61st ANNUAL REPORT

1952

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

61st ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1952

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BOARD OF DIRECTORS

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

EXECUTIVE COMMITTEE

Chairman: JOSEPH A. MARTINO

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

EXECUTIVE OFFICERS

President: JOSEPH A. MARTINO

Vice-Presidents:

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

Secretary: JOHN B. HENRICH
Treasurer: JOSEPH J. MORSMAN, JR.
Comptroller: GEORGE A. DEWEY

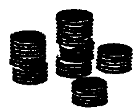
Assistant Treasurer: MICHAEL USS
Assistant Comptrollers: THOMAS F. OWENS
ARCHER D. SARGENT

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

FINANCIAL HIGHLIGHTS

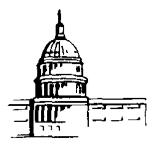
SALES

1952	$358,048,435
1951	$389,941,313



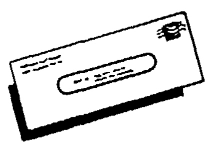
EARNINGS

1952	$ 23,060,054
1951	$ 22,993,717



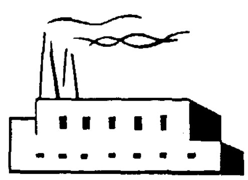
TAXES

1952	$ 28,828,899
1951	$ 39,943,741



DIVIDENDS
PER SHARE

1952	$	1.45
1951	$	1.41⅔



EARNINGS RETAINED
FOR USE IN THE BUSINESS

1952	$ 6,149,249
1951	$ 6,454,155

THE PRESIDENT'S MESSAGE

March 17, 1953

To the Stockholders and Employees of National Lead Company:

COMPANY OPERATIONS during 1952 resulted in earnings equivalent to those of the previous year. And yet, generally speaking, the factors contributing to the showing were somewhat different from those which applied in 1951. The record is outlined in the pages which follow, reflecting to a great extent the advantages which the Company enjoys as the result of the wide scope of its interests.

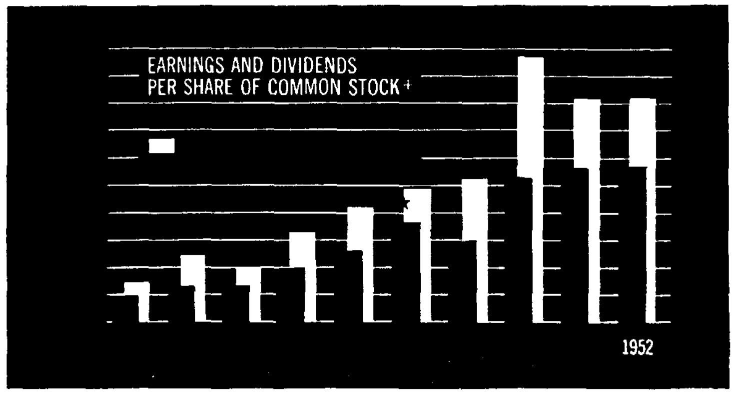
EARNINGS

The Company's net income for 1952 amounted to $23,060,054 or $2.06 per Common share, compared with $22,993,717 or $2.05 per share for 1951. Net income, the second highest in Company history, was 6.4 per cent of the sales dollar, an improvement over the 5.9 per cent reported in 1951.

Dividends received from foreign subsidiaries and partially-owned domestic companies, which likewise enjoyed a favorable year, are included in the above earnings figure. The Company's equity in the 1952 undistributed earnings of these affiliates, before considering foreign exchange fluctuations, is estimated at 6¢ per Common share. The Company's equity in the net tangible assets of these affiliates at December 31, 1952 amounted to $23,725,000, as compared with the Company's investments of $9,381,000.

DIVIDENDS

Cash dividend disbursements in 1952, totaling $16,910,805, were the largest in the Company's history. Regular quarterly payments aggregating $2,181,161 were made to Preferred share-



holders. Common stockholders received $14,729,644. Payments consisted of four quarterly dividends of 25¢ per share and an extra payment of 45¢ in December 1952. The total of $1.45 per share compared with the $1.41⅔ paid in 1951.

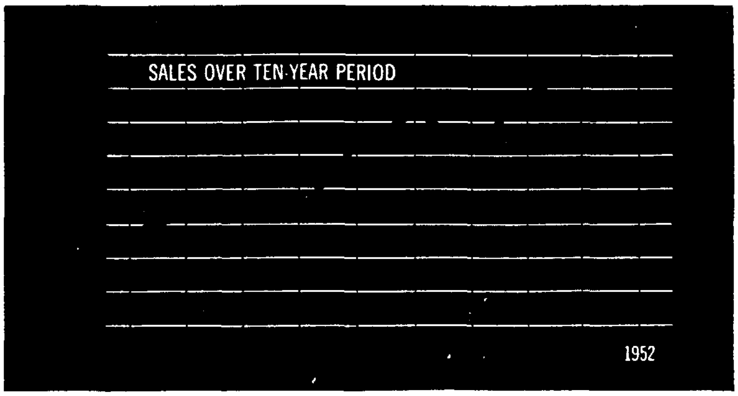
Since the issuance of the Preferred A stock in 1892 and the Preferred B stock in 1927, the Company has maintained consecutive quarterly dividends on these shares. Dividends have been paid continuously on the Common stock since 1906.

Dividend disbursements in 1952 accounted for 73 per cent of the net income and the remainder—$6,149,249—was added to Earned Surplus account.

SALES

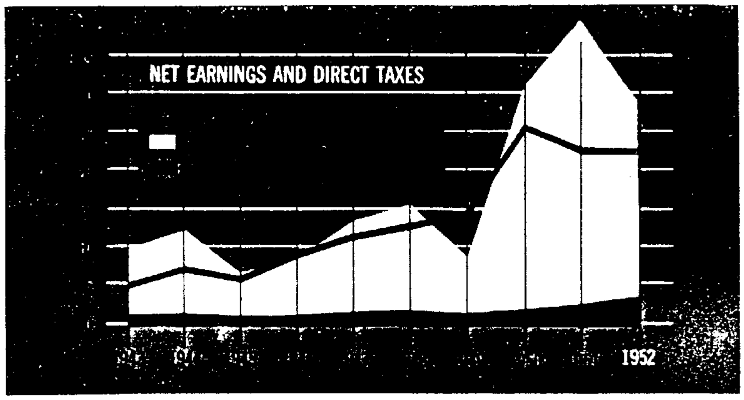
Company sales totaled $358,048,435 in 1952, off 8 per cent from the record high of $389,941,313 in 1951. The principal factor in this decrease was a sharp price break in the lead, zinc and antimony markets. Physical volume showed a slight decline from 1951.

