THE INFORMATION AND DATA HEREIN ARE SOLELY FOR THE BENEFIT OF STOCKHOLDERS OF UNITED CARBON COMPANY, AND ARE NOT A REPRESENTATION, PROSPECTUS OR CIRCULAR IN RESPECT TO ANY STOCK OR NOTE OF ANY CORPORATION, AND ARE NOT TRANSMITTED IN CONNECTION WITH THE SALE OR OFFER TO SELL, OR ANY NEGOTIATION FOR THE SALE OF, ANY STOCK OR NOTE.
United Carbon Company
Charleston, W. Va.

Subsidiary Companies

Kosmos Carbon Company
United Producing Company
Taylor-Green Gas Company
United Carbon Company, Inc.
Texas Carbon Industries, Inc.
Eastern Carbon Black Company
United Gas Company (of West Virginia)

Principal Products

Carbon Black
Natural Gas
Gasoline

Annual Report
For the Year Ended December 31, 1935
UNITED CARBON COMPANY

DIRECTORS
T. J. BUTLER
G. L. CABOT
W. B. CLARKE
S. S. HATHAWAY
T. F. KOBLEGARD
C. H. McHENRY
OSCAR NELSON
CHAS. NEUBERT
T. S. REED
GEO. G. WEAKS
T. A. WHELAN
G. W. WHITE
W. P. WILLETTS
G. A. WILLIAMS

EXECUTIVE COMMITTEE
S. S. HATHAWAY
G. L. CABOT
T. F. KOBLEGARD
C. H. McHENRY
OSCAR NELSON
G. A. WILLIAMS
T. A. WHELAN

OFFICERS
OSCAR NELSON PRESIDENT
G. A. WILLIAMS VICE PRESIDENT
T. F. KOBLEGARD VICE PRESIDENT
T. S. REED VICE PRESIDENT
H. C. PEARSON VICE PRESIDENT
C. H. McHENRY SECRETARY
T. A. WHELAN TREASURER
ARTHUR HANSON ASS'T SECRETARY
C. A. URBAN ASS'T TREASURER

TRANSFER AGENT
GUARANTY TRUST COMPANY OF NEW YORK

REGISTRAR
THE CORPORATION TRUST COMPANY, NEW YORK

ACCOUNTANTS
F. W. LAFFRENTZ & COMPANY

[2]
TO THE SHAREHOLDERS:

The management takes pleasure in submitting the Annual Report containing the certified financial statements of United Carbon Company and subsidiary companies for the year ended December 31, 1935. Included are also the customary table of statistical data and the map of gas and oil properties.

FINANCIAL POSITION

Reflecting a sound financial position, the Consolidated Balance Sheet at December 31, 1935 shows net working capital of $1,679,869.13, of which $766,043.09, or nearly one-half, is in cash. Long-term notes to the amount of $500,000 were outstanding at the first of the year. Notes for $850,000 were issued early in January in connection with the acquisition of properties. At the close of the year all this indebtedness had been reduced to $500,000.

EARNINGS

The earnings during 1935 were the largest in the Company's history. Net Profit amounted to $1,872,404.60, or $4.70 per share, and compared with $1,452,939.46, or $3.55 per share earned in the previous year. The net earnings for 1935 are stated after all charges and expenses, including $278,900.00 for estimated Federal and State Income Taxes, $185,000.00 for contingencies and $1,079,371.14 for depreciation and depletion.
Capital expenditures for the year amounted to $2,153,435.31. This amount was spent for the purchase of properties, additions to plants and development of gas acreage.

DIVIDENDS

Quarterly dividends were paid at the rate of 60 cents per share in the aggregate amount of $952,789.20 for the year.

CARBON BLACK

The salient features of the carbon black business have been large increases in the volume of production and sales. Increased production was to be expected as a result of the acquisition of the plants formerly owned by Texas Carbon Industries, Inc. and Century Carbon Company, which took place about the first of the year. Volume of sales, however, due to a larger demand for carbon black, exceeded production and resulted in a reduction of inventories at the end of the year. While the margin of profit was narrow, the increased volume of business resulted in improvement in earnings about as anticipated. The Company has attained a leading position in the industry with respect to production and sales.

