# National Lead Company

# 63rd ANNUAL REPORT 1954

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# National Lead Company

INCORPORATED DECEMBER 8, 1891

## 63rd ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1954

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0000-NLI-000018528

## 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
WILLIAM J. WELCH
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
WILLIAM J. WELCH
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 COMPANY, 16 WALL ST., NEW YORK 15, N. Y.

## Financial Highlights

| | 1954 | 1953 |
|---|---|---|
| SALES | $419,333,961 | $436,050,592 |
| EARNINGS | $36,618,651 | $30,848,928 |
| TAXES | $35,511,172 | $36,462,357 |
| DIVIDENDS | $2.10 | $1.75 |
| EARNINGS RETAINED | $10,701,652 | $8,887,900 |



# The President's Message

March 17, 1955

*To the Shareholders of National Lead Company:*

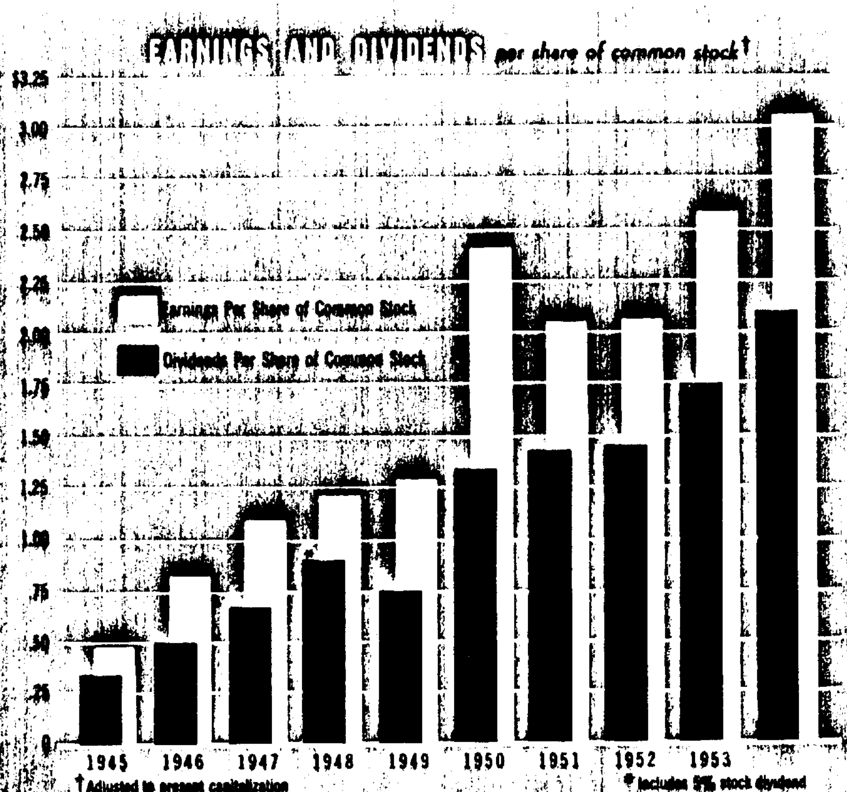
THE YEAR 1954 was a successful one for the Company, with earnings once again setting a new record. This accomplishment, in the face of an uncertain and highly competitive business economy, can be attributed largely to the Company's sales diversification, intensive research and product improvement, and to a well-trained and efficient organization. Details of 1954 operations are presented for your review in this 63rd Annual Report.

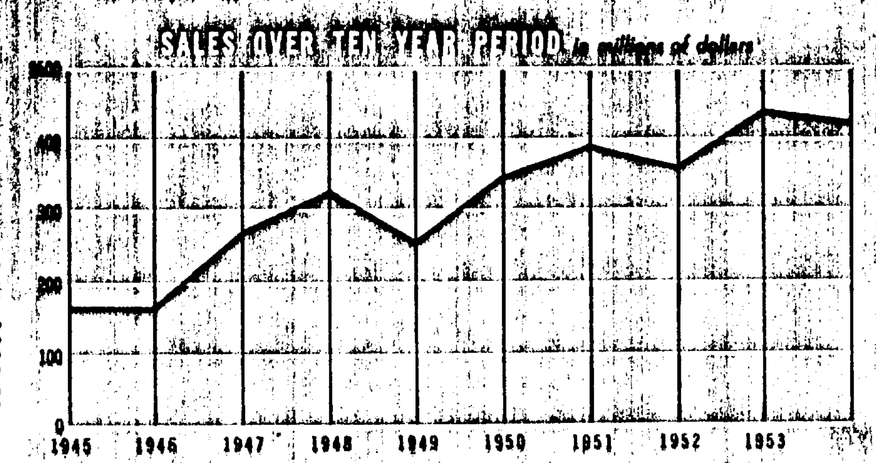
### *Earnings*

Net income for the year 1954 was $36,618,651—an increase of $5,769,723 or 19 per cent over the previous high of $30,848,928 established in 1953. In relation to the sales dollar, net income increased from 7.1 per cent in 1953 to 8.7 per cent in 1954. The continued growth in earnings, in a year of slightly reduced sales activity, reflects not only relief from the excess profits tax but also improved volume of business in a number of the Company's products.

After provision for payment of Preferred dividends, net income for 1954 was equal to $3.05 per share of Common stock on 11,302,780 shares outstanding during the year. In 1953 net income was equivalent to $2.58 a Common share on 11,112,047 shares, the average number outstanding during that year.

Earnings of foreign subsidiaries and partially-owned domestic companies continued favorable during the year. Dividends received from these investments are included in the net income reported above.




## *Dividends*

The Company continued its established policy of paying dividends commensurate with earnings and capital expenditure requirements. Dividend payments in 1954 reached a new peak of $25,916,999, or 71 per cent of net income. Preferred stockholders received $2,181,161, while payments to Common stockholders totaled $23,735,838—an increase of $3,955,971 over 1953.

During 1954 the Board of Directors discontinued the practice of terming part of each dividend as "regular" and part as "extra," and in its dividend actions gave recognition to the desirability of spreading payments more evenly over the period. The Company paid 40¢ in March, 40¢ in June, 50¢ in September and 80¢ in December, making a total of $2.10 a share for the year, compared with $1.75 paid in 1953.

The portion of net earnings remaining after payment of dividends—$10,701,652—was added to Earned Surplus for the future development and growth of the Company.

## *Sales*

Dollar sales volume was $419,333,961, off 4 per cent from the 1953 sales of $436,050,592.

Serving as it does practically all the major industries in the United States, the Company's sales volume is a barometer of changing business conditions. The Titanium and Baroid divisions continue to produce and sell increasing quantities. The major problem of these units is to keep their production capacities abreast of customer requirements. The Company's business in "Dutch Boy" mixed paints, chemicals, lead pigments and fabricated metal products showed satisfactory progress. Curtailment of maintenance and new equipment expenditures by the railroads of the country contributed to a lower volume of business for the Magnus Metal Division, producer of railroad journal bearings and equipment. Sales of the Doehler-Jarvis Division were influenced to some extent by conditions in the automobile industry and by a reduction in defense orders. The tempo of activity for this division accelerated in the final quarter of 1954.

