62nd ANNUAL REPORT

1953

THE COVER

The "Dutch Boy" was painted in 1907 by Lawrence Carmichael Earle, the distinguished portrait artist. This figure, used consistently since then, has become a nationally-known trademark and a symbol for high-quality products.

National Lead Company

INCORPORATED DECEMBER 8, 1891

62nd ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1953

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BOARD OF DIRECTORS

LEONARD T. BEALE
WILLIAM V. BURLEY
ALFRED H. DREWES
JOSEPH A. MARTINO
DAVID A. MERSON
GEORGE L. RATCLIFFE
JOSEPH H. REID
WINTHROP SARGENT, JR.
JAMES A. TAYLOR
HERMAN T. WARSHOW
WILLIAM J. WELCH
HARRY C. WILDNER

EXECUTIVE COMMITTEE

JOSEPH A. MARTINO, *Chairman*

WILLIAM V. BURLEY
ALFRED H. DREWES
DAVID A. MERSON
JOSEPH H. REID
HERMAN T. WARSHOW
HARRY C. WILDNER

EXECUTIVE OFFICERS

President
JOSEPH A. MARTINO

Vice-Presidents
WILLIAM V. BURLEY
ALFRED H. DREWES
FRANK J. KOEGLER
DAVID A. MERSON
GEORGE L. RATCLIFFE
JOSEPH H. REID
HERMAN T. WARSHOW
HARRY C. WILDNER

Secretary
JOHN B. HENRICH

Treasurer
JOSEPH J. MORSMAN, JR.

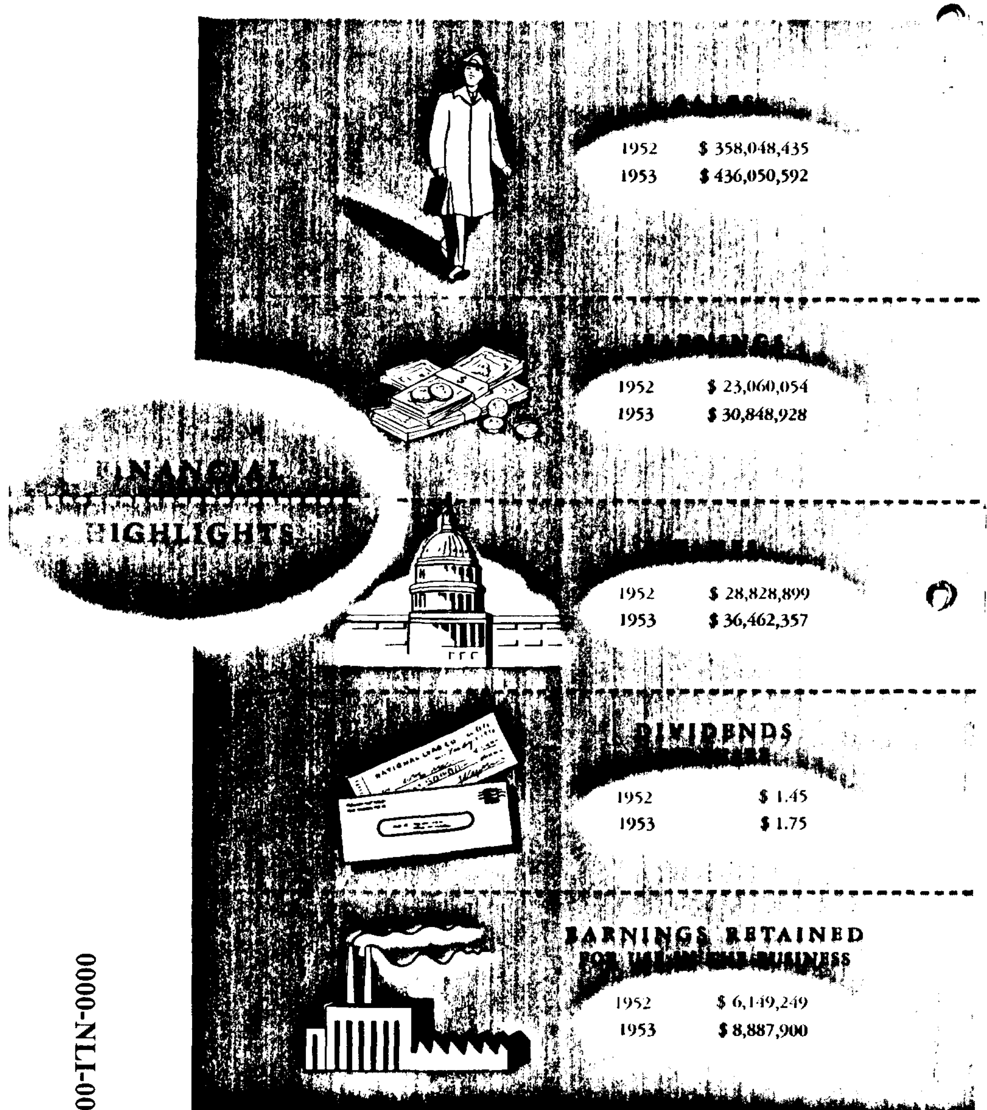
Comptroller
GEORGE A. DEWEY

Assistant Secretary
JOHN J. LAWLOR

Assistant Treasurer
MICHAEL USS

Assistant Comptrollers
THOMAS F. OWENS
ARCHER D. SARGENT

Executive Offices: 111 BROADWAY, NEW YORK 6, N. Y.
General Counsel: ALEXANDER & GREEN, 120 BROADWAY, NEW YORK 5, N. Y.
Stock Transfer Agent: THE CHASE NATIONAL BANK, 11 BROAD ST., NEW YORK 15, N. Y.
Registrar of Stock: BANKERS TRUST CO., 14 WALL ST., NEW YORK 5, N. Y.



THE PRESIDENT'S MESSAGE

March 16, 1954

To the Stockholders and Employees of National Lead Company:

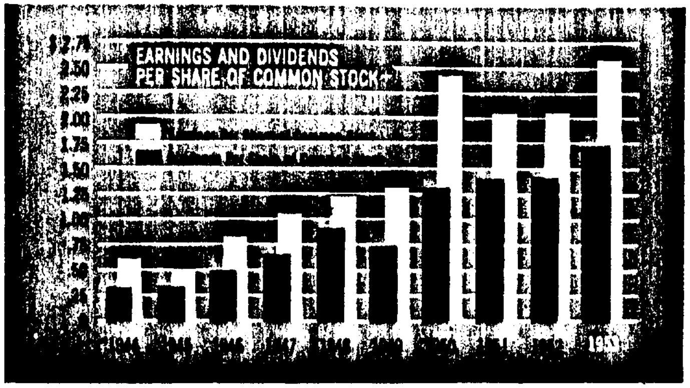
THE YEAR 1953 goes into the annals as one of outstanding progress for your Company. Highlights were record sales and earnings, continued growth and diversification of major lines, and the ever-widening scope of the Company's activities, details of which are apparent throughout this—the 62nd—Annual Report.

EARNINGS

Net income for the year 1953, the highest in Company history, was $30,848,928—34 per cent greater than the $23,060,054 reported for 1952 and 16 per cent greater than the previous high of $26,490,644 for 1950. Expressed as a percentage of the sales dollar, earnings continued to improve from 6.4 per cent in 1952 to 7.1 per cent in 1953. Contributing to this favorable earnings report were *all* the Company's major divisions, including—from March 1, 1953—the newly acquired Doehler-Jarvis Division.

Net income per Common share was $2.58 on 11,112,047 shares, the average number outstanding during the year, compared with $2.06 on 10,158,375 shares in 1952.

Included in the foregoing net income are dividends from foreign subsidiaries and partially owned domestic companies, which continue to report satisfactory earnings. The Company's equity in the 1953 undistributed earnings of these affiliates, before considering foreign exchange fluctuations, is estimated at 10¢ per Common share. The Company's equity in the net tangible assets of these affiliates at December 31, 1953, amounted to $23,820,000, as compared with the Company's investments of $9,275,000.



DIVIDENDS

In line with record earnings, dividend payments were the largest in Company history and totaled $21,961,028 or 71 per cent of net earnings. Preferred stockholders received regular quarterly payments aggregating $2,181,161. Common stockholders were paid $19,779,867—$5,050,223 more than was paid in 1952.

Dividend payments on Common stock consisted of four regular quarterly dividends of 25¢ each, with an extra 15¢ paid in the second and third quarters and a year-end extra dividend of 45¢, making a total of $1.75 per share for the year 1953, compared with $1.45 in 1952. The Company is justifiably proud of its dividend record, having paid dividends consecutively since the issuance of Preferred stocks—62 years on Preferred "A", 27 years on Preferred "B". Dividends on the Common stock have been paid continuously for 48 years.