With a view to conserving natural gas resources in Louisiana for sale to pipe line companies, removal of plants from that State to Texas was in progress throughout the year. This program is expected to be completed early in 1936. Important operating economies are anticipated as a result of this movement.

Under NRA there was a general curtailment of operations throughout the industry due to the fact that installed plant capacity was largely in excess of demand. As this condition still prevails, the management has thought it wise to continue that policy, with the result that we have some idle plants which are ready to operate when conditions justify.

Our technical research staff has continued its efforts in the direction of improved methods of manufacture, improvement of products now in use and discovery of new consumer products.
NATURAL GAS

Continuing the rise in sales and revenues from year to year, the deliveries of Natural Gas to pipe line companies in 1935 amounted to 38,747,607,000 cubic feet, a gain of 19\(^{1/2}\%\) over 1934. The revenues were $2,653,675.39, an increase of 22\(^{1/2}\%\) over the previous year.

Consistent with our policy in the past, we are constantly building up ample gas production and reserves. During 1935 we acquired a total of 51,225 acres of gas leases in Kentucky, Kansas, Louisiana and Texas, and in the deep gas production area in Kanawha and adjoining counties, West Virginia. We drilled 41 producing wells and acquired 34 wells through purchase of properties, a total of 75 new wells. The map attached to this report shows the total of our gas acreage and number of producing wells in the various states at the end of 1935.

Immediately after the discovery of oil in the Rodessa Field, Caddo Parish, Louisiana, the Company acquired approximately 500 acres of oil and gas royalties in that field. Since that time a number of oil wells have been drilled either on or in the vicinity of the Company's acreage. This development has definitely proved a large part of this acreage as oil territory and thereby enhanced its value.

Disclaiming any prophetic insight into the immediate future of national and international business, and realizing that many vexing problems remain unsolved, both at home and abroad, your management, nevertheless, feels that the year 1936 will bring a reasonable measure of success to your Company.

Respectfully submitted,

OSCAR NELSON, President.

February 15, 1936.
## Consolidated

### UNITED CARBON COMPANY
### DECEMBER

**Assets**

### CURRENT ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$766,043.09</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>$408,619.68</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$750,503.85</td>
</tr>
<tr>
<td>Inventories (at lower of cost or market)</td>
<td>$704,324.38</td>
</tr>
</tbody>
</table>

**Total Current Assets** $2,629,491.00

### INVESTMENTS AND OTHER ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments (at cost)</td>
<td></td>
</tr>
<tr>
<td>Mississippi River Fuel Corporation Stock</td>
<td>$880,200.00</td>
</tr>
<tr>
<td>Capital Stock of Carbon Black Export, Inc.</td>
<td>$274,180.00</td>
</tr>
<tr>
<td>Other Stocks</td>
<td>$51,932.70</td>
</tr>
</tbody>
</table>

**Total Investments and Other Assets** $1,523,524.66

### FIXED ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, Buildings, Equipment, Wells, Pipe Lines, Franchises, Leaseholds, Etc.—at cost</td>
<td>$22,138,659.89</td>
</tr>
</tbody>
</table>

**Total Fixed Assets**

### TRADE MARKS, CONTRACTS, ETC.

**Total Trade Marks, Contracts, ETC.** 1.00

### DEFERRED CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments on Gas Purchases</td>
<td>$39,231.17</td>
</tr>
<tr>
<td>Prepaid Taxes, Rentals, Insurance and Expenses</td>
<td>$102,399.59</td>
</tr>
</tbody>
</table>

**Total Deferred Charges** $141,630.76

**Total Assets** $26,433,307.31
## Balance Sheet
### AND SUBSIDIARY COMPANIES
#### For 31, 1935

### Liabilities

#### Current Liabilities
- Accounts Payable: $325,964.03
- Dividends Payable: 238,731.00
- Accrued State Taxes, Royalties, Etc.: 106,026.84
- Federal and State Income Taxes—Estimated: 278,900.00