## Taxes

The Company set aside $35,511,172 out of 1954 earnings to provide for federal income and various other direct taxes levied upon its business operations. This compares with $36,462,357 in 1953.

Provision for federal taxes on income declined to $30,534,665 in 1954 from the 1953 total of $31,987,429, which included $4,919,000 of excess profits tax. The relief derived from the expiration of the excess profits tax was offset in large part by the increased provision required as the result of larger taxable earnings.

It is significant that state and municipal taxes, although representing a relatively small portion of the total tax burden, are steadily mounting each year.

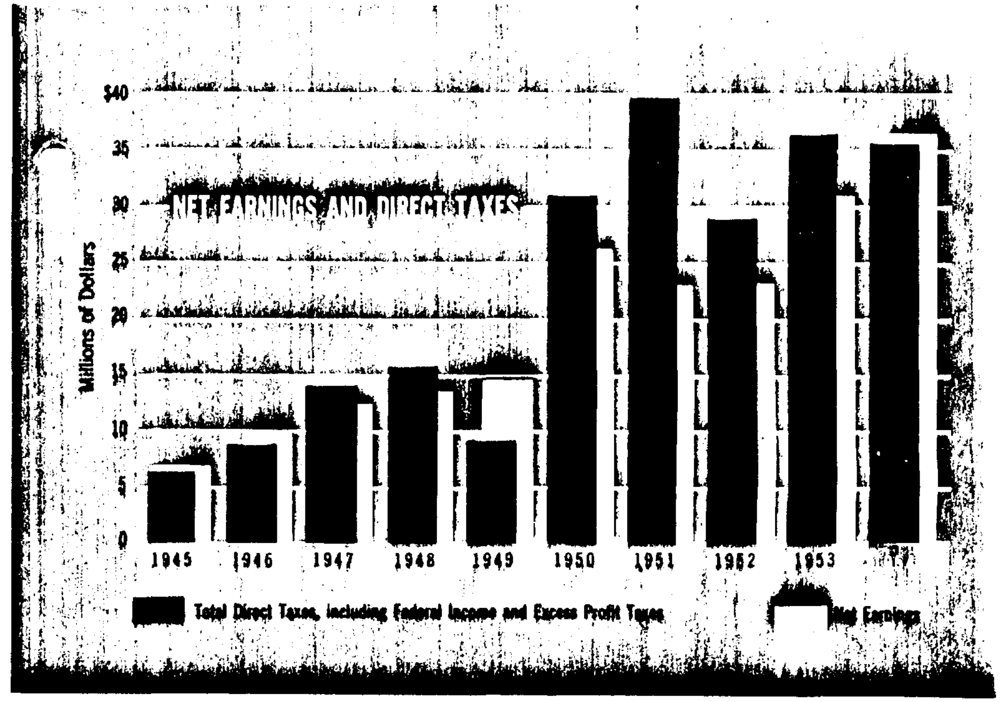
## Plant Investment

The Company's gross investment in plant, property and equipment continues to reflect the growth of the business. At December 31, 1954, the gross property account was $210,718,867, an increase of $7,207,044 over the preceding year.

To keep production capacity in line with the growing demand for titanium dioxide pigments, the construction of additional facilities at St. Louis was undertaken in mid-year. This expansion program, which will add 36,000 tons per year to the Company's production of titanium pigments, is ahead of schedule and the new installation should be on stream by early summer.

Construction work on the refinery at Fredericktown, Missouri, designed to recover nickel, cobalt and copper from Company-owned deposits of these ores, was completed during the year. Start-up operations are now in progress. This government-financed plant was designed to function under a newly-developed metal recovery process. Important forward steps have been made in the transition from laboratory scale to full plant operation, and the Company is confident that a solution of the many problems involved can be achieved.






During the year the Baroid Division expanded both production and distribution facilities to meet increased demands for oil well drilling materials, stimulated in part by growing off-shore drilling activities.

The increase in gross property account during 1954 also included expenditures for expansion of Bentone and Kirksite die shop capacities, and improvements of plants at various locations of the Doehler-Jarvis Division.

Provision for depreciation, depletion and amortization resulted in a charge against operations of $7,206,551. As in 1953, accelerated amortization under certificates of necessity was not a significant factor in the Company's depreciation charges for the year.



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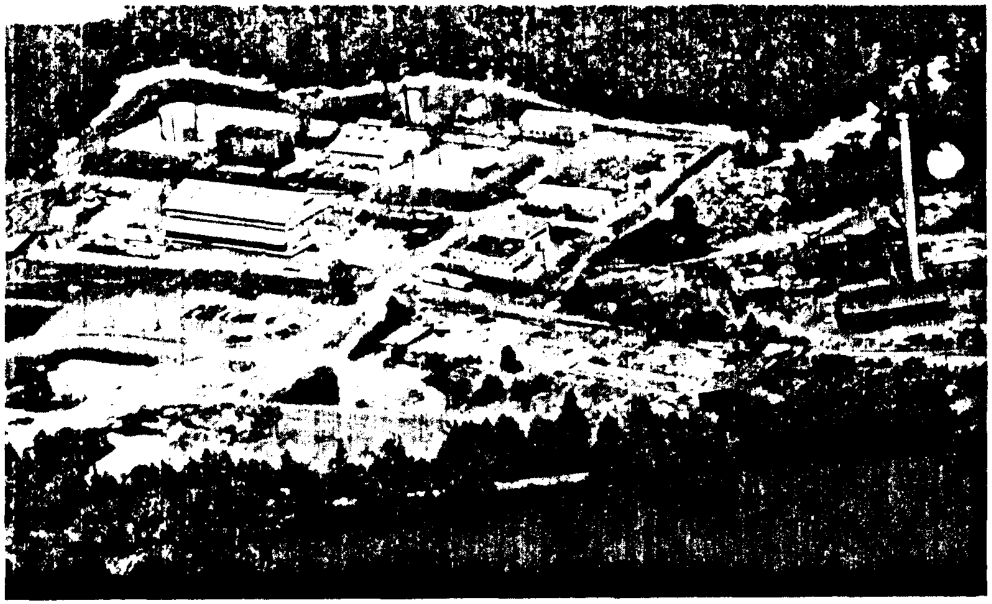


*Metal refinery in Fredericktown, Missouri, for the production of cobalt, nickel and copper by a new metallurgical technique. The refinery is located on the site of the lead and zinc mine of the St. Louis Smelting and Refining Division.*

## *Personnel*

Company employees numbered 23,506 on December 31, 1954. Employee relations continued on a satisfactory basis, with no work stoppage to mar the successful year enjoyed by the Company.

At the end of the year there were 1,163 former employees receiving annuities under a plan founded in 1912 and subsequently revised to give recognition to changing economic conditions and trends in employee welfare benefits. Group life insurance in the amount of $771,499 was paid on 158 claims. A contribution out of earnings was again made to the Company's profit-sharing trust in accordance with established practice.

The Company's suggestion system was broadened in 1954 to include many more plant locations. Since its beginnings in 1950, this plan has stimulated gratifying interest on the part of employees with resultant savings and improvements in operating procedures.