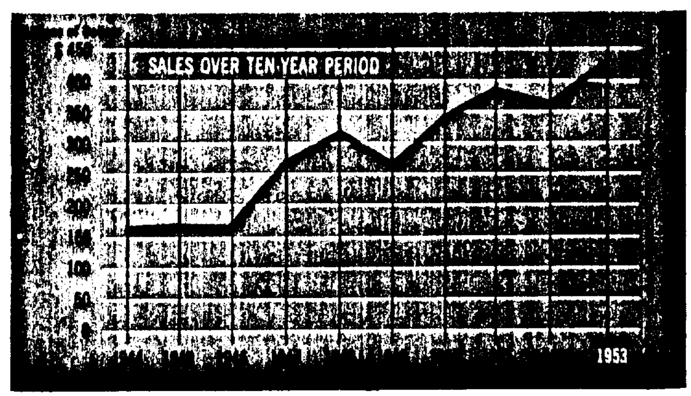
The portion of net earnings remaining after payment of dividends—$8,887,900—was added to Earned Surplus account, thereby increasing the equity of the Common stockholders.

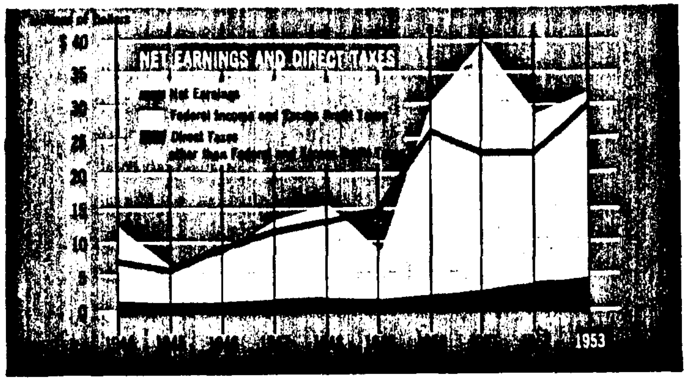
SALES

Sales in 1953 attained an all-time high, both as to value and physical volume. Dollar sales totaled $436,050,592, a 22 per cent increase over 1952 and 11 per cent over the previous high of $389,941,313 in 1951. The Doehler-Jarvis Division, included for the first time in 1953, contributed to the improved sales picture, as did the other major divisions of the Company.

The Titanium Division, with its expanded plant capacity, recorded larger sales and shipments. Long important in the paint field, titanium pigments are now being used increasingly in the paper, plastics and rubber industries. The Baroid Sales Division reported higher sales, enlarged plant facilities enabling it to keep well abreast of requirements in the oil well drilling industry. Increased sales were also reported by the Titanium Alloy Manufacturing Division, which produces titanates, zirconium pigments and ferro alloys of titanium.

The downward trend in the price structure of non-ferrous



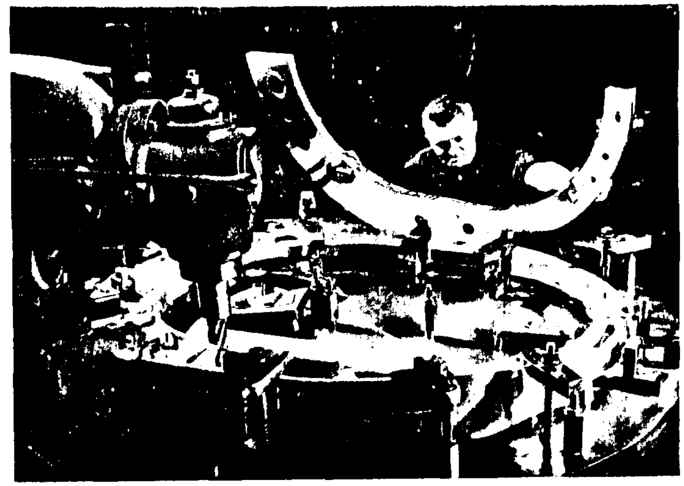


metals which began in 1952 still continues. Dollar sales volume of metal products was consequently lower in 1953, although earnings were not materially affected since these products are sold by the Company at fixed margins over the base price of metals. It is encouraging to note, however, that as metal prices became more realistic the Company's metal products enjoyed a more favorable position in competition with substitute materials.

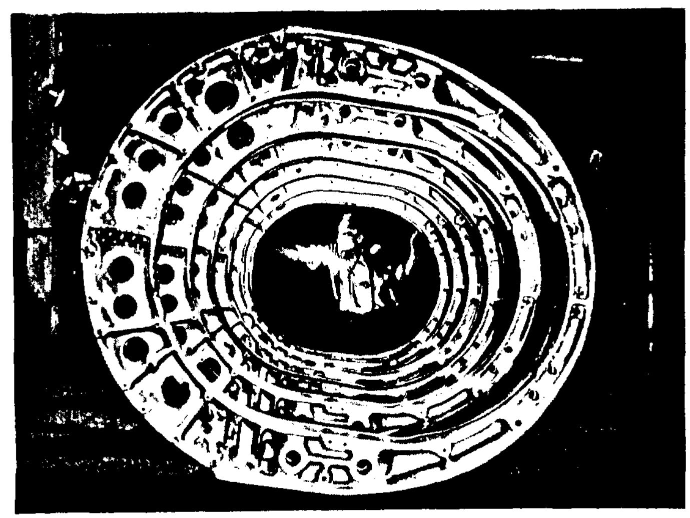
TAXES

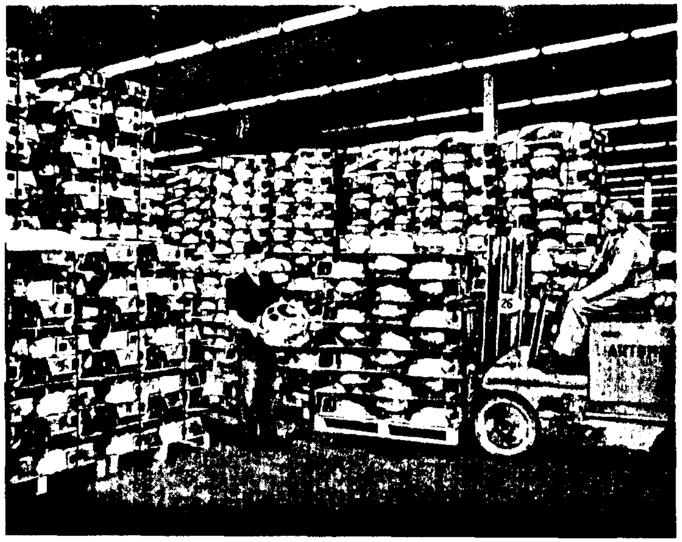
In 1953 the Company's tax burden for all types of taxes was $36,462,357, an increase of $7,633,458 over 1952. The impact of taxes on earnings comes into clearer perspective when compared with the net income remaining after tax requirements. On a per Common share basis, taxes represented $3.28, compared with $2.58 of net earnings available for dividend distribution and retention in the business.

Provision for federal income and excess profits taxes amount-



(Above) Milling inside contour of main fuselage frame assembly for the Republic RF84F Thunderjet at the Albany, New York, plant of the Company's Magnus Metal Division. (Below) Six completed assemblies ready for shipment, after machining and joining operations.





A group of torque converter housings die cast for automatic automobile transmissions by the Doehler-Jarvis Division, one of many complex parts produced for this constantly-expanding application.

ing to $31,987,429, or $6,661,320 over 1952, reflects larger taxable earnings and includes a refund of income and excess profits taxes totaling $1,258,172 for the years 1941-45, inclusive. The charge against income for such taxes represents $2.88 per Common share, compared with $2.49 per share in 1952.

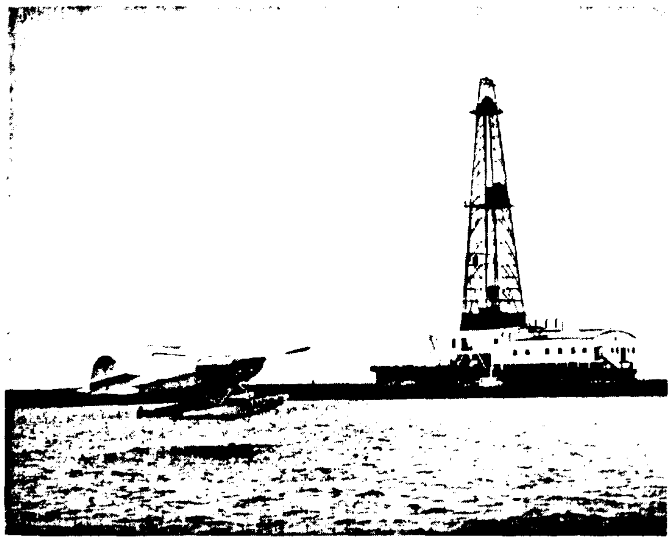
PLANT INVESTMENT

The Company's growth is clearly manifest in the plant investment account, which has doubled in the past ten years. Gross property account was $203,511,823 at December 31, 1953, an increase of $41,970,857 over the preceding year, representing largely the Doehler-Jarvis acquisition.