**Total Current Liabilities:** $949,621.87

#### Long Term Debt
- Notes Payable: 500,000.00

#### Deferred Credits
- Deferred Income: $95,005.25
- Prepayments on Contracts: 114,900.00

**Total Deferred Credits:** 209,905.25

#### Reserves
- For Depreciation and Depletion: $10,291,063.27
- For Possible Losses and Contingencies: 336,373.78

**Total Reserves:** 10,627,437.05

#### Minority Interest—Common Stock and Surplus
- $98,431.88

#### Capital and Surplus
- Common Stock—No Par Value
  - Authorized: 800,000 Shares
  - Outstanding: 397,885 Shares: $11,952,537.52
- Earned Surplus: 2,095,373.74

**Total Capital and Surplus:** 14,047,911.26

**Total:** $26,433,307.31
CONSOLIDATED SUMMARY OF OPERATIONS
UNITED CARBON COMPANY AND SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 1935.

NET SALES
Carbon Black .......................................................... $5,410,850.58
Natural Gas .................................................................... 2,653,675.39
Gasoline, Oil and Royalties .............................................. 165,003.12

TOTAL NET SALES ...................................................... $8,229,529.09

COST OF SALES ................................................................ $4,967,955.40

MANUFACTURING PROFIT .............................................. $3,261,573.69

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES ......... 562,195.10

GROSS OPERATING PROFIT ........................................... $2,699,378.59

DEDUCTIONS FROM INCOME
Interest and Discount ...................................................... $71,743.72
Dismantling Costs, Accounts, Wells and Leases Written Off .... 66,206.58
Non-Productive Operating Expenses .................................. 127,214.92
Provision for Losses and Contingencies ......................... 185,000.00
Sundry ........................................................................... 8,374.63

$ 458,539.85

OTHER INCOME
Interest and Discount ...................................................... $42,949.93
Profit on Sale of Capital Assets ....................................... 28,369.84
Rentals of Employees’ Dwellings, Less Operating Costs ......... 5,790.87
Dividends Received .......................................................... 4,634.75
Sundry ........................................................................... 20,187.05

$101,932.44

NET DEDUCTIONS FROM INCOME ................................. 356,607.41

PROFIT BEFORE FEDERAL AND STATE INCOME TAXES .......................... $2,342,771.18
Federal and State Income Taxes—Estimated ......................... 278,900.00

BALANCE ......................................................... $2,063,871.18

Less:
Minority Interests’ Portion of Profits ..................................... 191,466.58

NET PROFIT FOR THE YEAR (after deducting Depreciation and Depletion of $1,079,971.14) ................................ $1,872,404.60

[8]
## CONSOLIDATED EARNED SURPLUS

UNITED CARBON COMPANY AND SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 1935.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 1935</td>
<td>$1,450,609.27</td>
</tr>
<tr>
<td>Net Profit for year</td>
<td>1,872,404.60</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$3,323,013.87</td>
</tr>
</tbody>
</table>

### LESS

- **Dividends on Common Stock:**
  - Paid April 1, 1935 | $236,596.20
  - Paid July 1, 1935 | 238,731.00
  - Paid Oct. 1, 1935 | 238,731.00
  - Payable Jan. 1, 1936 | 238,731.00 | $952,789.20

- **Sundry Adjustments (Net):** | 1,371.85
- **Adjustment Reserve for Depreciation:** | 105,873.89
- **Adjustment of Advances on Gas Purchases and Income Taxes—Prior Years:** | 167,605.19

**TOTAL DEDUCTIONS** | 1,227,640.13

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1935</td>
<td>$2,095,373.74</td>
</tr>
</tbody>
</table>
PRESIDENT AND BOARD OF DIRECTORS,
UNITED CARBON COMPANY,
CHARLESTON, WEST VIRGINIA.