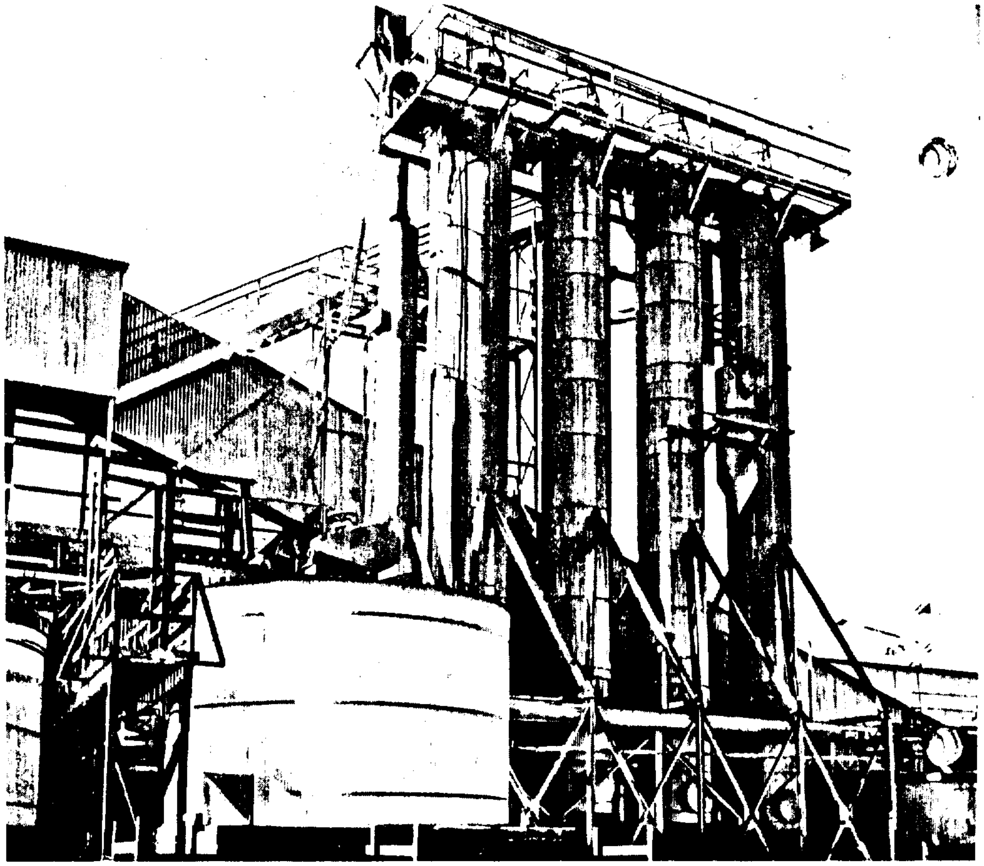
## *Executive Personnel*

William J. Welch was appointed a vice-president of the Company and a member of the Executive Committee in April 1954. Mr. Welch, who is manager of the Company's metal department and chairman of the metal sales committee, joined National Lead Company in 1916 and was elected a director in November 1951.

## *The National Lead Foundation, Inc.*

In accordance with its established purpose The National Lead Foundation, Inc. which was organized in 1953 made appropriate

*Pilot plant at Birmingham, Alabama, employs a new process for recovering iron concentrate from low-grade iron ore. This project is a joint operation of National Lead Company and Republic Steel Corporation.*



*Uranium ore leach processing tanks, a section of the Atomic Energy Commission pilot plant at Grand Junction, Colorado, operated under contract by National Lead Company.*

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*Cast" machi*
*plant of The*

contributions to charitable, educational and scientific organizations during the year.

As a further step in building up the principal of the fund, the Company transferred to the Foundation in 1954 additional cash and investment assets in the approximate value of $1,350,000. This donation is considered deductible in computing federal income tax for the year 1954.

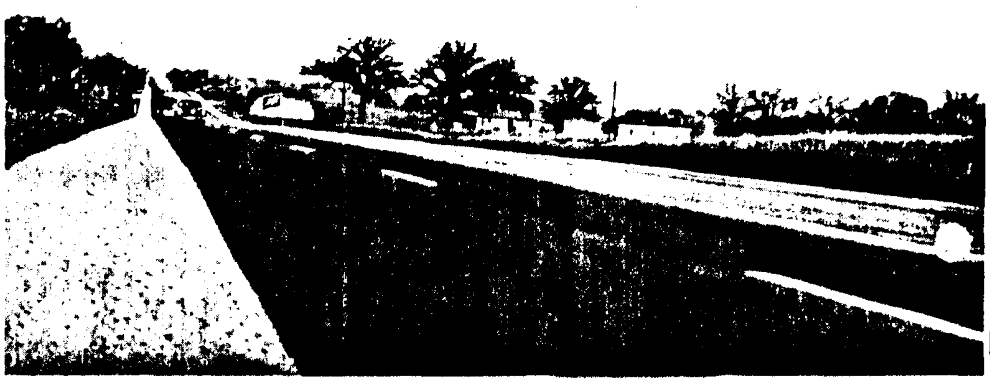
## *Research*

Research has long played an important role in the Company's growth. The first laboratory was established in 1891, the year when National Lead Company was organized, and its only products were white lead, lead oxides and linseed oil. Today—several hundred products and more than sixty years later—specialized research laboratories still set the pace, developing new products and processes which enable the Company to grow, diversify and prosper in a competitive economy.

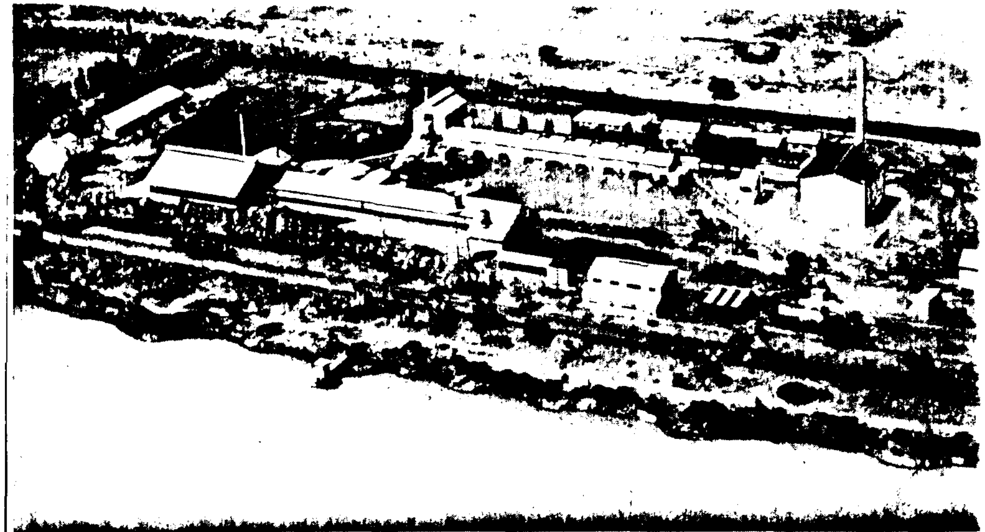
The pilot plant at Birmingham, Alabama, for the production of high-grade iron concentrates from low-grade, non-magnetic ores (a joint project with Republic Steel Corporation) was started up in December. The merits of the reduction process will now be measured in blast furnace runs on a production basis.

