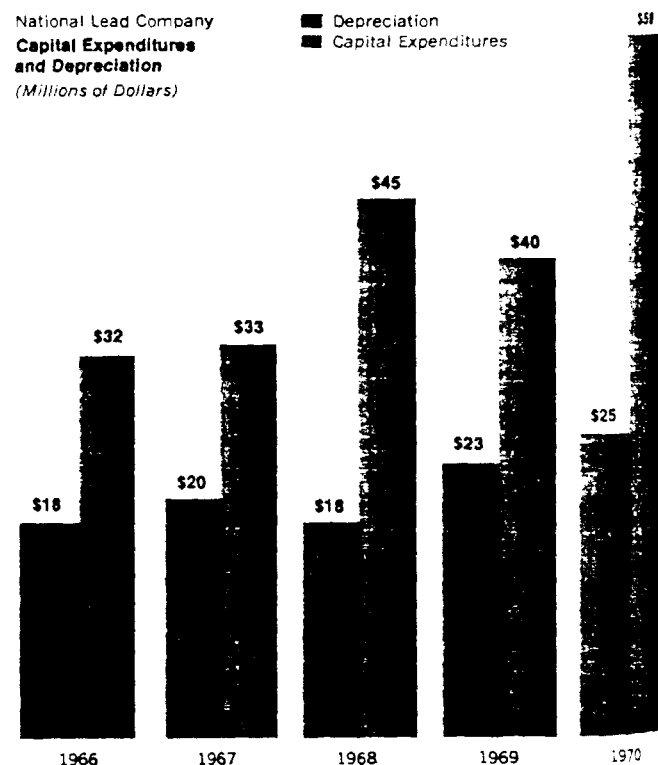
Inventories at the end of 1970 amounted to \$196,405,000, an increase of \$20,275,000 over the comparable 1969 amount. A comparative summary follows:

	1970	1969
Raw materials	\$ 50,472,000	\$ 41,003,000
Finished & in process	126,137,000	115,905,000
Supplies	19,796,000	19,222,000
	<u>\$196,405,000</u>	<u>\$176,130,000</u>

Property, Plant and Equipment: During the year the Company invested \$58,635,000 in property, plant and equipment.

Major expenditures were made for the Magnesium Division's plant in Utah; completion of the Baroid Division's mineral synthesis plant in Houston; domestic and foreign titanium pigment operations initial costs for a new West German plant that will manufacture gellants and a plant in Belgium to produce anticorrosive pigments; and the launching of a \$20-million environmental control program designed to be completed by 1972.

National Lead Company
Capital Expenditures and Depreciation
(Millions of Dollars)



	1970	1969
Manufacturing properties		
Land	\$ 14,851,000	\$ 13,785,000
Buildings	146,107,000	142,208,000
Machinery & equipment	418,038,000	376,553,000
Mining properties	43,676,000	39,257,000
Intangibles not being amortized	22,492,000	22,492,000
3-term	645,164,000	594,295,000
Less reserves	341,363,000	321,126,000
	<u>\$303,801,000</u>	<u>\$273,169,000</u>

59 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.

59,000 Depreciation expense for the year 1969 has been restated as
17,000 disclosed in Note 9 to the financial statements.
76,000

Long-Term Debt: At December 31, 1970 long-term debt had increased to \$180,902,000 from \$94,688,000 at the end of 1969. The composition of long-term debt at December 31, follows:

	1970	1969
4% subordinated debentures, due in annual installments of \$850,000 through 1973 and \$1,297,000 thereafter to April 1988	\$ 24,798,000	\$ 24,798,000
6 1/2% deutsche mark bearer bonds, due 1972 through 1979	16,275,000	16,275,000
Bank loans incurred for purchase of Bank at prime interest rates, due 1972 through 1976	34,200,000	38,000,000
Loans from banks under the terms of a \$135,000,000 credit agreement, at prime rates, due in equal semi-annual installments from 1972 through 1975	94,938,000	—
5 1/2% to 9% bank loans	5,090,000	8,694,000
Other	5,601,000	6,921,000
	<u>\$180,902,000</u>	<u>\$ 94,688,000</u>

The 4% subordinated debentures outstanding at December 31, 1970 and 1969 are after deducting \$1,665,000 and \$2,515,000, respectively, representing the principal amount of debentures held by the Company.