During the year the new Pottstown, Pennsylvania, plant of the Doehler-Jarvis Division, which employs 1,200 people, came into full production. This unit is designed to supply the growing demands of the appliance and allied industries for aluminum die castings.

Nearing completion, the nickel-copper-cobalt refinery at Fredericktown, Missouri, is slated for a trial run this month. Construction of this plant has been financed mainly by a Government loan. Repayment of the principal and interest will commence six months after the plant goes into production. A certificate of necessity, permitting accelerated write-off, has been granted for this facility.

Additional storage space for 1,500,000 bushels of flaxseed or soybeans was added in 1953 to the Minnesota Linseed Oil Company's million-bushel storage capacity. Expansion involved the building of thirty huge silos.



A fleet of Baroid Sales Division airplanes brings quick oil well drilling mud service to remote locations, such as this Louisiana drilling barge. Baroid was the first to provide this service to oil well drillers.

The barytes plant of the Baroid Sales Division at Corpus Christi, Texas, was completed during the year, as was the "Lorite" pigment extender plant of the De Lore Division at Edson, Kansas.

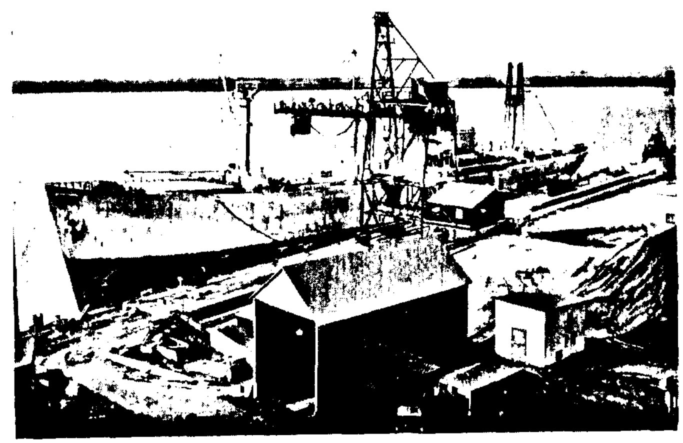
Provision for depreciation, depletion and amortization resulted in a charge against operations of $6,918,240, a 33 per cent increase over the 1952 charge of $5,193,355, representing in the main the inclusion of the Doehler-Jarvis Division depreciation for the ten months ended December 31, 1953. Accelerated amortization under certificates of necessity was not a significant factor in the Company's depreciation charges in the past year.

LITIGATION

Some progress was made with respect to the litigated matters detailed in earlier reports. The Company successfully defended, and the plaintiff appealed one of the three suits against the Baroid Sales Division for alleged patent infringement. The other two remain untried. The treble damage suit of Dutch Paint Company was dismissed after trial and an appeal from the dismissal is pending. The actions arising out of sale of used storage batteries were settled.

There has been no change in the status of the other actions referred to in the 1952 Annual Report.

Ocean-going vessels unloading both domestic and foreign raw materials, such as ilmenite ore from India, can tie up directly at docks of the Titanium Division plant in Sayreville, New Jersey, where titanium pigments are produced.



PERSONNEL

The acquisition of Doehler-Jarvis brought the number of Company employees to a new high of 23,462, all of whom contributed to the successful year just ended.

The Company has long recognized the importance of employee welfare and has provided well-rounded programs of health, safety, group life insurance, retirement annuity and other employee benefits. The profit-sharing trust reached its tenth year in 1953, making 1,161 original participants eligible to receive initial payments from the fund. Company earnings again permitted a contribution to the trust for 1953. At the end of the year, 1,033 former employees were receiving annuities, 132 having retired during 1953. Group Life Insurance in the amount of $648,000 was paid on 121 claims.

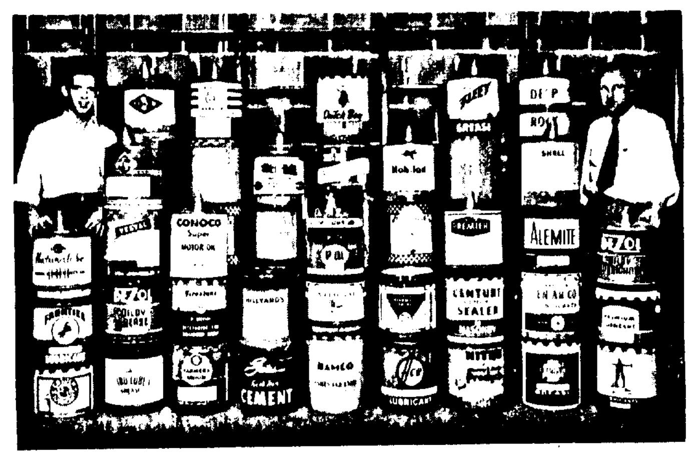
The Company in 1953 completed the liquidation of its past service pension liability by a net payment of $683,153, charged to the Pension Reserve and deductible for tax purposes.

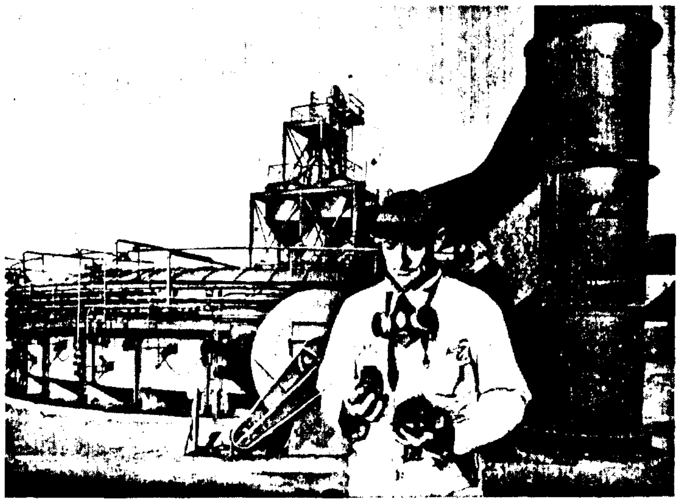
THE NATIONAL LEAD COMPANY FOUNDATION

The Company has always honored its social responsibilities by contributing generously to charitable, educational, scientific and other philanthropic organizations. The continued growth of the Company and the consequent pressure of increased demands have made desirable a change in the past methods of contribution.

After study of the problem, it was determined that a reasonable solution could be effected by the formation of a properly organized and financed foundation. Accordingly, in December 1953, the National Lead Company Foundation, Inc., was organized under the laws of the State of New York, with an initial contribution in the form of cash, property and investment assets in the approximate value of $1,500,000. This

(Above) Production line at the Steel Package Division plant in Granite City, Illinois. (Below) Utility cans, steel shipping pails and drums are manufactured for many paint, petroleum and chemical companies at this plant.





This briquetting kiln at the Titanium Metals Corporation of America plant in Henderson, Nevada, performs an early step in the production of strategic titanium metal.

contribution is considered deductible in computing 1953 federal income and excess profits tax.

In addition to contributions to community and national organizations, financial aid from the foundation will be given to colleges and universities for their research programs.

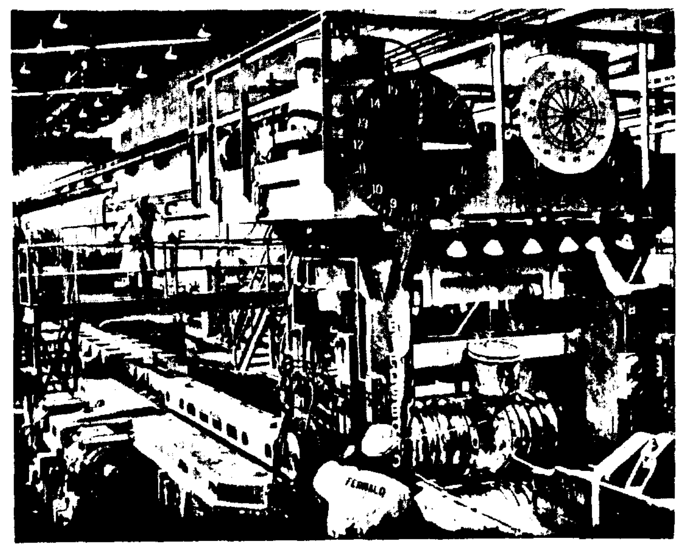
RESEARCH

The pressure of time is nowhere more strongly felt by your Company than in the field of research. Every dollar spent here is in the nature of an investment in the future, as well as insurance against the dangers of being left behind in the rapid march of industrial progress. National Lead Company from its

beginnings has maintained a tradition of keeping a step ahead in research and is pursuing a policy of continuing its leadership.