A new lead oxide product called "Dryox" has been developed for the storage battery industry, one of the Company's largest customers. Batteries manufactured with this material may be stored dry for long periods and in all climates without deterioration and upon addition of acid solution are immediately ready for use.

*U. S. Highway 41 near Milwaukee, Wisconsin, paved with "Rubarite" hot-mix asphalt. "Rubarite", or rubberized barites, is produced by Rubarite, Inc., at the Baroid Division plant site in Malvern, Arkansas.*





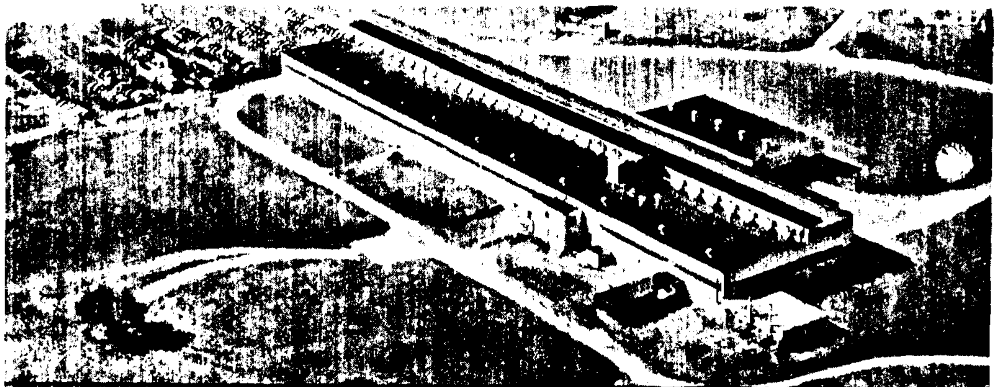


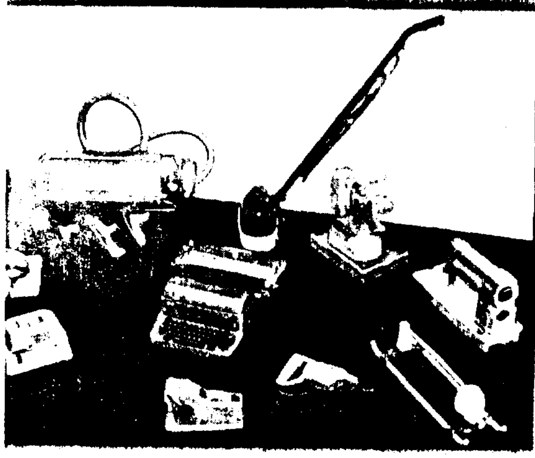
*Lead and zinc smelter of National Lead Company, S. A. at Puerto Vilelas, Argentina, operated along with a fabricating plant in Buenos Aires.*

Many of the products marketed today by the Titanium and Baroid divisions were developed in their laboratories. The discovery of new products, the improvement of existing ones and expansion of their uses are the objectives of the research aggressively carried on by these groups. Other important phases of their activities are the technical service and cooperation rendered to customers in the solution of their problems.

Considerable progress has been made in the field of zirconium metallurgy and chemistry during the past year. Laboratory activity has been directed toward the separation of the metal hafnium from zirconium, and the production of premium grade hafnium concentrate and relatively pure zirconium metal. Improvements have also been made in the fabrication of zirconium metal which offers promise in the fields where high temperatures and corrosion present problems. These metals are also important in the atomic energy program.

In addition to its activities as contract-operator for the Atomic





Doehler-Jarvis Division plants in Pottstown, Pennsylvania, where die castings are produced for household appliances, tools, office equipment and other industrial applications.



Energy Commission, and in relation to its existing business, the Company is exploring various avenues in the nuclear field for industrial applications. Special emphasis has been placed upon the development of lighter and more effective shielding materials, and upon the recovery and utilization of waste fissionable products.

## *Foreign Operations*

The Canada Metal Company, Ltd. has long been a leading producer of non-ferrous alloys, fabricated lead goods of all types, bronze, brass, aluminum and zinc castings and chemical equipment. In 1954 new metal fabricating plants at Winnipeg and Calgary were completed. Lead oxides and fabricated lead goods, such as sheet and pipe, solder and traps and bends, are produced at the Winnipeg plant. Secondary smelting is the principal function of the Calgary plant, although babbitt metal and solder are also produced. In 1952 Canada Metal started production of hot brass pressings and cored forgings in its new plant in Scarborough, Ontario. Today twenty presses, ranging from 50 to 200 tons thrust, are in operation at Scarborough, turning out parts for many industrial applications. A revolutionary centrifugal casting process, called "Roto-Cast", is now in operation at the Toronto plant, producing bronze castings with better wear resistance and with the density and strength of a drawn or forged metal.

National Lead Company also conducts a variety of other operations in Canada through subsidiary companies. The sale of titanium pigments has been an important business for many years and these products, as well as a number of other pigments and chemical compounds, are marketed through Canadian Titanium Pigments Limited. The products and services supplied to the oil well drilling industry in the United States are offered in Canada by Baroid of Canada, Ltd.

National Lead Co., S.A. announced late in the year a major expansion at its zinc-lead-silver mining property, Mina Castaño, in the Province of San Juan, Argentina. Construction has begun on the project which will include a concentrator and power plant. The new operation will come into production next year. National Lead also has a smelter at Puerto Vilelas for the treatment of lead ores and a metals fabricating plant in Buenos Aires.

Titanium Alloy Manufacturing Co. Pty. Limited has been producing rutile ore in Australia for a number of years. During 1954 this subsidiary carried on a successful exploration program in that country to add to its reserves of rutile, the raw material used for the production of titanium metal. Construction was begun to provide mining and concentrating facilities at the new properties and additional output should be coming to market about mid-year.