In January 1970, the Company entered into a credit agreement with banks which provides for the borrowing of up to a maximum of \$135,000,000. Initial borrowings were used to settle short-term loans outstanding at December 31, 1969 under the terms of a previous credit agreement. The credit agreement provides that the Company must maintain consolidated working capital of at least \$100,000,000 and contains certain restrictions on additional borrowings. Application of these restrictions would limit the amount of retained earnings available for cash dividends to approximately \$142,000,000 at December 31, 1970.

In January 1971, the Company issued \$100,000,000 of 7 1/2% debentures, due December 15, 1995, the proceeds of which have been used to repay indebtedness to banks. Commencing in 1976, the Company is required to make annual sinking fund payments sufficient to retire \$5,000,000 principal amount of debentures. Also commencing in 1976, at its option, the Company may annually redeem, at face value, \$5,000,000 of debentures. The Company has a further option to redeem outstanding debentures at decreasing premium amounts until 1990 and at face value thereafter. Debentures redeemed at the option of the Company may be credited against sinking fund obligations.

Consolidated Statement of Income and Retained Earnings

	Years ended December 31	
	1970	1969
Revenues:		
Net sales	\$915,877,000	\$929,785,000
Equity in majority owned foreign companies (after taxes) (Note 1)	2,085,000	1,435,000
Lake View Trust & Savings Bank (Note 1)	2,790,000	3,004,000
Other Income (Note 8)	2,273,000	3,987,000
	<u>923,025,000</u>	<u>938,211,000</u>
Costs and expenses:		
Cost of goods sold	680,918,000	676,925,000
Depreciation, depletion and amortization	25,319,000	22,651,000
Selling, general and administrative	140,756,000	136,178,000
Interest (Note 1)	10,684,000	6,577,000
Minority interest	290,000	612,000
	<u>857,967,000</u>	<u>842,943,000</u>
Income before United States and foreign income taxes	65,058,000	95,268,000
Provision for United States and foreign income taxes (Page 17)	26,987,000	44,593,000
Net income	<u>38,071,000</u>	<u>50,675,000</u>
Income per common share (based on average shares outstanding)	\$1.60	\$2.12
Retained earnings at beginning of year:		
National Lead Company	327,683,000	323,286,000
Acquired Companies	—	266,000
	<u>365,754,000</u>	<u>374,227,000</u>
Less:		
Dividends paid—1970, \$1.525 per share; 1969, \$1.70 per share	36,261,000	40,272,000
Adjustments relating to acquisitions (Note 2)	1,357,000	6,272,000
Retained earnings at end of year	<u>\$328,136,000</u>	<u>\$327,683,000</u>

Reference is made to accompanying notes

Consolidated Balance Sheet

	December 31	
	1970	1969
Assets		
Current assets:		
Cash, including time deposits	\$24,949,000	\$23,489,000
Marketable securities	957,000	3,160,000
Accounts and notes receivable, less allowances of \$2,630,000 in 1970 and \$1,991,000 in 1969	142,015,000	141,580,000
Inventories (Note 3)	196,405,000	176,130,000
Prepaid expenses	3,927,000	3,974,000
Total current assets	368,253,000	348,333,000
Investments:		
Lake View Trust and Savings Bank (Note 1)	45,395,000	41,535,000
Unconsolidated subsidiaries (Note 1)	12,962,000	10,645,000
Associated companies (Note 4) and other investments, at cost, less reserve	15,511,000	15,944,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion of \$341,363,000 in 1970 and \$321,126,000 in 1969 (Page 18)	303,801,000	273,169,000
Other assets	6,727,000	5,634,000
	<u>\$752,649,000</u>	<u>\$695,260,000</u>
Liabilities		
Current liabilities:		
Loans payable	\$39,202,000	\$68,766,000
Accounts payable and accrued liabilities	79,384,000	74,753,000
Taxes on income	7,928,000	17,938,000
Total current liabilities	126,514,000	161,457,000
Long term debt (Page 19)	180,902,000	94,688,000
Deferred taxes on income (related principally to accelerated depreciation)	23,877,000	19,781,000
Other liabilities and reserves	8,732,000	8,093,000
Minority interest (Note 2)	3,709,000	7,266,000
Shareholders' Equity (Notes 2, 5 and Page 18)		
Common stock, par value \$2.50; shares authorized 60,000,000; issued 24,177,168 shares	60,443,000	60,443,000
Capital surplus	32,158,000	32,104,000
Retained earnings	328,136,000	327,683,000
	420,737,000	420,230,000
Less treasury stock at cost: 1970, 361,126 shares; 1969, 495,787 shares	11,822,000	16,255,000
	<u>408,915,000</u>	<u>403,975,000</u>
	<u>\$752,649,000</u>	<u>\$695,260,000</u>