Your Company has developed a process for the extraction of iron from low-grade, non-magnetic ores. To put this process into commercial operation, a joint project with Republic Steel Corporation has been undertaken, combining the broad background of Republic Steel Corporation in the steel industry with the extensive experience of National Lead Company in the treatment of titaniferrous ores for titanium products. Pilot plants and additional laboratory facilities, under construction in Birmingham, Alabama, will soon be in operation for the study and treatment of Republic's Southern ores. There are substantial deposits of

This primary rolling mill, followed by a continuous finishing mill at the uranium production center operated by the Company for the Atomic Energy Commission in Fernald, Ohio, is used to roll uranium into bars for further fabrication into slugs for nuclear reactors.



low-grade non-magnetic ores in the United States, and the successful economical treatment of them will make the country less dependent on foreign sources for its steel requirements for years to come, in addition to extending the life of high-grade coking fuel deposits in the United States.

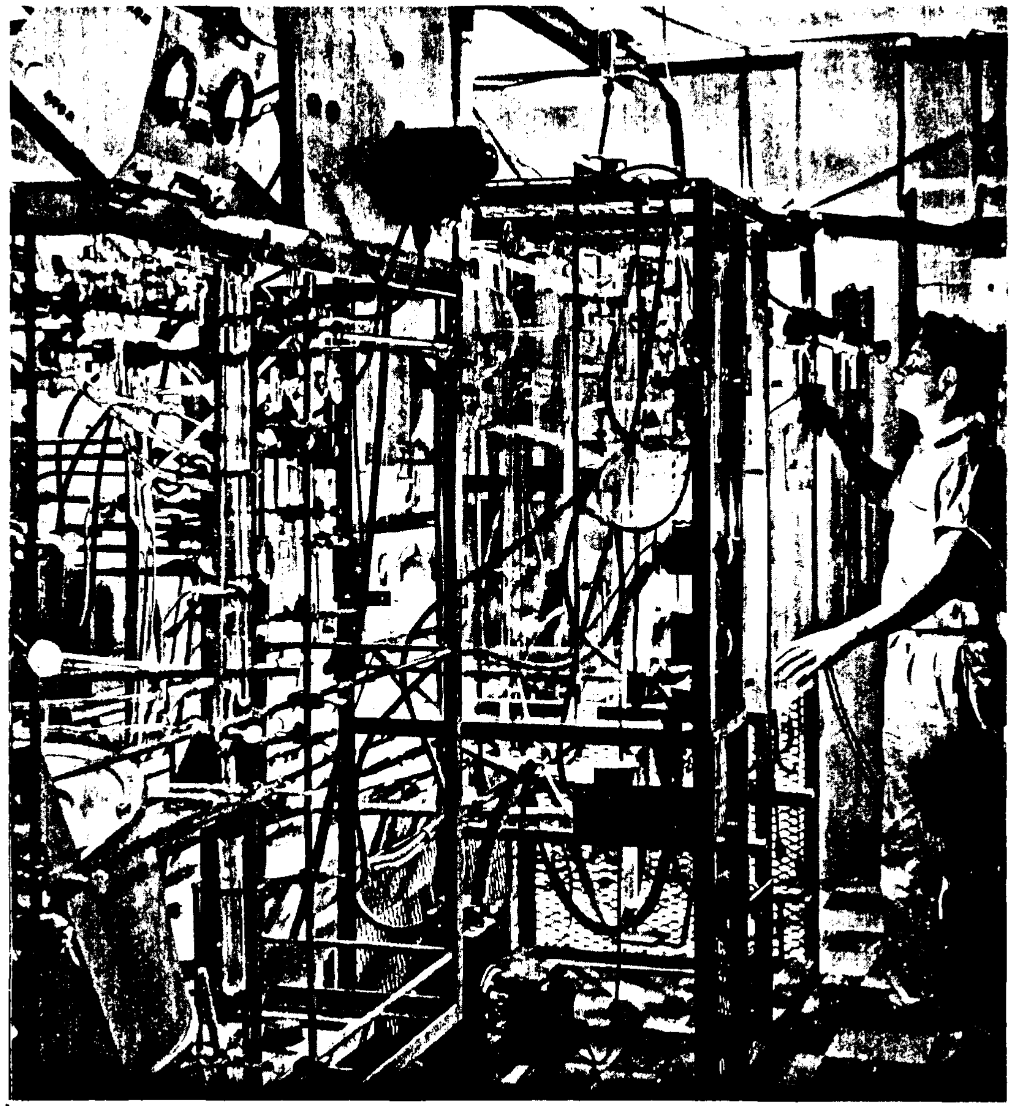
Continuous growth in sales was reported in 1953 for vinyl resin stabilizers, one of the newer developments of the Company's research laboratories. New applications are being discovered almost daily for plastics, and stabilizers must be incorporated to prevent discoloration or deterioration during the life of the product. In addition to floor coverings and unbreakable records, important uses for flexible plasticized vinyl compounds have been found in such products as upholstery, luggage, packaging, raincoats, shower curtains, window curtains, electrical insulation, tubing and hose.

Another recent development of the Company's research program is the series of compounds known as Bentones. These versatile products are finding wide acceptance as an ingredient of industrial greases, paints, printing inks, adhesives and plastics. Greases compounded with Bentones show only slight softening and no melting under extended use at high temperatures.

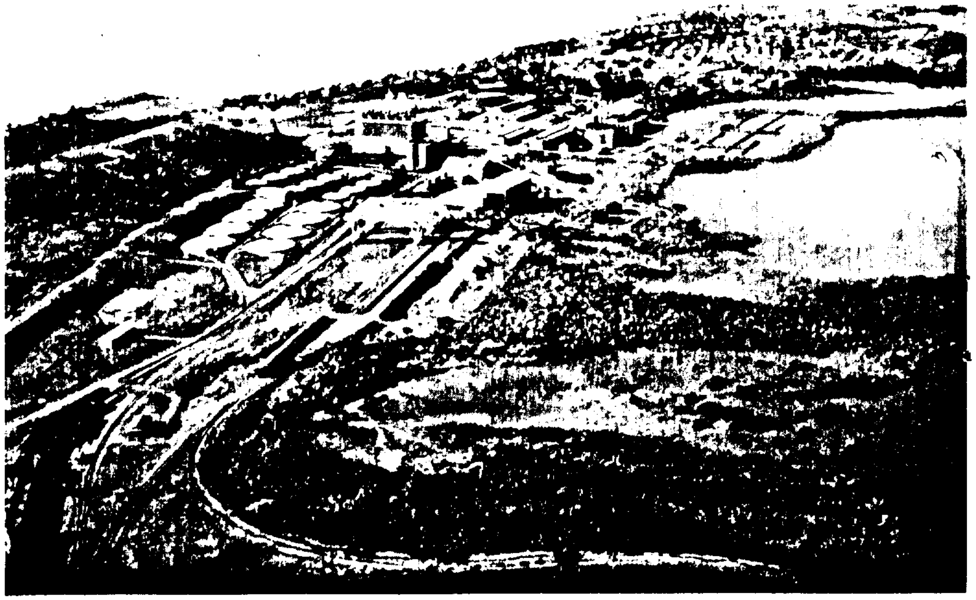
A project worth noting is the development of the largest and most powerful die casting machine ever engineered. The machine has been designed to produce castings substantially greater in size and weight than can be produced on existing equipment. Research continues on this development.

Products developed in the Company's laboratories are being used in the improvement of both solid and liquid fuels for jet propulsion. These materials are at this time confined mainly to military applications. However, there is a good possibility that work in this field will be fruitful in filling civilian needs as well.

Progress has been made in the field of zirconium metal, which is strong, light and resistant to corrosion and high temperatures.



Laboratory study of gases in metals. Research has played an important part in the Company's progress since its founding in 1891.



U. S. Government-owned nickel plant in Nicaro, Cuba, is scheduled for immediate expansion in productive capacity.

It is being produced in limited quantities and finding use in nuclear reactors and elsewhere.