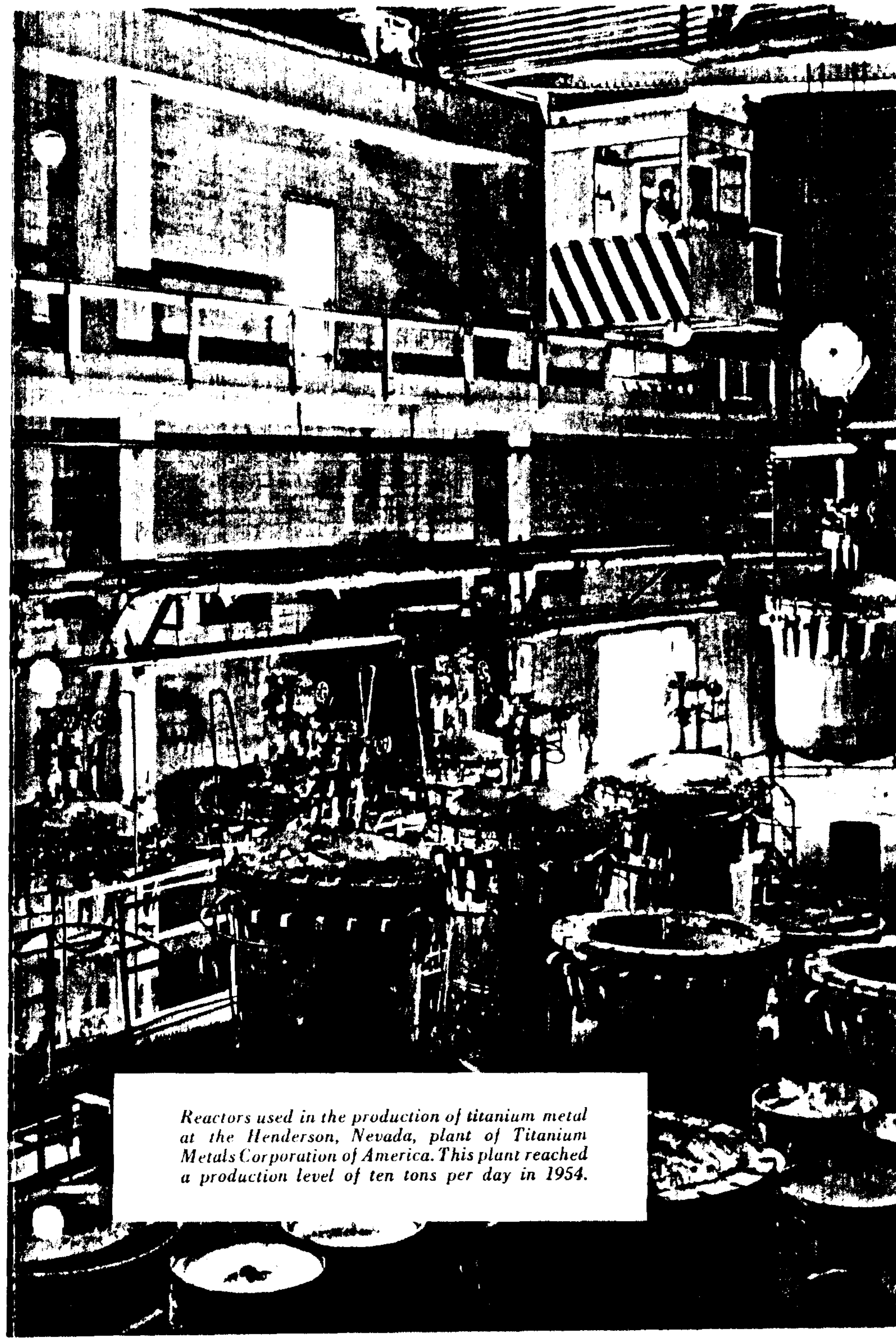
The titanium dioxide plant of Titangesellschaft m.b.H. at Leverkusen, Germany, was operated at capacity throughout the year, and the recently completed expansion of this unit will soon make additional tonnage available to the world market. Technological improvements in quality and type of pigments developed in the United States will thus be made available to foreign customers. The cost of the improved capacity is being financed by re-investment of earnings of this subsidiary.

In recent years the stabilizers, chemicals and Bentones marketed by the Company have been winning increasing acceptance in European and other foreign markets. Substantial quantities of these commodities have been shipped from this country and steps are now under way to provide manufacturing facilities in Europe, financed by the Company's wholly owned subsidiary, Hoyt Metal Company of Great Britain, Ltd., which now fabricates and sells a line of non-ferrous metal products.

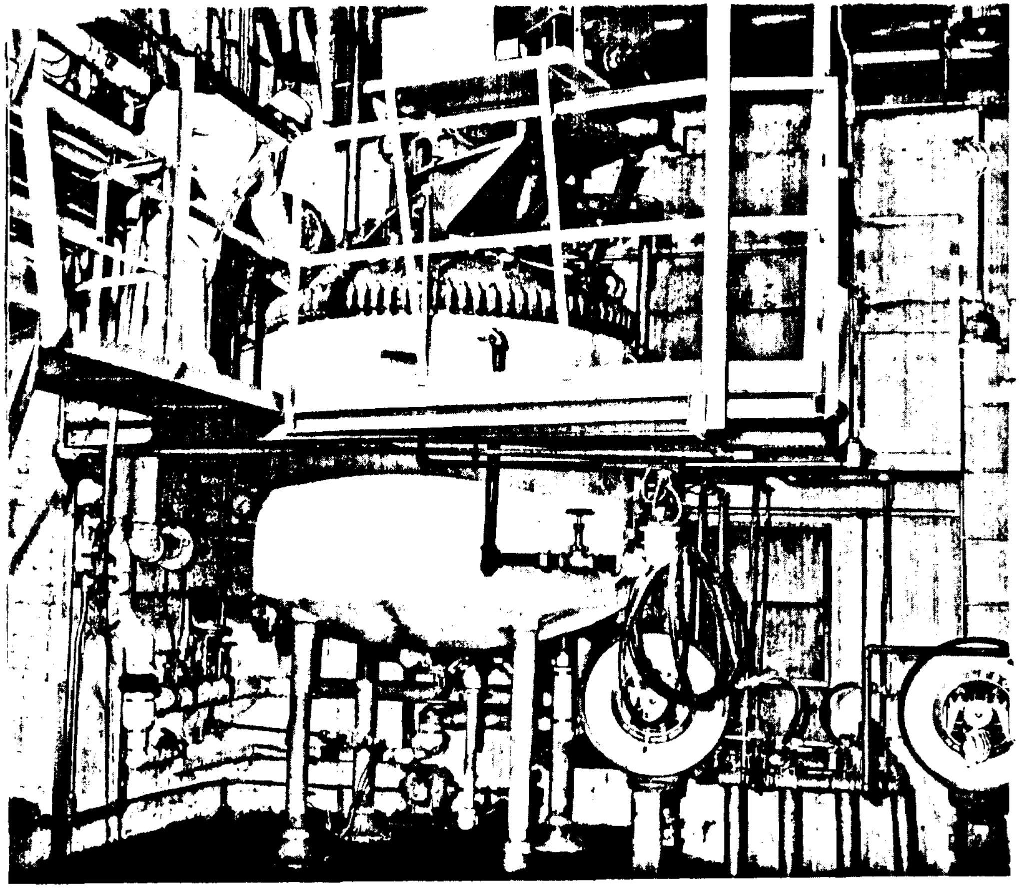
## *Progress Report*

Further expanding its activities in the atomic energy field, the Company during 1954 was awarded a contract for the operation of the U.S. Atomic Energy Commission's Raw Materials Development Laboratory in Winchester, Massachusetts. The installation consists of an ore processing and analytical laboratory at Winchester and a pilot plant at Grand Junction, Colorado. The laboratory's primary function is the development of uranium ore





*Reactors used in the production of titanium metal at the Henderson, Nevada, plant of Titanium Metals Corporation of America. This plant reached a production level of ten tons per day in 1954.*



*Lead chemical "L-26", used as a stabilizer in guided missile fuels, is a product of this new kettle at the plant of the Philadelphia Branch. "L-26" is also finding important uses as a paint drier.*

concentrating processes, which are then transferred to Grand Junction for piloting and eventual use in full-scale uranium concentrating mills. The Company also operates for the Commission an ore sampling plant at Middlesex, New Jersey, and the Feeds Material Production Center at Fernald, Ohio. An expansion of the latter facilities, estimated to cost $22,000,000, is now under way, increasing the Commission's investment in this plant to approximately $100,000,000.