Gentlemen:

We have made an examination of the consolidated balance sheet of United Carbon Company and its Subsidiary Companies as of December 31, 1935, and of the consolidated summary of operations and consolidated earned surplus account for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and have obtained information and explanations from officers and employees of the companies. We also made a general review of the accounting methods and of the system of internal audit and control but we did not audit in detail all of the transactions for the year.

Reserve for Losses and Contingencies was increased by a charge of $185,000.00 to the current year’s operations; amounts charged to this reserve during the year were found to be proper. The remaining balance therein appears ample to provide for possible losses and contingencies as well as the payment of prior years Income Taxes, still in dispute, in case of an ultimate adverse decision.

In our opinion, based upon such examination and subject to the final determination of prior years Income Taxes, the accompanying consolidated balance sheet together with the related consolidated summary of operations and earned surplus, fairly present, in accordance with accepted principles of accounting, which have been consistently maintained by the companies during the period under review, the consolidated financial position of the companies as of December 31, 1935 and the results of operations for the year ended that date.

Respectfully,

F. W. LAFORENTZ & CO.
Certified Public Accountants.

[10]
### Statistical Data

#### UNITED CARBON COMPANY AND SUBSIDIARY COMPANIES

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
<th>1933</th>
<th>1932</th>
<th>1931</th>
<th>1930</th>
<th>1929</th>
<th>1928</th>
<th>1927</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing Gas Wells Owned</td>
<td>511</td>
<td>452</td>
<td>393</td>
<td>339</td>
<td>229</td>
<td>277</td>
<td>235</td>
<td>187</td>
<td>163</td>
<td>161</td>
<td>136</td>
</tr>
<tr>
<td>Gas Wells Controlled by Purchase Contracts</td>
<td>143</td>
<td>102</td>
<td>80</td>
<td>98</td>
<td>99</td>
<td>93</td>
<td>71</td>
<td>55</td>
<td>51</td>
<td>48</td>
<td>38</td>
</tr>
<tr>
<td>Total Producing Gas Wells</td>
<td>654</td>
<td>554</td>
<td>473</td>
<td>432</td>
<td>398</td>
<td>370</td>
<td>306</td>
<td>242</td>
<td>214</td>
<td>204</td>
<td>174</td>
</tr>
<tr>
<td>Depreciation and Depletion Reserve</td>
<td>$10,291,053</td>
<td>$9,249,681</td>
<td>$8,060,039</td>
<td>$7,481,463</td>
<td>$6,888,448</td>
<td>$6,146,564</td>
<td>$4,854,465</td>
<td>$3,517,465</td>
<td>$2,816,565</td>
<td>$1,885,561</td>
<td>$929,172</td>
</tr>
<tr>
<td>Plant Investment—Net</td>
<td>$11,847,007</td>
<td>$10,189,568</td>
<td>$9,662,402</td>
<td>$9,448,481</td>
<td>$9,858,309</td>
<td>$10,150,036</td>
<td>$10,718,829</td>
<td>$10,306,235</td>
<td>$9,245,219</td>
<td>$9,256,365</td>
<td>$9,663,508</td>
</tr>
<tr>
<td>Gas Produced and Purchased (M. Cu. Ft.)</td>
<td>123,151,702</td>
<td>94,729,666</td>
<td>74,551,987</td>
<td>62,267,973</td>
<td>61,738,062</td>
<td>59,062,000</td>
<td>58,340,000</td>
<td>60,330,000</td>
<td>36,740,000</td>
<td>34,241,000</td>
<td>33,256,000</td>
</tr>
<tr>
<td>Gas Sold (M. Cu. Ft.)</td>
<td>88,747,607</td>
<td>52,427,724</td>
<td>27,581,786</td>
<td>22,649,996</td>
<td>18,208,399</td>
<td>17,825,000</td>
<td>11,918,000</td>
<td>11,102,000</td>
<td>9,815,000</td>
<td>2,186,000</td>
<td>1,767,000</td>
</tr>
<tr>
<td>Carbon Black Prod. (Lbs.)</td>
<td>98,925,685</td>
<td>73,644,166</td>
<td>53,974,790</td>
<td>44,629,431</td>
<td>52,190,948</td>
<td>38,604,810</td>
<td>94,218,594</td>
<td>60,329,530</td>
<td>36,684,225</td>
<td>34,707,918</td>
<td>34,014,679</td>
</tr>
<tr>
<td>Gasoline Produced (Gal.)</td>
<td>4,045,761</td>
<td>1,967,380</td>
<td>2,253,168</td>
<td>2,632,594</td>
<td>1,910,014</td>
<td>2,817,214</td>
<td>1,922,858</td>
<td>2,216,984</td>
<td>2,481,141</td>
<td>3,389,975</td>
<td>3,467,714</td>
</tr>
<tr>
<td>Bonded Indebtedness</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Capital and Surplus</td>
<td>$14,047,911</td>
<td>$13,219,374</td>
<td>$13,729,292</td>
<td>$13,619,403</td>
<td>$12,947,214</td>
<td>$15,634,975</td>
<td>$16,842,241</td>
<td>$12,926,504</td>
<td>$16,631,492</td>
<td>$10,663,501</td>
<td>$10,658,562</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$8,229,529</td>
<td>$5,681,513</td>
<td>$4,748,289</td>
<td>$3,416,302</td>
<td>$2,229,886</td>
<td>$3,541,140</td>
<td>$4,321,732</td>
<td>$5,116,056</td>
<td>$3,775,165</td>
<td>$3,216,153</td>
<td>$2,738,870</td>
</tr>
<tr>
<td>Depreciation and Depletion charged against Income</td>
<td>$1,079,971</td>
<td>$787,866</td>
<td>$659,115</td>
<td>$650,378</td>
<td>$737,765</td>
<td>$1,158,490</td>
<td>$1,522,524</td>
<td>$1,183,153</td>
<td>$1,029,077</td>
<td>$1,004,465</td>
<td>$929,618</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,872,438</td>
<td>$1,452,399</td>
<td>$634,217</td>
<td>$145,644</td>
<td>$97,770*</td>
<td>$704,600</td>
<td>$1,314,556</td>
<td>$532,104</td>
<td>$89,805</td>
<td>$264,581</td>
<td>$25,860</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>$952,739</td>
<td>$882,411</td>
<td>$454,580</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$823,922</td>
<td>$478,972</td>
<td>$187,703</td>
<td>-</td>
</tr>
</tbody>
</table>