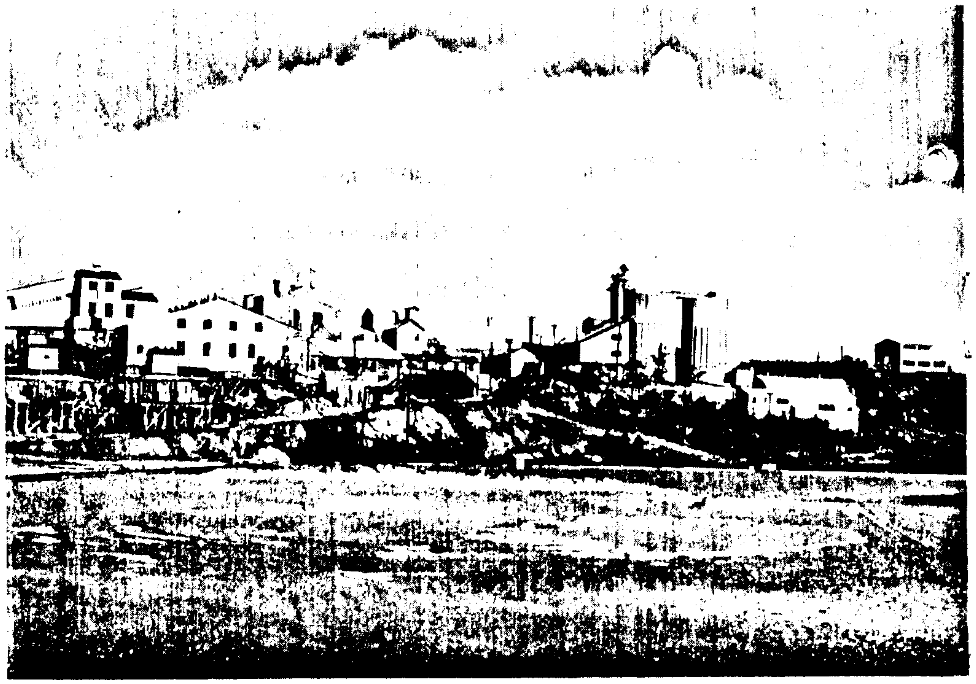
THE YEARS AHEAD

Much has been written about titanium metal and its potential, but too little said about the complex technical problems facing the industry as it moves forward to meet accelerated demand. Spurred on by Defense requirements, this new and strategic metal was pushed from test tube to full scale production within a few years. Recognizing this situation Titanium Metals Corporation of America, owned jointly with Allegheny Ludlum Steel Corporation, continues the development of process techniques through research and engineering. The results are manifested in increased output, setting the pace for the industry, and in improved quality to meet the needs of the Armed Services and the aircraft industry. Your Company looks forward with confidence to the continued growth of Titanium Metals Corporation of America as a major factor in the field of titanium metal.

In 1953 the Company joined with The Goodyear Tire & Rubber Company and Bird & Son, Inc., to form Rubarite, Incorporated, which produces rubberized barytes for addition to asphalt mixtures used in construction of highways, air strips and parking lots. The plant, adjacent to the Company's barytes unit in Malvern, Arkansas, came into production late in the year.

The General Services Administration of the United States Government recently announced that National Lead Company has been authorized to carry out a $43,000,000 expansion of the United States Government-owned nickel plant in Nicaro, Cuba. The expansion is designed to increase the capacity of this important plant by 75 per cent. The Nicaro plant is currently being operated by Nickel Processing Corporation, in which National Lead Company owns the majority stock interest.

The Company continues to make substantial contributions to the expanding atomic energy field through its wholly owned subsidiary, National Lead Company of Ohio, contract-operator of the Atomic Energy Commission's plant at Fernald, Ohio, where approximately 1,900 people are employed. The construction phase as originally planned was completed in the closing months of 1953 and the plant is now officially on stream. This is a completely integrated facility which handles uranium ore concentrates through many intricate manufacturing steps to finished uranium metal of extremely high purity. The chemical processing of ores and the complex metallurgical techniques required for the production of this unusual metal offer an interesting challenge.



Barytes ore, used in oil well drilling muds, is mined and processed at the Malvern, Arkansas, installation of the Baroid Sales Division, also the site of the new plant of Rubarite, Incorporated.

OUTLOOK FOR 1954

Indications in early 1954 make it clear that the Nation has returned to a more stabilized economy. American industry, freed from the burden of excess profits tax and encouraged by a more realistic approach to its problems on the part of the Government, has geared itself for a return to the competitive market. Your Company is alert to the developing situation and is prepared to meet it. Keeping pace with the first two months of 1953, the Company's volume of business activity continues strong and augurs well for future earnings.

Once again the Company gives recognition to a valued asset not itemized on the balance sheet—the loyalty, cooperation and initiative of its employees, who contributed so much to the success of the year 1953. With continuing teamwork your Management looks forward to even greater achievement in the years ahead.

It is a source of satisfaction to note that the ownership of the Company continues to grow with the business. As of December 31, 1953, there were 29,641 stockholders, 5,828 more than at the end of 1952. The Company takes this opportunity to welcome the former Doehler-Jarvis Corporation stockholders into the National Lead family.

This report will be presented to the stockholders at their Annual Meeting which will be held at Sayreville, New Jersey, on April 15, 1954.

By Order of the Board of Directors

J. A. Martino

President

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 1953 AND 1952

ASSETS

	1953	1952
Current assets:		
Cash	$ 31,903,234	$ 18,730,699
United States Government securities, at cost (approximately equivalent to amounts at market quotations) (Note 1)	26,416,046	16,035,442
Other marketable securities, at cost, less reserves of $109,181 (at market quotations: 1953, $1,339,298; 1952, $3,685,060) (Note 1)	1,294,870	1,593,089
Accounts and notes receivable, less reserves of: 1953, $2,169,227; 1952, $1,999,338	35,761,065	29,296,224
Notes receivable from employees	365,547	255,013
Inventories (Note 2)	69,071,878	56,960,027
Total current assets	164,812,640	122,870,494
Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of $3,801,088 (Note 3)	10,646,208	10,787,483
Miscellaneous investments and advances, at cost or below, less reserves of: 1953, $41,455; 1952, $45,826	4,539,060	2,760,019
Plant, property and equipment, at 1915 appraised values, subsequent additions at cost (including intangibles of $20,692,311 not being amortized) less reserves for depreciation, depletion and amortization of: 1953, $91,281,692; 1952, $75,944,349	112,230,131	85,596,617
Prepaid expenses, deferred charges, etc.	2,419,224	1,895,937
	$294,647,263	$223,910,550

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 1953 AND 1952

LIABILITIES

	1953	1952
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,637,957	$ 14,845,208
Payable to unconsolidated subsidiaries	586,318	547,985
Provisions for taxes, including federal taxes on income	48,624,259	38,238,944
Dividends on Class B preferred stock	135,277	135,277
Total current liabilities	$ 72,983,811	$ 53,767,414
Notes payable and accrued interest, United States Government (Note 4)	$ 7,702,337	$ 1,652,325
Reserves:		
Pension		$ 728,363
Inventory (Note 2)	$ 13,061,559	13,509,584
	$ 13,061,559	$ 14,237,947

CAPITAL

	1953	1952
Capital stock:		
Preferred Class A, 7 per cent cumulative, non-callable (par value $100); shares authorized 250,000, issued 243,676	$ 24,367,600	$ 24,367,600
Preferred Class B, 6 per cent cumulative, non-callable (par value $100); shares authorized 250,000, issued 103,277	10,327,700	10,327,700
Common (par value $5); shares authorized 20,000,000, issued: 1953, 11,380,493 shares; 1952, 10,158,375 shares (including 398,700 issued under Stock Purchase Plan) (Notes 5 and 6)	56,902,465	50,791,875
	91,597,765	85,487,175
Earned surplus:		
Appropriated:		
Fire insurance reserve	4,797,284	4,797,284
Employer's liability reserve	426,664	426,664
Contingencies reserve	4,080,358	4,080,358
Unappropriated	106,888,628	66,426,199
	$207,790,699	$161,217,680
Less:		
Reacquired capital stock, at cost (Note 7)	$ 2,878,343	$ 2,583,081
Employees' notes receivable under Stock Purchase Plan (Note 5)	4,012,800	4,381,735
	$ 6,891,143	$ 6,964,816
	$200,899,556	$154,252,864
	$294,647,263	$223,910,550

The accompanying notes to financial statements are integral parts of these statements.