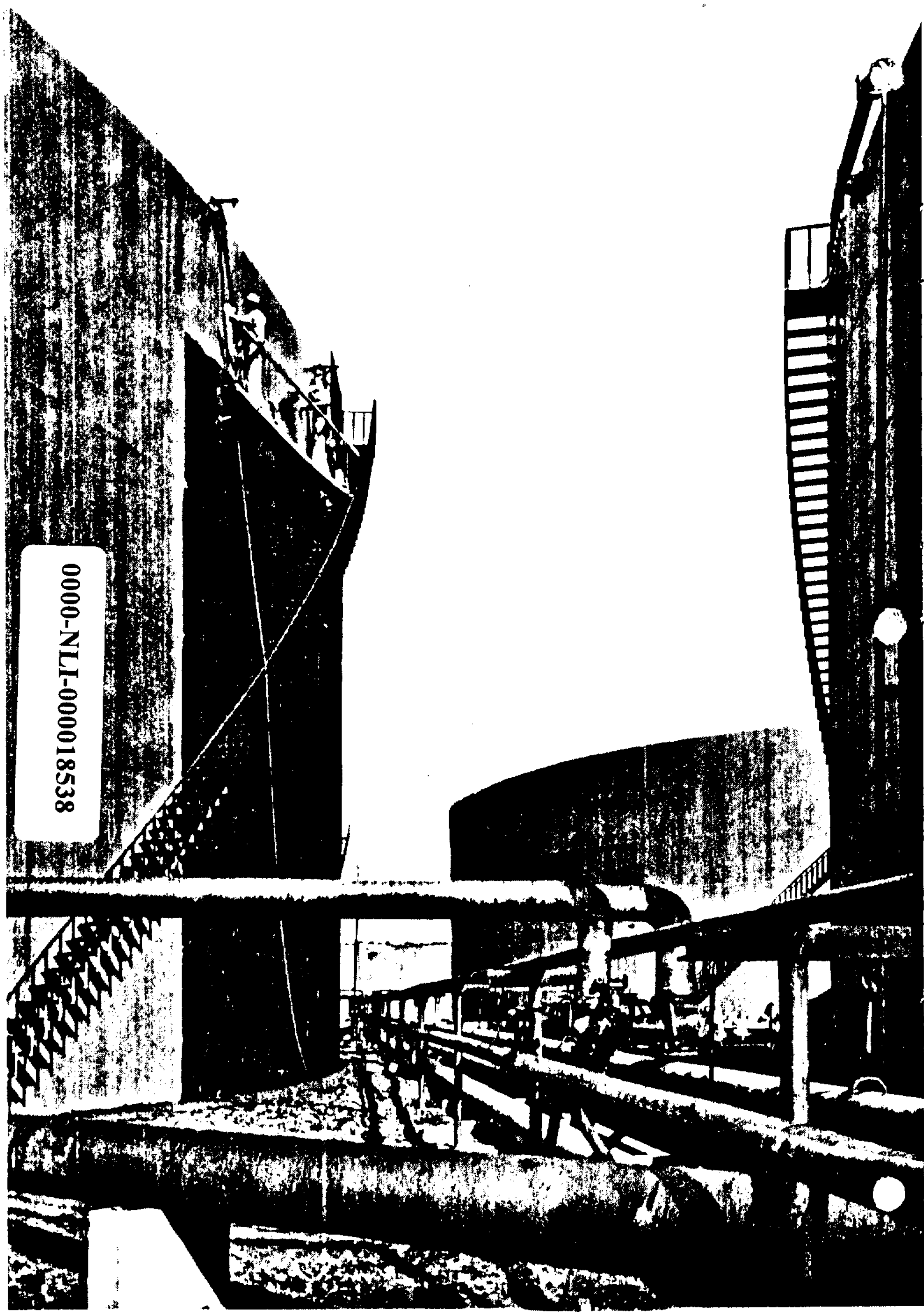


The progress made during 1954 by Titanium Metals Corporation of America, jointly owned with Allegheny Ludlum Steel Corporation, was extremely encouraging. The original production goal of ten tons per day was reached and exceeded—and, of even greater significance, a product of consistently maintained quality was achieved. Titanium Metals Corporation holds a unique position in the titanium metal industry. It is the only integrated producer of the metal in the United States, starting as it does with rutile, the raw material, which is converted into sponge, reduced to metal, and fabricated into usable shapes. Military aircraft continue to take the major portion of available metal, although the new commercial airliners are beginning to use substantial quantities of titanium metal. The big civilian potential, however, remains untapped. Consideration is being given to expansion of production facilities to meet the anticipated demand for this metal.

The $43,000,000 expansion program authorized by the General Services Administration and designed to add 75 per cent to existing capacity of the United States Government-owned nickel plant in Nicaro, Cuba, is well under way. The increased output should be available in 1956. Currently operated by Nickel Processing Corporation, in which National Lead Company owns the majority stock interest, the plant set a new production record in 1954 and has made a noteworthy contribution toward alleviating the critical shortage of nickel.

The new subsidiary, Rubarite, Inc., jointly owned with Goodyear Tire and Rubber Company and Bird & Son, Inc., made excellent progress during 1954. An increasing number of new highways and airstrips are being paved with asphalt to which Rubarite has been added. This product, combining synthetic rubber and barite, improves the properties of asphalt as a road-building material. The development of this product seems timely in view of the Government's recent announcement of a proposed expansion of the country's highway system.

The National Lead Company (Philippines), in which the Company owns the majority stock interest, was organized to produce and market a line of "Dutch Boy" paints in the Philippine





Largest fuel oil tanks in the world, located in Perth Amboy, New Jersey, painted with "Dutch Boy" red lead paint in 1954.

Islands. A paint factory has been constru
now in operation.

## *In Conclusion*

Confidence in the growth and progress c
omy is the keystone of the current upsurge
solid basis for a continuing and sound p
essential elements are present to sustain bu
well into 1955.

Company business has been good thus f
is every indication that it will follow the n

Your Management firmly believes that th
of the Company stems from the quality of
service and dedicated loyalty have long con
of the business.

The number of our shareholders has incr
year to a new high of 30,703, as compare
end of 1953.

This report will be presented at the Ann
holders to be held at Sayreville, New Jerse
Last year 78 per cent of the total stock was
or in person. Such interest and response
your Management.