*Deficit.

Note: Producing Wells do not include those covered by gas purchase contracts with Phillips Petroleum Co., Skelly Oil Company and The Shamrock Oil and Gas Corp.
SALES ORGANIZATION OF
UNITED CARBON COMPANY

GENERAL SALES OFFICE
Union Building, Charleston, W. Va.

DISTRICT SALES OFFICES
2612 Empire State Building ------------------------- New York
308 Akron Savings & Loan Building ------------------ Akron
844 Rush Street ----------------------------------- Chicago

REPRESENTATIVES
DOMESTIC

General Supply & Chemical Co. ------------------- Trenton
Frank H. Topp ------------------------------------ Louisville
Thompson-Hayward Chemical Co. ------------------- Central States
Denver Fire Clay Company ------------------------ Colorado
L. H. Butcher Company ----------------------------- Pacific Coast
R. W. Greeff & Co., Inc. -------------------------- New York

FOREIGN

Carbon Black Export, Inc. ------------------------ New York
Chance & Hunt, Limited --------------------------- London, England
Anchor Chemical Co., Ltd. ------------------------ Manchester, England
Canadian Industries Limited ---------------------- Toronto, Ont., Canada
MAP

SHOWING OIL AND GAS FIELDS IN WHICH THE UNITED CARBON COMPANY IS INTERESTED AND PIPE LINES TO WHICH IT DELIVERS GAS.

DECEMBER 31, 1935.