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Statements of Income and Earned Surplus Unappropriated

FOR THE YEARS ENDED DECEMBER 31, 1953 AND 1952

	1953	1952
Sales, less returns and allowances	$436,050,592	$358,048,435
Cost of sales (Note 2)	$309,187,217	$263,323,357
Depreciation, depletion and amortization	6,918,240	5,193,355
Administrative, selling and general expenses	56,304,246	42,611,966
Taxes, other than federal taxes on income	4,474,928	3,502,790
	$376,884,631	$314,631,468
	$ 59,165,961	$ 43,416,967
Other income (Note 8)	3,884,276	5,030,104
	63,050,237	48,447,071
Other charges (Note 9)	213,880	60,908
Income before provisions for federal taxes on income	$ 62,836,357	$ 48,386,163
Provisions for federal taxes on income (Note 10):		
Normal tax and surtax	$ 28,326,601	$ 21,176,109
Excess profits tax	4,919,000	4,150,000
Refunds of federal income taxes of Doehler-Jarvis Corporation for years 1941-1945 under Section 721 of the Internal Revenue Code	(1,258,172)	—
	$ 31,987,429	$ 25,326,109
Net income for the year (Note 6)	$ 30,848,928	$ 23,060,054
Earned surplus unappropriated, January 1	$ 66,426,199	$ 60,276,950
Net earned surplus of Doehler-Jarvis Corporation, merged during 1953	31,574,529	—
Net income for the year	30,848,928	23,060,054
	$128,849,656	$ 83,337,004
Dividends:		
On Class A preferred stock, $7 per share	$ 1,640,051	$ 1,640,051
On Class B preferred stock, $6 per share	541,110	541,110
	2,181,161	2,181,161
On common stock, $1.75 per share in 1953, $1.45 per share in 1952	19,779,867	14,729,644
	$ 21,961,028	$ 16,910,805
Earned surplus unappropriated, December 31	$106,888,628	$ 66,426,199

The accompanying notes to financial statements are integral parts of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The following cost amounts of securities were on deposit at the respective balance sheet dates:

	1953	1952
In connection with self-insurance of workmen's compensation risks, etc.:		
United States Government securities	$ 437,517	$352,681
Other marketable securities	1,065,889	881,452
As collateral for bank loan of an unconsolidated subsidiary:		
United States Government securities	750,207	750,241

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

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

	Normal Quantities (Short Tons)	Fixed Inventory Price per Pound
Lead	49,687½	$.03
Tin	1,124½	.21
Antimony	1,400	.05
Linseed oil	3,125	.06

Replacements were made during 1953 and 1952 of a portion of the quantities of certain metals which were lower at the end than at the beginning of 1951. The excess of replacement cost over cost determined under the Lifo method has been charged to income and a *related portion of the reserve, provided in 1951, has been credited to* income during 1953 and 1952.

The inventory reserves include, in addition to the normal stock reserves, general inventory reserves of $800,000 at both December 31, 1953 and 1952.

3. Unconsolidated subsidiaries comprise domestic subsidiaries more than 50, but less than 100 per cent owned and foreign subsidiaries.

Based upon financial statements as of the close of their respective fiscal years, National Lead Company's equity in the net tangible assets of unconsolidated subsidiaries (other than those in Continental Europe) approximated $23,820,000 at December 31, 1953 and $23,725,000 at December 31, 1952. Such equities exceeded the company's investments in and advances to these subsidiaries, after deducting applicable reserves on the books of National Lead Company, by approximately $14,545,000 at December 31, 1953 and $14,344,000 at December 31, 1952, representing an increase in such excess of approximately $201,000 in 1953 and a decrease of $979,000 in 1952. These changes are after various adjustments in 1953 and are after dividends of $1,726,842 in 1953 and $2,259,147 in 1952 paid by the unconsolidated subsidiaries and included in consolidated net income.

Total equities of $23,820,000 and $23,725,000 shown in the preceding paragraph include $11,077,000 and $11,307,000, respectively, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange. The realization of foreign assets and foreign earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.

Unaudited financial statements as of September 30, 1953 and 1952 received from the Continental European subsidiaries indicate that National Lead Company's equity in the net assets thereof approximated the following foreign currency amounts at the respective dates:

	1953	1952
Norwegian kroner	12,965,000	12,425,000
Belgian francs	19,636,000	20,520,000
Dutch florins	1,472,000	1,540,000
French francs	11,065,000	47,920,000
German deutsch marks	19,085,000	16,698,000

National Lead Company's investments in and advances to Continental European subsidiaries, less reserves, were $1,371,455 at December 31, 1953 and $1,406,850 at December 31, 1952. Dividends (U. S. dollar amounts) were received from a Norwegian subsidiary and are included in consolidated net income in the amounts of $48,870 for 1953 and $48,867 for 1952.

4. Under agreement with the U. S. Government the company has received advances of $7,500,000 from the Government for new production facilities now under construction. The advances and accrued interest, at 4 per cent per year, are payable in twenty equal quarterly instalments beginning on a date six months subsequent to commencement of production. The advances are secured by notes and a mortgage on the new facilities.

5. Under the company's Stock Purchase Plan for Officers and Other Key Employees, adopted in 1950, certain officers and employees contracted to purchase common stock of the company. The purchase prices (markets at the dates of execution of the purchase contracts) are evidenced by promissory notes bearing interest at 3 per cent payable within 10 years from dates thereof, the shares serving as collateral. Payments against interest and principal of the notes shall be not less than fifty per cent of the dividends paid on such collateral shares. Shares held as collateral aggregated 281,800 at December 31, 1953, and 302,700 at December 31, 1952.

6. During 1953 upon exchange of 1,221,118 shares of common stock of National Lead Company for all of the assets, property and business of Doehler-Jarvis Corporation such company merged into National Lead Company. The consolidated statements of income of National Lead Company do not include the operations of Doehler-Jarvis Corporation prior to the merger. Had such operations been so included consolidated net income for the years 1953 and 1952 would have been $32,122,787 and $25,962,452 respectively.

7. Reacquired capital stock, carried at first-in, first-out costs, comprises:

	December 31, 1953		December 31, 1952	
	No. of Shares	Costs	No. of Shares	Costs
Preferred Class A	9,383	$1,147,727	9,383	$1,147,727
Preferred Class B	13,092	1,435,354	13,092	1,435,354
Common	77,713	295,262		
		$2,878,343		$2,583,081

8. Other income comprises:

	1953	1952
Dividends received (including $1,775,712 from unconsolidated subsidiaries in 1953 and $2,308,014 in 1952)	$2,200,128	$2,847,143
Reserves no longer required:		
Pension	45,210	
Advances to unconsolidated subsidiaries		406,542
Inventory (see Note 2)	488,787	1,276,381
Interest and miscellaneous	1,150,151	500,038
	$3,884,276	$5,030,104

9. Other charges comprise:

	1953	1952
Net loss on sales and other retirements of fixed assets	$193,608	$54,278
Miscellaneous	20,272	6,630
	$213,880	$60,908

10. Numerous differences exist between taxable income and book income, including certain fluctuations in the inventory reserves; percentage depletion; depreciation charges; and purchases of past service annuities deductible for tax purposes but charged on the books to reserve for pensions. Contributions during 1953 to a charitable foundation formed by

the company will be claimed for income tax purposes in amounts greater than the book amounts of the contributed assets.

General:

Under agreements with the Atomic Energy Commission, two consolidated subsidiaries are operating plants constructed with funds supplied by the Commission. Neither the assets, liabilities, nor results of operations of such plants are included in the accompanying financial statements. Annual fixed fees received by such subsidiaries as contract-operators are included in other income in the accompanying financial statements.

Renegotiation refunds, if any, are not considered to be material and no provision has been made therefor.

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

LYBRAND, ROSS BROS. & MONTGOMERY
Certified Public Accountants
90 Broad Street, New York City

To the Stockholders of
NATIONAL LEAD COMPANY, NEW YORK, N. Y.

We have examined the consolidated and individual balance sheets of NATIONAL LEAD COMPANY and its Wholly Owned Domestic Subsidiaries as of December 31, 1953 and the related statements of income and surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also examined or have received reports of other public accountants upon their examinations of the balance sheets and related statements of income and surplus of the major domestic subsidiaries more than 50, but less than 100 per cent owned and the major foreign subsidiaries other than Continental European, for their respective 1953 fiscal years. Similar examinations were made for the 1952 fiscal years.

As explained in Note 6 to the accompanying consolidated financial statements, Doehler-Jarvis Corporation merged into National Lead Company during 1953. We believe that the results of operations of Doehler-Jarvis Corporation prior to the merger should have been included in the accompanying consolidated statements of income.

Subject to the preceding paragraph, in our opinion, based upon the above-outlined examinations and the above-mentioned reports of other public accountants, the accompanying consolidated balance sheets and related consolidated statements of income and earned surplus unappropriated present fairly the consolidated financial position of National Lead Company and its wholly owned domestic subsidiaries at December 31, 1953 and 1952 and the consolidated results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 5, 1954.