*By Order of the*

# NATIONAL LEAD COMPANY
AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

*Consolidated Balance Sheets*
DECEMBER 31, 1954 AND 1953

## ASSETS

| | 1954 | 1953 |
|---|---|---|
| Current assets: | | |
| Cash | $ 36,818,924 | $ 31,903,234 |
| United States Government, state, and municipal obligations, at cost (approximately equivalent to amounts at market quotations) (Note 1) | 27,069,864 | 27,562,079 |
| Other marketable securities, at cost, less reserve of $109,181 (at market quotations: 1954, $888,685; 1953, $339,306) | 646,632 | 148,837 |
| Accounts and notes receivable, less reserves of: 1954, $2,042,297; 1953, $2,169,227 | 41,565,009 | 35,761,065 |
| Notes receivable from employees | 346,959 | 365,547 |
| Inventories (Note 2) | 72,122,060 | 69,071,878 |
| Total current assets | 178,569,448 | 164,812,640 |
| Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserve of $3,801,088 (Note 3) | 10,560,190 | 10,646,208 |
| Miscellaneous investments and advances, at cost or below, less reserve of $41,455 | 4,306,664 | 4,539,060 |
| 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: 1954, $97,553,116; 1953, $91,281,692 | 113,165,751 | 112,230,131 |
| Prepaid expenses, deferred charges, etc. | 3,041,197 | 2,419,221 |
| | $309,643,250 | $294,647,263 |

# NATIONAL LEAD COMPANY
AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

*Consolidated Balance Sheets*
DECEMBER 31, 1954 AND 1953

## LIABILITIES

| | 1954 | 1953 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 25,791,091 | $ 23,637,957 |
| Payable to unconsolidated subsidiaries | 509,424 | 586,318 |
| Provisions for taxes, including federal taxes on income | 47,544,938 | 48,624,259 |
| Dividends on Class B preferred stock | 135,277 | 135,277 |
| Total current liabilities | $ 73,980,730 | $ 72,983,811 |
| Note payable and accrued interest, United States Government (Note 4) | $ 8,002,337 | $ 7,702,337 |
| *Inventory reserves* (Note 2) | $ 12,871,821 | $ 13,061,559 |

## CAPITAL

| | 1954 | 1953 |
|---|---|---|
| Capital stock: | | |
| Preferred Class A, 7 per cent cumulative, noncallable (par value $100); shares authorized 250,000, issued 243,676 | $ 24,367,600 | $ 24,367,600 |
| Preferred Class B, 6 per cent cumulative, noncallable (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 11,380,493 (including shares issued under Stock Purchase Plan) (Note 5) | 56,902,465 | 56,902,465 |
| | 91,597,765 | 91,597,765 |
| 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 | 117,590,280 | 106,888,628 |
| | $218,492,351 | $207,790,699 |
| Less: | | |
| Reacquired capital stock, at cost (Note 7) | $ 2,878,343 | $ 2,878,343 |
| Employees' notes receivable under Stock Purchase Plan (Note 5) | 825,646 | 4,012,800 |
| | $ 3,703,989 | $ 6,891,143 |
| | $214,788,362 | $200,899,556 |
| | $309,643,250 | $294,647,263 |

*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, 1954 AND 1953

| | 1954 | 1953 |
|---|---|---|
| Sales, less returns and allowances | $419,333,961 | $436,050,592 |
| Cost of sales (Note 2) | $285,725,422 | $309,187,217 |
| Depreciation, depletion and amortization | 7,206,551 | 6,918,240 |
| Administrative, selling and general expenses | 57,498,537 | 56,304,246 |
| Taxes, other than federal taxes on income | 4,976,507 | 4,474,928 |
| | $355,407,017 | $376,884,631 |
| | $ 63,926,944 | $ 59,165,961 |
| Other income (Note 8) | 3,349,999 | 3,884,276 |
| | 67,276,943 | 63,050,237 |
| Other charges | 123,627 | 213,880 |
| Income before provisions for federal taxes on income | $ 67,153,316 | $ 62,836,357 |
| Provisions for federal taxes on income (Note 9): | | |
| Normal tax and surtax | $ 30,534,665 | $ 28,326,601 |
| Excess profits tax | | 4,919,000 |
| Refunds of federal income taxes of Doehler-Jarvis Corporation for years 1941-1945 under Section 721 of the Internal Revenue Code | | (1,258,172) |
| | $ 30,534,665 | $ 31,987,429 |
| Net income for the year (Note 6) | $ 36,618,651 | $ 30,848,928 |
| Earned surplus unappropriated, January 1 | $106,888,628 | $ 66,426,199 |
| Net earned surplus of Doehler-Jarvis Corporation merged during 1953 | | 31,574,529 |
| Net income for the year | 36,618,651 | 30,848,928 |
| | $143,507,279 | $128,849,656 |
| 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, $2.10 per share in 1954, $1.75 per share in 1953 | 23,735,838 | 19,779,867 |
| | $ 25,916,999 | $ 21,961,028 |
| Earned surplus unappropriated, December 31 | $117,590,280 | $106,888,628 |

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. United States Government, state and municipal obligations comprise the following at *the respective balance sheet dates:*

| | 1954 | 1953 |
|---|---|---|
| United States Government | $ 9,131,557 | $26,416,046 |
| State and municipal | 17,938,307 | 1,146,033 |
| | $27,069,864 | $27,562,079 |

Included in the preceding totals are cost amounts of securities which were on deposit in connection with *self-insurance of workmen's compensation* risks and a bank loan of an unconsolidated subsidiary: 1954, $3,013,490; 1953, $2,253,613.

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 |

The inventory reserves include, in addition to the normal stock reserve, a general inventory reserve of $800,000.

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

Based upon financial statements of unconsolidated subsidiaries (other than those in Continental Europe) as of the close of their respective fiscal years, the equity of National Lead Company in the net tangible assets of those subsidiaries and amounts relating to such equity approximated the following:

| | 1954 | 1953 |
|---|---|---|
| *Equity in net tangible assets* | $23,267,000 | $23,820,000 |
| Excess of equity over National Lead Company's net investments and advances | 13,839,000 | 14,545,000 |
| Decrease* or increase in excess equity during year | 706,000* | 201,000 |

The equity in net tangible assets, shown in the preceding paragraph, includes $10,602,000 for 1954 and $11,077,000 for 1953, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange.

National Lead Company's net investments in and advances to Continental European subsidiaries were $1,131,682 and $1,371,455 at December 31, 1954 and 1953, respectively. Unaudited financial statements as of September 30, 1954 and 1953 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:

| | 1954 | 1953 |
|---|---|---|
| Norwegian kroner | 14,571,000 | 12,965,000 |
| Belgian francs | 21,746,000 | 19,636,000 |
| Dutch florins | 1,798,000 | 1,472,000 |
| French francs | 42,409,000 | 41,065,000 |
| German deutsch marks | 22,809,000 | 19,085,000 |

The realization of foreign assets and foreign earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.



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Dividends were received from unconsolidated subsidiaries and are included in consolidated net income as follows:

| | 1954 | 1953 |
|---|---|---|
| Subsidiaries other than Continental European | $2,589,477 | $1,726,842 |
| Continental European subsidiaries | 48,873 | 48,870 |
| | $2,638,350 | $1,775,712 |

4. The company has issued to the United States Government a note for $7,500,000 bearing interest at 4 per cent covering advances received for new production facilities. The principal of the note, together with interest accrued thereon up to a date six months subsequent to commencement of production, is payable thereafter in twenty equal quarterly instalments. The note is secured by 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 are evidenced by promissory notes bearing interest at 3 per cent, payable within 10 years from dates thereof, the shares serving as collateral. Shares held as collateral aggregated 63,850 at December 31, 1954, and 281,800 at December 31, 1953.

6. During 1953 Doehler-Jarvis Corporation merged into National Lead Company. The consolidated statement of income of National Lead Company for 1953 does not include the operations of Doehler-Jarvis Corporation prior to the merger. Had such operations been so included, consolidated net income for 1953 would have been $32,122,787.