Increased imports of foreign metals, supplementing domestic



production, caused the supply of lead, antimony and zinc to exceed demand for the first time since 1949, with a consequent weakening of price structure. Lead, which sold at 19¢ per pound in January, 1952, dropped to 14¾¢ at year-end; zinc fell from 19½¢ to 12½¢, and antimony from 50¢ to 34½¢. Lead and zinc continue to show price weakness and are currently selling for 13½¢ and 11¢, respectively. These lowered prices, although influencing the composite dollar sales picture, do not materially affect earnings. In the metals field the Company's primary interest is not the production of non-ferrous metals, but rather the fabrication of products which are sold at fixed differentials over the base prices of the metals.

Total units sold during 1952 declined only 2 per cent from the shipments for the previous year. The Company's long-range plan of product diversification minimized the effects of fluctuations in the sales of individual products, since increased business in one line of activity tends to offset a temporary decrease in another. All divisions of the Company kept pace with the demands and growth of the industries which they serve. The Titanium Division has completed the expansion program started



in 1950 and is in excellent position to satisfy increased demands for its products. Baroid Sales Division plant units operated at capacity throughout the year. As an addition to the "Dutch Boy" mixed paint line, the "Dutch Boy" Color Gallery has been introduced, offering the consumer a wide variety of colors in interior paints and enamels.

A source of great satisfaction to your Management is the continuous sales growth of products developed within past years in the Company's research laboratories. Lead chemicals and stabilizers, basic silicate white lead "45 X," bentones, and various new chemicals used in oil well drilling were sold in substantially greater volume during 1952 than in any prior year.

TAXES

Provision for various taxes amounted to $28,828,899 in 1952 and represented about 56 per cent of earnings before such taxes, or $2.84 per share of Common stock. Total taxes for 1951 were $39,943,741.

Federal income tax requirements were lower than in the pre-

Baroid Sales Division engineers provide around-the-clock service to oil well drillers in solving their drilling mud problems. Baroid again boosted its oil well drilling material sales in 1952.

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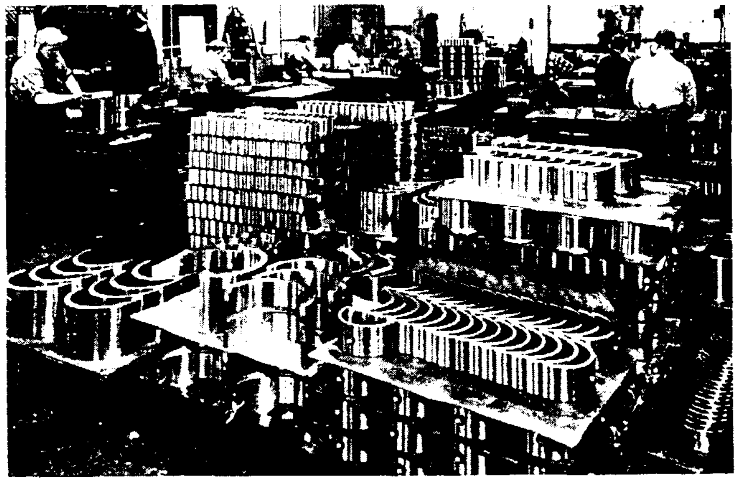


Inspection room at the Indianapolis plant of American Bearing Corporation, where precision bearings for submarines, jet planes, locomotives and stationary engines are manufactured.

ceding year. The total decrease amounted to $11,287,714, of which $4,620,000 represented reduction in excess profits tax requirements.

PLANT INVESTMENT

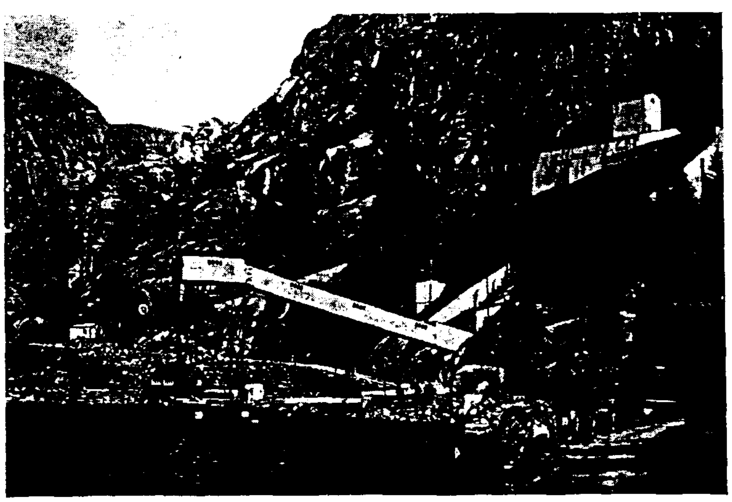
The gross property account was $161,540,966 at December 31, 1952 compared with $154,012,668 at close of preceding year, a net increase of $7,528,298. Among the important additions to the plant account were expenditures for completion of the Titanium Division expansion program at Sayreville, New Jersey, and for the nickel-copper-cobalt plant under construction at Fredericktown, Missouri. It is estimated that this latter plant, constructed with Government funds under a certificate of necessity and scheduled for completion by the end of 1953, will cost 7½ million dollars.

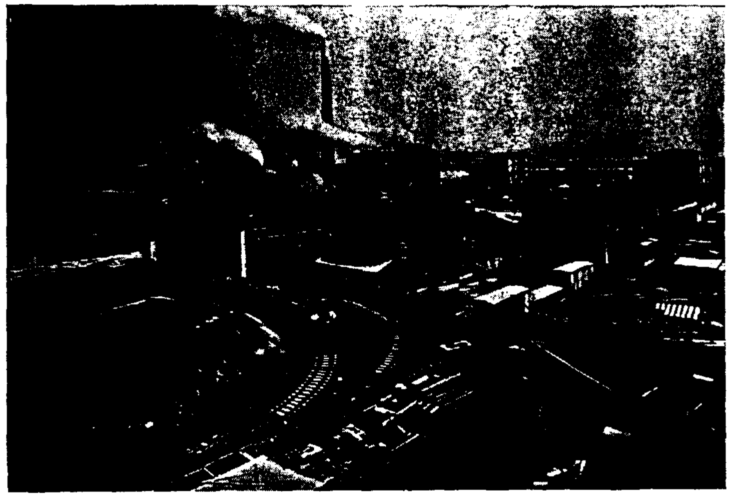
For increased production of oil well drilling muds, the Baroid Sales Division continued a program of expansion at its Magnet Cove, Arkansas, mine and mill. Late in 1952 construction of a new production unit began at Corpus Christi, Texas. This facility started operation early this month.