Reference is made to accompanying notes

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Consolidated Statement of Source and Application of Funds

	Years ended December 31	
	1970	1969
Source:		
Net income	\$38,071,000	\$50,675,000
Items not requiring the use of funds:		
Depreciation	25,319,000	22,651,000
Deferred income taxes	4,096,000	3,568,000
Minority interest	290,000	612,000
Equity in income of subsidiaries consolidated on an equity basis, net of dividends received	(4,769,000)	(4,680,000)
Funds provided from operations	63,007,000	72,826,000
Long term borrowings, net	86,214,000	39,927,000
Disposals of fixed assets	2,684,000	533,000
Exercise of stock options	—	297,000
Other	1,371,000	110,000
	<u>153,276,000</u>	<u>113,693,000</u>
Application:		
Dividends	36,261,000	40,272,000
Investments:		
Lake View Trust and Savings Bank	—	37,620,000
Other, net	1,521,000	247,000
Capital expenditures	58,635,000	39,830,000
Purchase of treasury stock	89,000	12,035,000
Dividends to minority interests	240,000	404,000
Other	1,667,000	1,057,000
	<u>98,413,000</u>	<u>131,465,000</u>
Increase (decrease) in working capital	<u>\$54,863,000</u>	<u>\$(17,772,000)</u>
Details of the above increases (decreases) are as follows:		
Cash	\$1,460,000	\$(13,298,000)
Marketable securities	(2,203,000)	1,050,000
Accounts and notes receivable	435,000	24,912,000
Inventories	20,275,000	21,708,000
Prepaid expenses	(47,000)	869,000
	<u>19,920,000</u>	<u>35,241,000</u>
Loans payable	29,564,000	(45,256,000)
Accounts payable and accrued liabilities	(4,631,000)	(8,104,000)
Taxes on income	10,010,000	347,000
	<u>34,943,000</u>	<u>(53,013,000)</u>
	<u>\$54,863,000</u>	<u>\$(17,772,000)</u>

Reference is made to accompanying notes

Consolidation Principles. The consolidated financial statements include the accounts of the Company, all domestic subsidiaries except Lake View Trust and Savings Bank and major wholly-owned foreign subsidiaries translated at appropriate rates of exchange. Pertinent financial data regarding foreign subsidiaries is shown on pages 17 and 18.

The Company's investment in major unconsolidated majority-owned foreign subsidiaries and in Lake View Trust and Savings Bank are stated at cost, adjusted for subsequent changes in equity. The Company includes in income its equity in the net income of such subsidiaries.

Following is a summary of pertinent financial information relating to the Bank:

	(In Thousands)	
	1970	1969
Assets	\$327,429	\$311,178
Deposits & other liabilities	301,278	288,714
National Lead's equity in Bank's net income	4,459	4,514
Less: Interest cost to National Lead, after applicable tax benefit of \$1,617,000 in 1970 and \$1,690,000 in 1969, on funds borrowed to purchase Bank	1,669	1,510
Net income attributable to Bank	\$ 2,790	\$ 3,004

See Report of Affiliates, page 16, for comments relating to the Bank Holding Company Act of 1970.

Acquisitions. During 1970, the Company exchanged 138,091 shares of its treasury stock for all of the outstanding stock of Regal Molds, Inc. and the remaining outstanding stock of The Baker Castor Oil Company. The acquisition of Regal Molds, Inc. has been accounted for as a pooling of interests and, accordingly, the results of operations for 1970 include the net income of Regal Molds, Inc. for the entire year. No adjustment has been made for the prior years since the effect would not be material. The acquisition of the minority interest of The Baker Castor Oil Company has been accounted for as a purchase and the results of operations for 1970 include the earnings applicable to this minority interest since the date of its purchase. As a result of these transactions, capital surplus was credited \$54,000 and retained earnings was charged \$1,357,000, representing principally the appropriate portion of the excess of the cost of treasury shares issued over the fair or carrying value of the net assets acquired.

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, 1970. 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 \$11,471,000 in 1970 and \$10,572,000 in 1969) is maintained based on quantities deemed normal at fixed prices.