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

| | No. of Shares | Costs |
|---|---|---|
| Preferred Class A | 9,383 | $1,147,727 |
| Preferred Class B | 13,092 | 1,435,354 |
| Common | 77,713 | 295,262 |
| | | $2,878,343 |

8. Other income comprises:

| | 1954 | 1953 |
|---|---|---|
| Dividends received (including dividends from unconsolidated subsidiaries, see Note 3) | $2,822,873 | $2,200,128 |
| Reserves no longer required: | | |
| Pension | | 45,210 |
| Inventory | | 488,787 |
| Interest (net) and miscellaneous | 527,126 | 1,150,151 |
| | $3,349,999 | $3,884,276 |

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

*General:*

Under agreements with the Atomic Energy Commission, three consolidated subsidiaries are operating plants constructed with funds supplied by the Commission. The accompanying financial statements do not include the assets, liabilities or results of operations of such plants. 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.

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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, 1954 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 1954 fiscal years. Similar examinations were made for the 1953 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, 1954 and 1953 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 1, 1955.

# TEN YEAR REVIEW OF OPERATIONS

| | | | | | | | | | | 1954 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Sales | $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 | $419,333,961 |
| Net Income before Taxes | 11,218,228 | 16,713,479 | 23,904,417 | 26,605,510 | 21,191,579 | 54,557,799 | 59,607,540 | 48,386,163 | 62,836,357 | 67,153,316 |
| Federal Taxes on Income | 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 | 30,534,665 |
| Net Income | 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 | 36,618,651 |
| Earned Per Share of Common Stock (Adjusted to present capitalization) | 0.48 | 0.82 | 1.09 | 1.21 | 1.29 | 2.41 | 2.05 | 2.06 | 2.58 | 3.05 |
| Preferred Dividends | 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 | 2,181,161 |
| Common Dividends | 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 | 23,735,838 |
| Current Assets: Cash | 9,571,663 | 11,681,055 | 12,953,907 | 9,304,183 | 17,961,612 | 24,370,746 | 23,418,857 | 18,730,699 | 31,903,234 | 36,818,924 |
| U. S. Government and other Marketable Securities | 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 | 27,716,496 |
| Notes and Accounts Receivable | 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 | 41,911,968 |
| Inventories | 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 | 72,122,060 |
| Total Current Assets | 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 | 178,569,448 |
| Total Current Liabilities | 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 | 73,980,730 |
| Net Working Capital | 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 | 104,588,718 |
| Gross Property Account | 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 | 210,718,867 |
| Reserves for Depreciation Depletion and Amortization | 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 | 97,553,116 |
| Net Property Account | 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 | 113,165,751 |

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

## 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 DIVISION . . . 2404 Danville Street, Houston
G. B. Coale, *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
S. R. Hollingsworth, W. W. Howard, C. J. Surman, *Managers* . . . 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 . . . 1945 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
J. K. Campbell, 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

BAROID OF CANADA, LTD.* . . . Toronto
J. A. Martino, *President* . . . Oil Well Drilling Mud Service

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 COMPANY, INC.* . . . New York
J. A. Martino, *President* . . . Contract-Operators, Atomic Energy Commission

NATIONAL LEAD COMPANY (PHILIPPINES) . . . Manila
D. D. Roberts, *President* . . . Mixed Paints

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

NATIONAL LEAD COMPANY, S. A. . . . 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

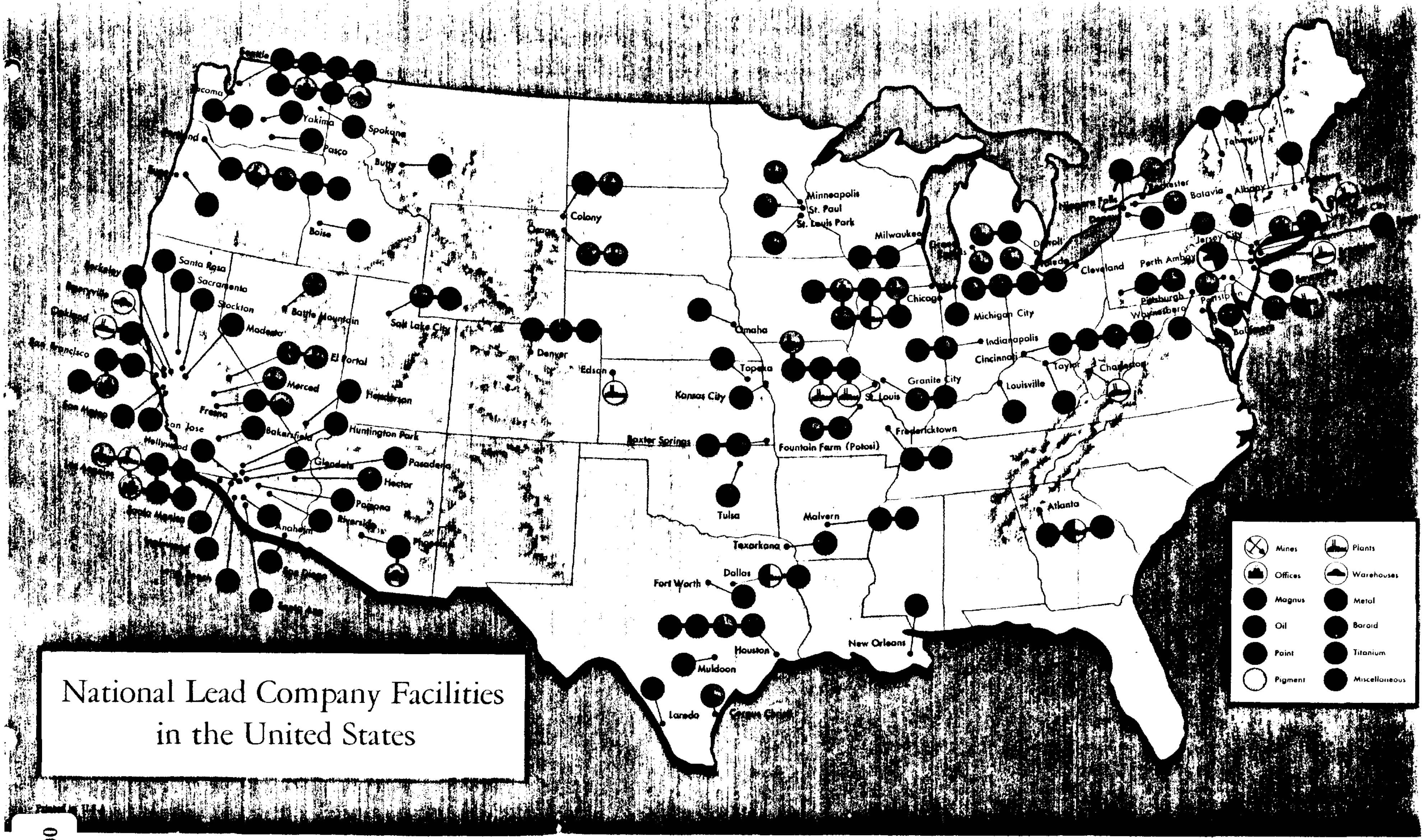
Ferro Alloys of Titanium
Titanates
Titanium Dioxide (Natural Rutile)
Zirconium Chemicals
Zirconium Ceramic Materials
Zirconium Metal

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 Barites
Lead and Zinc Concentrates




National Lead Company Facilities in the United States

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