The De Lore Division started construction of a new plant for the production of its new pigment extender "Lorite." The unit will be located near the source of raw material at Edson, Kansas. Demand for "Lorite" exceeds the capacity of De Lore's St. Louis plant and initial production at the new Kansas unit is scheduled for April 1953.

Other expansion projects under way during the year included improved facilities for production of lead and zinc ores at the Baxter Springs, Kansas, mine, additional equipment for manufacture of mixed paints at the Perth Amboy, N. J., and Chicago plants, and expanded capacity for the manufacture of lead chemicals at the Philadelphia plant.

Loading docks at the Company's mine and mill in Norway, which produce ilmenite ore for titanium pigments.





Titanium pigment plant in Leverkusen, Germany, the largest of its type in Europe.

Provision for depreciation, depletion and amortization increased from $4,902,085 in 1951 to $5,193,355 in 1952, reflecting largely the Company's growing plant investment.

LITIGATION

The program of adjusting the Company's stockholdings in foreign companies, as required by the final decree heretofore entered in the civil anti-trust suit brought by the Government, has been completed. The Company has purchased the entire ownership of Titangesellschaft m.b.H., manufacturers of titanium pigments at Leverkusen, Germany, and has sold its interest in the Japanese company, Titan Kogyo Kabushiki Kaisha.

The Federal Trade Commission handed down a decision on January 12, 1953, ordering the Company to cease and desist from certain activities in the sale and distribution of lead pigments, held to be at variance with the Federal Trade Commission Act and the Clayton Act. A strong dissenting opinion was filed in this case and the Company plans on taking an appeal.

In July of 1952 the United States District Court in San Francisco held that the Dutch Paint Company was not infringing the "Dutch Boy" trade mark by its use of the term "Dutch Paint." The Company has taken an appeal from this decision.

It has previously been reported that in February, 1951, two actions were filed against the Company in the United States District Court in Houston, Texas, by individual patent owners, alleging that some phases of the well logging operations of the Company's Baroid Sales Division infringe certain United States letters patent. One of these cases was tried last December, but no decision has as yet been handed down. Meanwhile, the patent

Nickel plant at Nicaro, Cuba, operated for the United States Government by Nickel Processing Corporation, in which the Company has the majority interest.

Production capacity of the titanium pigment plant in Sayreville, New Jersey, has been expanded considerably by the addition of this new unit.

owner whose case has not yet been tried, filed in January of 1953, a further suit against the Company, alleging infringement of another patent owned by him in the well logging field.

There have been no changes in the status of the following cases mentioned in the Annual Report for 1951: the proceedings by the Government against the Company, with respect to the sale of used storage batteries and lead salvaged therefrom; the treble damage suit instituted by Dutch Paint Company in regard to the sale and distribution of titanium pigments, and the action by the Government with respect to the alleged violation of price stabilization regulations by the Company in the sale of some products.

PERSONNEL

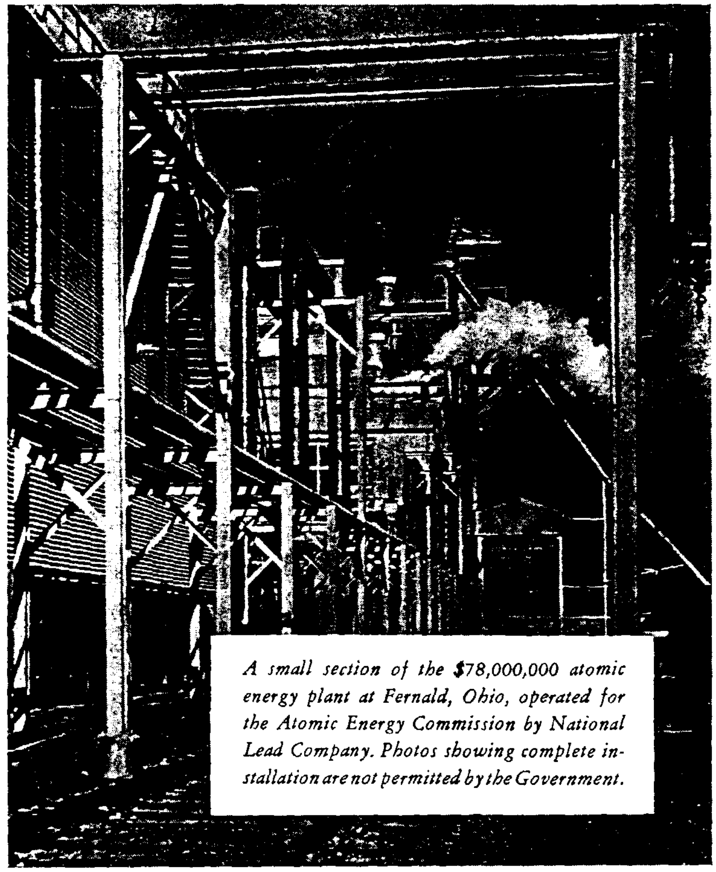
Relations with Company employees and their various union organizations continued on a satisfactory basis during 1952.

Of the 14,318 employees on the Company payroll at the year-end, 6 per cent had been employed for 25 years or more and had been presented with gold watch awards, 18 per cent had service for 15 years, and 51 per cent for five years or more. Executive officers average more than 23 years of service.

Extra compensation was again paid in December 1952 on the same basis as in the preceding three years. Earnings were likewise sufficient to permit a contribution by the Company to the profit-sharing trust established by stockholders' action in 1945. Past service pension liability was further liquidated by the net payment in 1952 of $950,697, charged to the Reserve and deductible for tax purposes.

At the end of 1952 a total of 880 pensioners were receiving

Loading 1500-pound titanium metal ingots aboard an air transport at Las Vegas, Nevada, for shipment east, where this critical metal is fabricated into sheet, wire, bar and forgings for jet engines and structural parts for aircraft. Henderson, Nevada, is the plant site of the Titanium Metals Corporation of America, largest titanium producer in the country.



A small section of the $78,000,000 atomic energy plant at Fernald, Ohio, operated for the Atomic Energy Commission by National Lead Company. Photos showing complete installation are not permitted by the Government.

annuities under a plan originally established in 1912 and liberalized in 1937 and subsequent years. Group life insurance claims aggregating $604,881 were paid during the year on behalf of 104 employees.

A total of 592 employees are or have been in military service in the period between June 15, 1950 and December 31, 1952.

With few exceptions those released from such service have returned to Company employment.