TEN YEAR REVIEW OF OPERATIONS

										1953
Net Sales	$166,168,715	$167,562,928	$167,447,243	$268,026,394	$320,457,301	$257,461,599	$342,727,911	$389,941,313	$358,048,435	$436,050,592
Net Income before Taxes	18,304,136	11,218,228	16,713,479	23,904,417	26,606,510	21,191,579	54,557,799	59,607,540	48,386,163	62,836,357
Federal Taxes on Income	10,740,382	4,679,720	7,036,395	11,724,285	13,302,155	6,442,568	28,067,155	36,613,823	25,326,109	31,987,429
Net Income	7,563,754	6,538,508	9,677,084	12,180,132	13,304,355	14,749,011	26,490,644	22,993,717	23,060,054	30,848,928
Earned Per Share of Common Stock (Adjusted to present capitalization)	0.60	0.48	0.82	1.09	1.21	1.29	2.41	2.05	2.06	2.58
Preferred Dividends	2,031,323	2,059,323	2,059,323	2,059,323	2,085,512	2,134,451	2,134,451	2,157,806	2,181,161	2,181,161
Common Dividends	3,090,664	3,090,664	4,635,996	6,181,328	8,671,502*	7,317,900	13,430,651	14,381,756	14,729,644	19,779,867
Current Assets: Cash	10,313,702	9,571,663	11,681,055	12,95[illegible]7	[illegible],304,183	17,961,612	24,370,746	23,418,857	18,730,699	31,903,234
U. S. Government and other Marketable Securities	16,131,607	17,902,254	18,393,548	11,500,197	2,524,445	10,517,353	22,731,445	23,580,682	17,628,531	27,710,916
Notes and Accounts Receivable	14,859,530	15,171,135	15,573,093	21,461,427	28,120,306	16,114,669	35,524,206	31,229,932	29,551,237	36,126,612
Inventories†	23,601,398	29,361,453	32,617,337	44,550,399	59,118,313	43,857,133	48,824,480	55,404,739	56,960,027	69,071,878
Total Current Assets	64,906,237	72,006,505	78,265,033	90,465,930	99,067,247	88,450,767	131,450,877	133,634,210	122,870,494	164,812,640
Total Current Liabilities	21,566,069	16,843,516	22,410,068	30,252,412	35,359,277	25,864,583	56,402,753	66,051,113	53,767,414	72,983,811
Net Working Capital	43,340,168	55,162,989	55,854,965	60,213,518	63,707,970	62,586,184	75,048,124	67,583,097	69,103,080	91,828,829
Gross Property Account	98,025,024	100,794,666	106,793,660	122,739,173	133,879,240	133,252,879	135,578,755	154,012,668	161,540,966	203,511,823
Reserves for Depreciation Depletion and Amortization	46,250,242	55,147,610	56,018,905	57,407,848	59,856,625	64,080,311	67,390,015	71,215,202	75,944,349	91,281,692
Net Property Account	51,774,782	45,647,056	50,774,755	65,331,325	74,022,615	69,172,568	68,188,740	82,797,466	85,596,617	112,230,131

* Includes cash dividends of $3,869,137 and 5% stock dividend valued at $31 per share.

† Inventories for 1944 are shown net of normal stock reserves.

BRANCHES AND DIVISIONS

ATLANTA BRANCH . . . 400 Bishop Street, N.W., Atlanta
G. W. Pendery, *Manager* . . . Paints, Pigments and Metal Products

ATLANTIC BRANCH . . . 111 Broadway, New York
R. M. Bennett, George Sathre, *Managers*. . . Paints, Pigments and Metal Products

BALTIMORE BRANCH . . . 214 West Henrietta Street, Baltimore
C. A. Schneider, *Manager* . . . Metal Products

BAROID SALES DIVISION . . . 2404 Danville Street, Houston
G. L. Ratcliffe, *General Manager* . . . Oil Well Drilling Mud Service

CHICAGO BRANCH . . . 900 West Eighteenth Street, Chicago
P. J. Pater, *Manager* . . . Paints, Pigments and Metal Products

CINCINNATI BRANCH . . . 659 Freeman Avenue, Cincinnati
H. W. Hundley, *Manager* . . . Paints, Pigments and Metal Products

CLEVELAND BRANCH . . . 1776 Columbus Road, Cleveland
E. G. Orling, H. A. Getz, *Managers* . . . Paints, Pigments and Metal Products

DE LORE DIVISION . . . Carondelet Station, St. Louis
A. J. Wetzel, *Manager* . . . Barium Sulphate and Calcium Carbonate Pigments

DOEHLER-JARVIS DIVISION . . . Smead Avenue, Toledo
F. J. Koegler, *General Manager* . . . Die Castings

EVANS LEAD DIVISION . . . Charleston, W. Va.
R. M. Evans, *Manager* . . . Lead Oxides

E. W. BLATCHFORD CO. BRANCH . . . 111 Broadway, New York
M. L. Friday, Sr., *Manager* . . . Type Metals and Blatchford Base

MAGNUS METAL DIVISION . . . 111 Broadway, New York
W. V. Burley, *General Manager*
Railway Car Journal and Diesel Locomotive Bearings

NATIONAL LEAD CO. OF MASS. . . . 800 Albany Street, Boston
Karl Fischer, G. A. Savage, *Managers* . . . Paints, Pigments and Metal Products

PACIFIC COAST BRANCH . . . 2240 Twenty-fourth Street, San Francisco
D. D. Roberts, *Manager* . . . Paints and Pigments

PHILADELPHIA BRANCH . . . 2607 East Cumberland Street, Philadelphia
J. W. Gardiner, Jr., G. A. Watts, *Managers* . . . Paints, Pigments and Metal Products

ST. LOUIS BRANCH . . . 722 Chestnut Street, St. Louis
E. E. Busse, R. R. Stamm, *Managers* . . . Paints, Pigments and Metal Products

ST. LOUIS SMELTING & REFINING DIVISION . . . Fredericktown, Missouri
H. A. Krueger, *Manager* . . . Lead and Zinc Concentrates

SOUTHWESTERN BRANCH . . . 959 Terminal Street, Dallas
W. H. Lessmann, R. R. Stamm, *Managers* . . . Paints, Pigments and Metal Products

STEEL PACKAGE DIVISION . . . 722 Chestnut Street, St. Louis
W. T. Trask, *Manager* . . . Small Steel Containers

TEXAS MINING & SMELTING DIVISION . . . Laredo, Texas
J. C. Archibald, Jr., *Manager* . . . Metallic Antimony and Antimony Oxides

TITANIUM ALLOY MFG. DIVISION . . . 111 Broadway, New York
J. M. Johnston, *Manager* . . . Titanium and Zirconium Products

TITANIUM DIVISION . . . 111 Broadway, New York
J. H. Reid, *Manager* . . . Titanium Products; Ilmenite and Magnetite Iron Ore

CORPORATIONS

in Which National Lead Company is Interested
Through Ownership of All or Part of the Capital Stock

AMERICAN BEARING CORPORATION* . . . Indianapolis
Frank Lambertus, *President* . . . Precision Bearings

BAKER CASTOR OIL COMPANY . . . New York
I. M. Colbeth, *President* . . . Castor Oil and Derivatives

CANADIAN TITANIUM PIGMENTS LIMITED* . . . Montreal
G. N. Bates, *Sales Manager* . . . Titanium Oxide Pigments

DOEHLER-JARVIS CORPORATION* . . . Toledo
F. J. Koegler, *President* . . . Die Castings

EVANS LEAD CORPORATION* . . . Charleston, W. Va.
R. M. Evans, *President* . . . Lead Oxides

HOYT METAL COMPANY OF GREAT BRITAIN, LTD.* . . . London
J. C. Hart, *Managing Director* . . . Anti-Friction Metals

MORRIS P. KIRK & SON, INC. . . . Los Angeles
J. Paul Kirk, *President* . . . Pigments and Metal Products

MAGNUS BRASS MFG. CO.* . . . Cincinnati
W. V. Burley, *President* . . . Locomotive Specialties

MAGNUS METAL CORPORATION* . . . Chicago
W. V. Burley, *President* . . . Railway Car Journal and Diesel Locomotive Bearings

MASTER METALS, INC. . . . Cleveland
L. H. Herthneck, *Manager* . . . Secondary Metals

MINNESOTA LINSEED OIL CO. . . . Minneapolis
E. H. Russell, *President* . . . Linseed Oil