4. Associated Companies. The equity of the Company in the net assets of Titanium Metals Corporation of America, a 50 per cent owned company, exceeded the investment which is carried at cost, by \$12,067,000 at December 31, 1970 and by \$14,888,000 at December 31, 1969. The Company's share of the net losses of Titanium Metals Corporation of America (which is not included in the Company's consolidated statement of income) for the years ended December 31, 1970 and December 31, 1969 was \$2,821,000 and \$251,000, respectively. No dividends were received in 1970 or 1969. The equity of the Company in the net assets of the other 50 per cent owned companies exceeded the cost of the Company's investment by approximately \$3,942,000 at December 31, 1970 and \$3,778,000 at December 31, 1969. The Company's equity in the net income of these Companies in 1970 and 1969 approximated dividends received.

5. Common Stock and Stock Options. 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, 1970 and transactions during the year follow:

Balance at January 1, 1970	179,000
Granted	216,400
Balance at December 31, 1970	395,400
Price per share of shares granted and outstanding at December 31, 1970	\$20 to \$36
Shares exercisable	395,400
Available for future options at December 31, 1970	304,200

With respect to the 1958 stock option plan, all remaining options expired in 1970 and no additional options may be granted under this Plan.

In connection with the acquisition of The Bunting Brass & Bronze Company in 1968, the Company granted to holders of stock options previously granted by Bunting, substitute stock options. During the year, no options were exercised and options for 476 shares at \$20.50 per share are outstanding at December 31, 1970.

In connection with the acquisition of Jonathan Manufacturing Company in 1969, the agreement 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.

The Company is authorized to issue 5,000,000 shares of preferred stock without par value. The rights of the preferred stock as to dividends, redemption, liquidation and conversion will be determined upon issuance.

6. Pensions. The Company and its subsidiaries have various pension plans covering the majority of their employees. Total pension costs approximated \$10,100,000 in 1970 and \$9,400,000 in 1969. Current 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, 1970 amounted to approximately \$13,500,000.

7. Litigation. See comments regarding pending litigation on page 5.

8. Other Income. In 1970, a gain on the sale of land of \$1,727,000 and provisions for losses in connection with the sale or disposal of certain properties of \$2,750,000, are included in other income.

9. Restatements. Certain amounts in the 1969 financial statements have been restated to conform to classifications used in 1970 with no effect on net income or shareholders' equity.

notes to financial statements

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auditors' report

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, 1970 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 1969.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of National Lead Company and its Consolidated Subsidiaries at December 31, 1970 and 1969 and the consolidated results of their operations and the source and application of funds for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 18, 1971

National Lead Company

ten year review of operations

in thousands of dollars, except per share figures

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Net sales	\$915,877	\$929,785	\$858,195	\$818,905	\$865,687	\$837,215	\$735,189	\$664,606	\$615,269	\$599,357
Income before taxes	65,058	95,268	96,298	93,540	113,379	114,637	108,086	96,888	95,853	100,135
Net income	38,071	50,675	49,985	54,309*	61,634	61,252	56,763	50,116	49,546	52,157
Per common share	1.60	2.12	2.08	2.27*	2.56	2.54	2.43	2.13	2.03	2.14
Dividends paid on common shares	36,261	40,272	39,062	38,786	38,295	38,378	38,036	38,049	38,034	38,017
Per common share	1.525	1.70	1.625	1.625	1.625	1.625	1.625	1.625	1.625	1.625
Current assets	368,253	348,333	312,077	331,851	310,311	296,548	300,974	276,069	270,275	263,656
Current liabilities	126,514	161,457	108,444	102,187	97,721	97,599	99,600	91,461	80,280	80,918
Working capital	241,739	186,876	203,633	229,664	212,590	198,949	201,374	184,608	189,995	182,738
Property, plant and equipment, net	303,801	273,169	252,883	226,060	214,725	196,134	174,961	170,263	171,696	171,595
Property expenditures	58,635	39,830	45,010	32,860	32,440	41,096	20,447	14,558	15,712	18,241
Depreciation	25,319	22,651	18,187	20,120	18,302	17,249	16,286	15,523	15,159	14,349
Total assets	752,649	695,260	593,591	588,803	570,754	520,861	497,296	467,264	460,973	452,710
Shareholders' equity	408,915	403,975	404,764	399,640	388,586	356,956	339,744	320,873	360,737	354,576

All per share figures reflect the 2 for 1 stock split which took place in 1969.

**Includes extraordinary income of \$3,049,000 (after income taxes of \$1,083,000) or \$.13 per share.*

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