TITANIUM METAL

Demand continues to mount for titanium metal—that versatile material possessing the rare combination of strength with lightness and high resistance to corrosive forces. Defense agencies recently forecast titanium metal requirements for 1955 at 22,000 short tons, a revision upward from the 10,000 tons previously estimated. The potential growth prospects for titanium metal may be gauged from the fact that total output of the industry in 1951 was only 500 tons. To meet the revised requirements it will be necessary to increase productive capacity by 4300 per cent within four years, a remarkable feat for an industry still in its beginning stages.

Titanium Metals Corporation of America, jointly owned by National Lead Company and Allegheny Ludlum Steel Corporation, continues to occupy a prominent place in the development of the industry. The country's first large-scale production unit is rapidly nearing completion at Henderson, Nevada, and goals established for existing facilities are within sight. Additional properties adjacent to the present Henderson plant have been leased and are available, should further expansion be necessary.

The present accelerated demand for titanium metal comes primarily from the Armed Services and aircraft industry. When defense requirements have been satisfied, increasing quantities of the metal will find their way into civilian applications where research indicates the uses will be many. The future of the metal in a civilian economy rests largely on the attainment of lowered production costs. To this end are directed the combined energies and facilities of Titanium Metals Corporation of America and its parent companies.

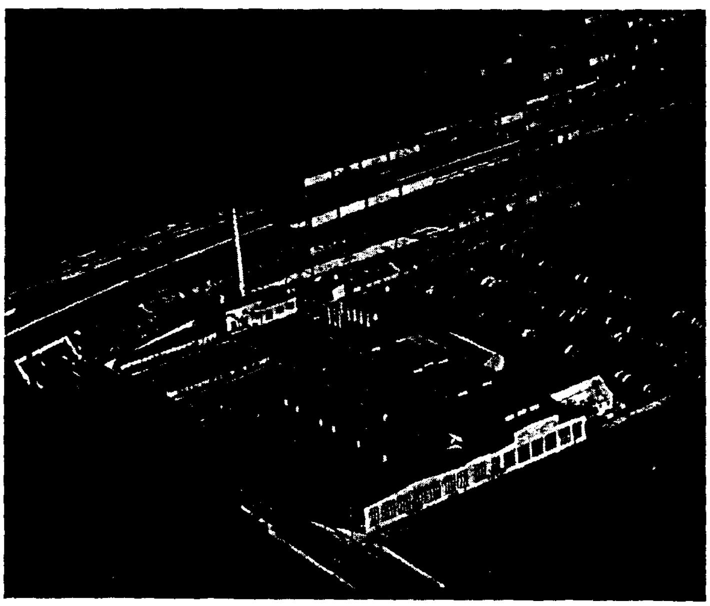
Over-all view of the die shop in one of Doehler-Jarvis Division plants. Here some of the 20,000 "live" dies used for manufacturing customer parts are made.

THE YEARS AHEAD

On February 28, 1953, the Company acquired the assets and business operations of the Doehler-Jarvis Corporation on the basis outlined in the president's letter to stockholders dated December 16, 1952. The sale of the Doehler-Jarvis corporate assets was approved by its stockholders on February 6, 1953. With this new acquisition, which is being operated as the Doehler-Jarvis Division, the Company has become an important factor in the die casting of non-ferrous metals.

Negotiations commencing shortly after the end of World War II culminated in 1952 in the acquisition by your Company from I. G. Farbenindustrie of the remaining 50 per cent capital stock interest in Titangesellschaft m.b.H. of Leverkusen, Germany. This wholly owned subsidiary, operating the largest plant of its type in Europe, produces titanium dioxide pigments for European consumption. The important raw material, ilmenite, is supplied by Company-owned mines in Norway and sales are handled through subsidiaries in Norway, France, Belgium and the Netherlands. Current output is nearly three times that of pre-World War II capacity, providing an important contribution to the rehabilitation of western European economy.

Chicago plant of the newly-formed Doehler-Jarvis Division, a major producer and finisher of die castings.



In 1952 National Lead Company acquired the majority stock interest in Nickel Processing Corporation, contract operator of the United States Government-owned nickel plant at Nicaro, Cuba, by joining with Fomento de Minerales Cubanos S. A. in the purchase of the stock interest of N. V. Billiton Maatschappij. Included in the acquisition were rights to certain processes which may further expand the output of the plant. This operation is scheduled to add 30 million pounds or more per year to our supply of a vital metal.

The Minnesota Linseed Oil Company, partially owned by National Lead Company, is enlarging its flaxseed storage capacity by 1½ million bushels.

In October 1952 the Pioneer Alloy Products Division of the Company was formed. This unit will produce corrosion resisting valves and acid and heat resisting castings, mainly of stainless steel, in its plant at Ellwood City, Pennsylvania.

The Company is actively engaged in the Atomic Energy Program operating a sampling plant at Middlesex, New Jersey, and a $78,000,000 feed materials production center at Fernald, Ohio. Employees at these locations total 1250 and key supervisory personnel have been drawn from various operating units of the parent company. Several facilities of the Fernald center are now in operation, contributing vitally needed materials to Atomic Energy Commission installations at other locations.

EXECUTIVE PERSONNEL

Frank J. Koegler was elected a Company vice-president in February 1953. Mr. Koegler, president of the Doehler-Jarvis Corporation, was also named general manager of the Doehler-Jarvis Division of the Company.

OUTLOOK FOR 1953

The Company's business in the first two months of the year has been somewhat better than at the start of 1952. It seems quite reasonable to expect favorable comparisons for the months ahead, and further building of the Company's capacity to produce and earn, even though the high cost of the United States' present leadership role in world affairs seems certain to keep the tax burden heavy. Other handicaps on industry, however, show signs of lightening.

Acknowledgment of the debt any company owes to its employees and their good work has become fairly routine. However, the nature of the Company's business puts an unusually high premium on the intelligence, resourcefulness, and plain hard work of its men and women. There is no doubt that the Company's employees will give as much toward its prosperity during 1953 as they unfailingly have in the past.

The number of Company stockholders showed a gratifying increase during 1952—from 21,365 at the end of 1951 to 23,813 at December 31, 1952. This report will be presented to the stockholders at their Annual Meeting, which will be held at Sayreville, New Jersey, on April 16, 1953.

By Order of the Board of Directors,

President.