NATIONAL LEAD CO. OF OHIO* . . . New York
J. A. Martino, *President* . . . Contract-Operators, Atomic Energy Commission Plant

NATIONAL LEAD CO. S. A. (ARGENTINA) . . . Buenos Aires
C. M. Merrell, *President* . . . Metallic Lead, Lead Products

NICKEL PROCESSING CORPORATION . . . Nicaro, Cuba
H. C. Wildner, *President* . . . Nickel Oxides

THE CANADA METAL COMPANY, LTD.* . . . Toronto
J. A. Taylor, *President* . . . Lead Products, Brass and Bronze, Dross Smelters

THE CHAS. TAYLOR'S SONS COMPANY* . . . Cincinnati
R. W. Knauft, *President* . . . Refractories

TITAN CO. A/S . . . Fredrikstad, Norway
Erik Anker, *Managing Director* . . . Titanium Oxide Pigments
SOCIETE BELGE DU TITANE, S. A., Brussels, Belgium

TITAN COMPANY, INC.* . . . Wilmington, Del.
Erik Anker, *Vice President* . . . Titanium Oxide Pigments
SOCIETE INDUSTRIELLE DU TITANE, Paris, France
TITAAN N. V., Rotterdam, Netherlands
TITANGESELLSCHAFT, m.b.H., Leverkusen, Germany

TITANIUM ALLOY MANUFACTURING CO. PTY. LTD.* . . . Tweed Heads, Australia
W. H. Derrick, *Manager* . . . Rutile and Zircon Ores

TITANIUM METALS CORPORATION OF AMERICA . . . New York
E. R. Rowley, *President* . . . Titanium Metal Products

TITANIUM PIGMENT CORPORATION* . . . New York
J. A. Martino, *President* . . . Titanium Oxide Pigments

* Wholly owned.

PRODUCTS OF NATIONAL LEAD COMPANY

PAINTS AND PAINT MATERIALS
Sold under the DUTCH BOY brand name

Exterior House Paints
Interior Wall Paints
Enamels
Varnishes
Metal Protective Paints
Linseed Oil
Lead Mixing Oil
White Lead
Red Lead
Colors
Flatting Oil
Liquid Drier

PIGMENTS AND CHEMICALS

Basic Carbonate White Lead
Basic Silicate White Lead (45X)
Lead Acetate
Lead Silicates
Lead Oxides
Calcium Carbonate
Barium Sulphate
Copperas-Iron Sulphate
Zinc Chloride
Antimony Oxides
Lead Chemicals for the Plastics Industry
Lorite

OILS

Linseed Oil
Special Paint Oils
Castor Oil

LEAD PRODUCTS

Lead Pipe
Sheet Lead
Lead Traps and Bends
Lead Cames
Lead Sash Weights
Ingot Lead
Bar Lead
Lead Shot
Lead Wire
Lead Washers
Lead Wool

LEAD ALLOY PRODUCTS

Solder
Bearing Metals
Type Metals
Electrotype Metal
Stereotype Metal
Antimonial Lead
Tellurium Lead
Storage Battery Plate Metal

DOEHLER-JARVIS DIVISION

Raw & Finished Die Castings
(Zinc, Aluminum, Brass, and Magnesium)

OTHER METAL PRODUCTS

Aluminum Alloys
Railway Journal Bearings
Satco Bearing Metals
Diesel Engine Bearings
Kirksite "A" Die Metal
Pressure Die Castings
Pewter and Britannia Metal
Antimony

ACID HANDLING EQUIPMENT

Chemical Lead Pipe
Chemical Sheet Lead
Acid Pumps
Acid Concentrators
Lead Lined Pipe
Lead Lined Valves
Lead Lined Fittings
Tin Lined Pipe
Tin Lined Valves
Tin Lined Fittings
Hard Lead Valves

OIL WELL DRILLING MATERIALS

Clays
Colloids
Weighting Agents
Suspending Agents
Thinners
Logging Service

TITANIUM ALLOY MANUFACTURING DIVISION

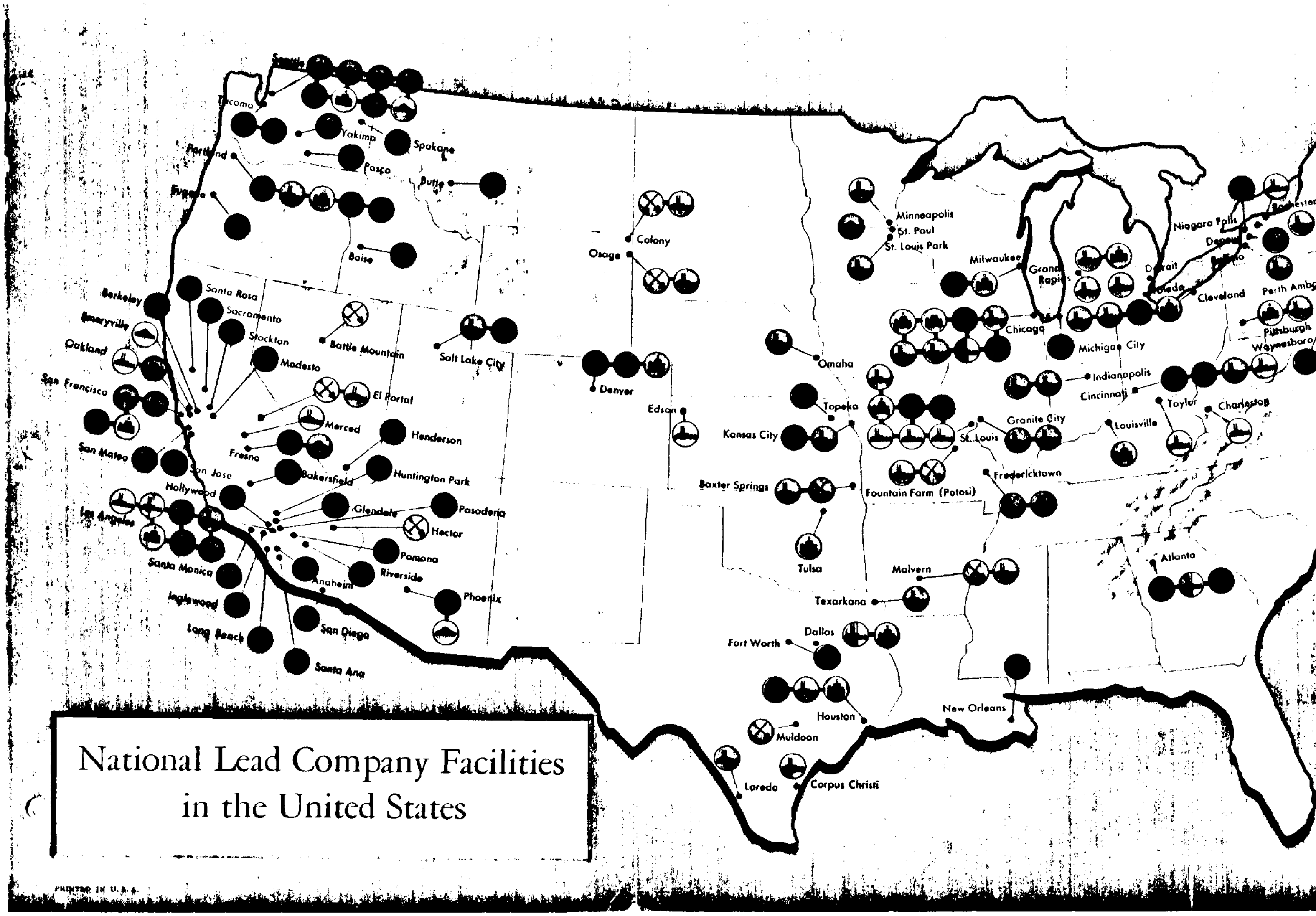
Ferro Alloys of Titanium
Titanates
Titanium Dioxide (Natural Rutile)
Zirconium Chemicals
Zirconium Ceramic Materials
Zirconium Metal

TITANIUM PIGMENTS
Sold under the TITANOX brand name

Titanium Dioxide (Rutile)
Titanium Dioxide (Anatase)
Titanium Calcium Pigments
Titanium Dioxide (Technical Grade)

GENERAL PRODUCTS

Magnetite-Iron Concentrates
Magnetite Sinter
Ilmenite Concentrates
Journal Lubricator Pads
Locomotive Lubricating Devices
Titanium Metal
Linseed Oil Cake and Meal
Expansion Bolts
Screen Plates for Paper Mill Industry
Small Steel Containers
Bentones
Refractories
Rubberized Barytes
Lead and Zinc Concentrates



National Lead Company Facilities
in the United States

0000-NLI-00001852S