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 1952 AND 1951

ASSETS

	1952	1951
Current Assets:		
Cash	$ 18,730,699	$ 23,418,857
United States Government securities, at cost (approximately equivalent to amounts at market quotations) (Note 1)	16,035,442	22,762,718
Other marketable securities, at cost, less reserves of: 1952, $109,181; 1951, $129,960 (at market quotations: 1952, $3,685,060; 1951, $3,129,564) (Note 1)	1,593,089	817,964
Accounts and notes receivable, less reserves of: 1952, $1,999,338; 1951, $2,047,334	29,296,224	30,927,413
Notes receivable from employees	255,013	302,519
Inventories (Note 2)	56,960,027	55,404,739
Total current assets	122,870,494	133,634,210
Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of: 1952, $3,801,088; 1951, $4,776,385 (Note 3)	10,787,483	10,342,746
Miscellaneous investments and advances, at cost or below, less reserves of $45,826	2,760,019	1,760,703
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: 1952, $75,944,349; 1951, $71,215,202	85,596,617	82,797,466
Patents and licenses, less amortization	32,464	40,027
Prepaid expenses, deferred charges, etc.	1,863,473	1,740,516
	$223,910,550	$230,315,668

The accompanying notes to financial stater

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 1952 AND 1951

LIABILITIES

	1952	1951
Current Liabilities:		
Accounts payable and accrued liabilities	$ 16,497,533	$ 15,401,310
Payable to unconsolidated subsidiaries	547,985	231,162
Provisions for taxes, including federal taxes on income	38,238,944	50,283,364
Dividends payable January 30, 1953 and February 1, 1952 on Class B preferred stock	135,277	135,277
Total current liabilities	$ 55,419,739	$ 66,051,113
Reserves:		
Pension	$ 728,363	$ 1,679,060
Inventory (Note 2)	13,509,584	15,011,777
	$ 14,237,947	$ 16,690,837
CAPITAL		
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 10,158,375 (including 398,700 issued under Stock Purchase Plan, Note 4)	50,791,875	50,791,875
	85,487,175	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	66,426,199	60,276,950
	$161,217,680	$155,068,431
Less:		
Reacquired capital stock, at cost (Note 5)	$ 2,583,081	$ 2,583,081
Employees' notes receivable under Stock Purchase Plan (Note 4)	4,381,735	4,911,632
	$ 6,964,816	$ 7,494,713
	$154,252,864	$147,573,718
	$223,910,550	$230,315,668

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, 1952 AND 1951

	1952	1951
Sales, less returns and allowances (Note 6)	$358,048,435	$389,941,313
Cost of sales (Notes 2 and 6)	$263,323,357	$284,245,815
Depreciation, depletion and amortization	5,193,355	4,902,085
Administrative, selling and general expenses	42,611,966	40,299,081
Taxes, other than federal taxes on income	3,502,790	3,329,918
	$314,631,468	$332,776,899
	$ 43,416,967	$ 57,164,414
Other income (Note 7)	5,030,104	4,070,915
	48,447,071	61,235,329
Other charges and additions to reserves (Note 8)	60,908	1,627,789
Net income before provisions for federal taxes on income	48,386,163	59,607,540
Provisions for federal taxes on income (including excess profits taxes: 1952, $4,150,000; 1951, $8,770,000)	25,326,109	36,613,823
Net income for the year	$ 23,060,054	$ 22,993,717

	1952	1951
Earned surplus unappropriated, January 1	$ 60,276,950	$ 61,343,176
Net income for the year	23,060,054	22,993,717
	$ 83,337,004	$ 84,336,893
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	517,755
	2,181,161	2,157,806
On common stock, $1.45 per share in 1952, $1.41⅔ per share in 1951	14,729,644	14,381,756
	16,910,805	16,539,562
Transfer to common capital stock account in connection with reduction in par value and split of the common stock		7,520,381
	$ 16,910,805	$ 24,059,943
Earned surplus unappropriated, December 31	$ 66,426,199	$ 60,276,950

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:

	1952	1951
In connection with self-insurance of workmen's compensation risks, etc.:		
United States Government securities	$352,681	$1,010,345
Other marketable securities	881,452	
As collateral for bank loan of an unconsolidated subsidiary:		
United States Government securities	750,241	750,275

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

Replacement was made during 1952 of a substantial 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 in 1952, and a related portion of the reserve, provided in 1951, has been credited to 1952 income.

The inventory reserves include, in addition to the normal stock reserves, general inventory reserves of $800,000 at both December 31, 1952 and 1951.

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

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 $23,725,000 at December 31, 1952 and $25,500,000 at December 31, 1951. 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 $14,344,000 at December 31, 1952 and $15,323,000 at December 31, 1951, representing a decrease in such excess of approximately $979,000 in 1952 and an increase of $1,494,000 in 1951. These changes are after various adjustments in 1952 and are after dividends of $2,259,147 in 1952 and $2,364,733 in 1951 paid by the unconsolidated subsidiaries and included in consolidated net income.

Total equities of $23,725,000 and $25,500,000 shown in the preceding paragraph include $11,307,000 and $12,908,000, 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, 1952 and 1951 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:

	September 30 1952	September 30 1951
Norwegian kroner	12,425,000	11,420,000
Belgian francs	20,520,000	17,680,000
Dutch florins	1,540,000	1,300,000
French francs	47,920,000	36,480,000
German deutschemarks	16,698,000	—

National Lead Company's investments in and advances to Continental European subsidiaries, less reserves, approximated $1,406,850 at December 31, 1952 and $136,120 at December 31, 1951. Dividends of $48,867 (U. S. dollar amounts) were received in 1952 from a Norwegian subsidiary and are included in consolidated net income.

4. 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. The employees have the option to, and the company may require that they, withdraw the collateral in hundred-share lots as payments become equal to the purchase price thereof.

Upon death or retirement of an employee the company shall, if requested, repurchase at the original sales price shares not then fully paid for. Under other circumstances if the employee shall not complete payments the company shall have the option of so repurchasing shares not then fully paid for but may exercise any legal right to compel completion of the contract.

Shares held as collateral aggregated 302,700 at December 31, 1952, and 333,100 at December 31, 1951.

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

	Shares	Cost
Preferred Class A	9,383	$1,147,727
Preferred Class B	13,092	1,435,354
		$2,583,081

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

7. Other income comprises:

	1952	1951
Dividends received (including $2,308,014 from unconsolidated subsidiaries in 1952 and $2,364,733 in 1951)	$2,847,143	$2,973,695
Reserves no longer required:		
Investments		640,495
Advances to unconsolidated subsidiaries	406,542	
Inventory (see Note 2)	1,276,381	
Interest and miscellaneous	500,038	456,725
	$5,030,104	$4,070,915

8. Other charges and additions to reserves comprise:

	1952	1951
Additions to reserves:		
Investments in and advances to unconsolidated foreign subsidiaries		$ 42,945
Inventory, net (see Note 2)		1,345,147
Excess of cost of subsidiaries' stocks acquired during year over book amounts of net assets thereof at dates of acquisition		201,098
Net loss on sales and other retirements of fixed assets	$54,278	35,834
Miscellaneous	6,630	2,765
	$60,908	$1,627,789

9. 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.

10. An Agreement and Plan of Reorganization between National Lead Company and Doehler-Jarvis Corporation providing for the acquisition by National Lead Company of all

of the assets, property, business and good will of Doehler-Jarvis Corporation in exchange for shares of common stock of National Lead Company and the assumption by National Lead Company of all of the liabilities of Doehler-Jarvis Corporation, was approved by shareholders of Doehler-Jarvis Corporation on February 6, 1953. The shareholders of Doehler-Jarvis Corporation also approved the dissolution of that company. In accordance with the provisions of the Agreement, National Lead Company, as of February 28, 1953, will issue 1,222,118 shares of its common stock and will acquire all of the assets, property, etc., of Doehler-Jarvis Corporation. National Lead Company has an investment (included in other marketable securities) of 67,575 shares of common stock of Doehler-Jarvis Corporation for which National Lead Company will acquire, as a shareholder of Doehler-Jarvis Corporation, 77,711 shares of its own common stock. These treasury shares will be recorded at the same amount as the cost of the present investment in shares of Doehler-Jarvis Corporation. The business of Doehler-Jarvis Corporation will be continued as a division of National Lead Company.

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.

Refunds under the Renegotiation Act of 1951, if any, are not considered to be material and no provision has been made therefor.

Reference is made to comments included in the president's message on the status of litigation under antitrust laws, Federal Trade Commission and Clayton Acts, Defense Production Act and patent infringements.

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, 1952 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 independent 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 1952 fiscal years. Similar examinations were made for the 1951 fiscal years.

In our opinion, based upon the above-outlined examinations and the above-mentioned reports of other independent 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, 1952 and 1951 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 3, 1953.

Net Sales	$148,622,919	$166,168,715	$167,562,928	$167,447,
Net Income before Taxes . . .	13,537,168	18,304,136	11,218,228	16,713,
Federal Taxes on Income . . .	8,336,291	10,740,382	4,679,720	7,036,
Net Income	5,200,877	7,563,754	6,538,508	9,677,
Earned Per Share of Common Stock (Adjusted to present capitalization)	0.34	0.60	0.48	[illegible]
Preferred Dividends	2,031,323	2,031,323	2,059,323	2,059,
Common Dividends	2,317,998	3,090,664	3,090,664	4,635,
Current Assets: Cash	12,742,150	10,313,702	9,571,663	11,681,
U. S. Government and other Marketable Securities . .	17,002,791	16,131,607	17,902,254	18,393,5
Notes and Accounts Receivable	12,560,223	14,859,530	15,171,135	15,573,
Inventories†	21,787,559	23,601,398	29,361,453	32,617,3
Total Current Assets	64,092,723	64,906,237	72,006,505	78,265,
Total Current Liabilities . . .	19,054,627	21,566,069	16,843,516	22,410,
Net Working Capital	45,038,096	43,340,168	55,162,989	55,854,
Gross Property Account . . .	94,198,239	98,025,024	100,794,666	106,793,6
Reserves for Depreciation Depletion and Amortization	41,464,768	46,250,242	55,147,610	56,018,9
Net Property Account	52,733,471	51,774,782	45,647,056	50,774,7

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

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					1952
$268,026,394	$320,457,301	$257,461,599	$342,727,911	$389,941,313	**$358,048,435**
23,904,417	26,606,510	21,191,579	54,557,799	59,607,540	**48,386,163**
11,724,285	13,302,155	6,442,568	28,067,155	36,613,823	**25,326,109**
12,180,132	13,304,355	14,749,011	26,490,644	22,993,717	**23,060,054**
1.09	1.21	1.29	2.41	2.05	**2.06**
2,059,323	2,085,512	2,134,451	2,134,451	2,157,806	**2,181,161**
6,181,328	8,671,502*	7,317,900	13,430,651	14,381,756	**14,729,644**
12,953,907	9,304,183	17,961,612	24,370,746	23,418,857	**18,730,699**
11,500,197	2,524,445	10,517,353	22,731,445	23,580,682	**17,628,531**
21,461,427	28,120,306	16,114,669	35,524,206	31,229,932	**29,551,237**
44,550,399	59,118,313	43,857,133	48,824,480	55,404,739	**56,960,027**
90,465,930	99,067,247	88,450,767	.31,450,877	133,634,210	**122,870,494**
30,252,412	35,359,277	25,864,583	56,402,753	66,051,113	**55,419,739**
60,213,518	63,707,970	62,586,184	75,048,124	67,583,097	**67,450,755**
122,739,173	133,879,240	133,252,879	135,578,755	154,012,668	**161,540,966**
57,407,848	59,856,625	64,080,311	67,390,015	71,215,202	**75,944,349**
65,331,325	74,022,615	69,172,568	68,188,740	82,797,466	**85,596,617**

† Inventories for 1943 and 1944 are shown net of normal stock reserves.

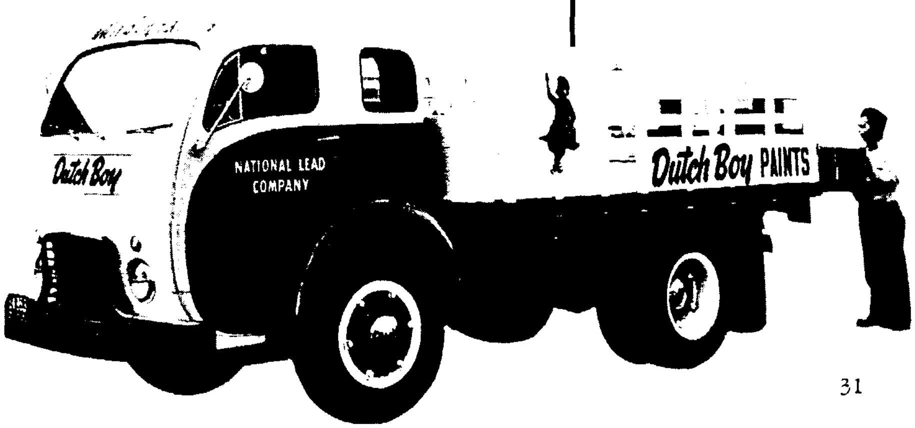
YESTERDAY AND TODAY

Development of product and processes has gone hand-in-hand with advancements in transportation and packaging. In 1953, as in past years, improvements will continue to insure the fine reputation of "Dutch Boy" products in their wide-range service to industry.

1907...Earliest example of the "Dutch Boy" trademark on an oaken white lead keg, opposite its means of delivery.

1909 . . . The steel package for white lead, which National Lead Company pioneered, was a notable development.

1953...The blue-and-white label, with trademark in full color, distinguishes today's "Dutch Boy" mixed paint line package.



BRANCHES AND DIVISIONS

ATLANTA BRANCH . . . 400 Bishop Street, N. W., Atlanta
G. W. Pendery, *Manager*

ATLANTIC BRANCH . . . 111 Broadway, New York
R. M. Bennett, H. F. Freiherr, *Managers*

BALTIMORE BRANCH . . . 214 West Henrietta Street, Baltimore
H. A. Getz, *Manager*

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*

CINCINNATI BRANCH . . . 659 Freeman Avenue, Cincinnati
H. W. Hundley, *Manager*

CLEVELAND BRANCH . . . 1776 Columbus Road, Cleveland
E. G. Orling, George Sathre, *Managers*

DE LORE DIVISION . . . Carondelet, 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. J. 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*

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

PHILADELPHIA BRANCH . . . 2607 East Cumberland Street, Philadelphia
J. W. Gardiner, Jr., G. A. Watts, *Managers*

PIONEER ALLOY PRODUCTS DIVISION . . . 111 Broadway, New York
W. J. Welch, *Manager* . . . Stainless Steel Valves and Castings

ST. LOUIS BRANCH . . . 722 Chestnut Street, St. Louis
E. E. Busse, R. R. Stamm, *Managers*

ST. LOUIS SMELTING & REFINING DIVISION . . . Fredericktown, Missouri
H. A. Krueger, *Manager*

SOUTHWESTERN BRANCH . . . 959 Terminal Street, Dallas
W. H. Lessmann, R. R. Stamm, *Managers*

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

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* . . . Products of Titanium and Zirconium

TITANIUM DIVISION . . . 111 Broadway, New York
J. H. Reid, *Manager* . . . Manufacturers of Titanium Products;
Miners of 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
Peter Lambertus, *President* ... Manufacturers of Precision Bearings
BAKER CASTOR OIL COMPANY ... New York
I. M. Colbeth, *President* ... Manufacturers of Castor Oil
CANADIAN TITANIUM PIGMENTS LIMITED*... Montreal
G. N. Bates, *Sales Manager* ... Distributors of Titanium Oxide Pigments
DOEHLER-JARVIS CORPORATION*... Toledo
F. J. Koegler, *President* ... Distributors of Die Castings
EVANS LEAD CORPORATION*... Charleston, W. Va.
R. M. Evans, *President* ... Distributors of Lead Oxides
HOYT METAL COMPANY OF GREAT BRITAIN, LTD.*... London
J. C. Hart, *Managing Director* ... Manufacturers of Anti-Friction Metals
MORRIS P. KIRK & SON. INC.... Los Angeles
J. Paul Kirk, *President* ... Manufacturers of Lead Alloys and Oxides
MAGNUS BRASS MFG. CO.*... Cincinnati
W. V. Burley, *President* ... Manufacturers of 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* ... Smelters of Secondary Metals
MINNESOTA LINSEED OIL CO.... Minneapolis
E. H. Russell, *President* ... Manufacturers of Linseed Oil
NATIONAL LEAD CO. OF OHIO*... New York
J. A. Martino, *President*
NATIONAL LEAD CO. S. A. (ARGENTINA)*... Buenos Aires
C. M. Merrell, *President*
NICKEL PROCESSING CORPORATION ... Nicaro, Cuba
H. C. Wildner, *President* ... Manufacturers of Nickel Oxides
THE CANADA METAL COMPANY, LTD.*... Toronto
J. A. Taylor, *President*
Manufacturers of Lead Products, Brass and Bronze, Dross Smelters
THE CHAS. TAYLOR'S SONS COMPANY*... Cincinnati
C. R. Taylor, *President* ... Manufacturers of Refractories
TITAN CO. A/S ... Fredrikstad, Norway
Erik Anker, *Managing Director*
Manufacturers and Distributors of Titanium Oxide Pigments
SOCIETE BELGE DU TITANE S. A., Brussels, Belgium
TITAN COMPANY, INC.*... Wilmington, Del.
Erik Anker, *Vice-President*
Manufacturers and Distributors of Titanium Oxide Pigments
SOCIETE INDUSTRIELLE DU TITANE, Paris, France
TITAAN N. V., Rotterdam, Netherlands
TITANGESELLSCHAFT, m.b.H., Leverkusen, Germany
TITANIUM METALS CORPORATION OF AMERICA ... New York
H. C. Wildner, *President* ... Distributors of Titanium Metal Products
TITANIUM PIGMENT CORPORATION*... New York
J. A. Martino, *President* ... Distributors of Titanium Oxide Pigments

*Wholly owned.

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
Copper Sulphate
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)

NATIONAL LEAD COMPANY

OTHER METAL PRODUCTS

Railway Journal Bearings
Satco Bearing Metals
Diesel Engine Bearings
Kirksite "A" Die Metal
Pressure Die Castings
Pewter and Britannia Metal
Antimony
Stainless Steel Valves and Castings

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

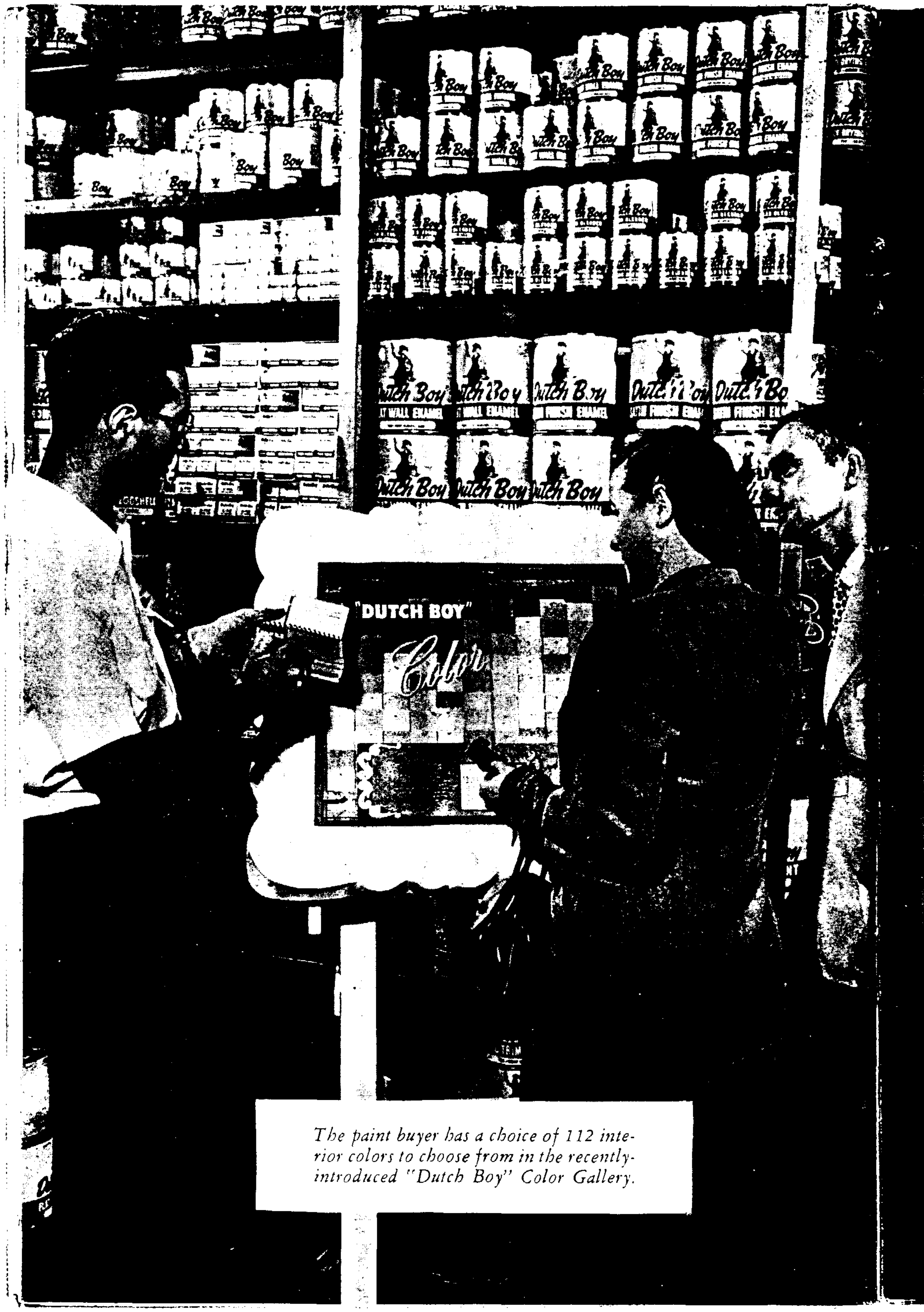
Ferro Alloys of Titanium
Titanates
Titanium Dioxide (natural Rutile)
Zirconium Chemicals
Zirconium Ceramic Materials
Zirconium Metal

TITANIUM PIGMENTS
Sold under the **TITANOX** brand name

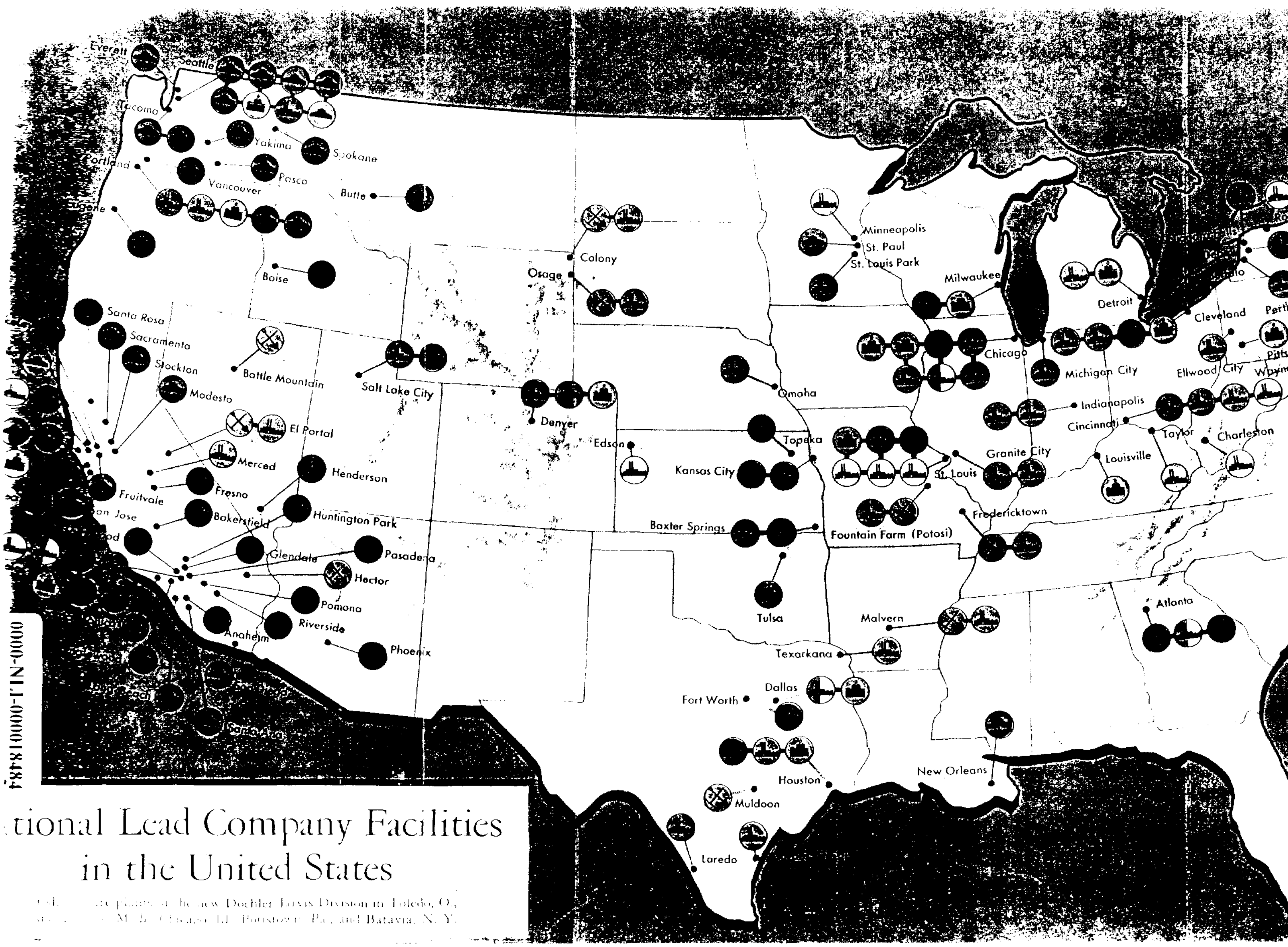
Titanium Dioxide (Rutile)
Titanium Dioxide (Anatase)
Titanium Calcium Pigments
Titanium Dioxide (Technical Grade)

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



The paint buyer has a choice of 112 interior colors to choose from in the recently-introduced "Dutch Boy" Color Gallery.



…tional Lead Company Facilities in the United States

… plants of the new Doehler Jarvis Division in Toledo, O., … Chicago, Ill., Pottstown, Pa., and Batavia, N. Y.