National Lead Company

Proceedings at
Annual Stockholders' Meeting
April 21, 1949

and

Report of Sales and Earnings
Three Months Ended
March 31, 1949

National Lead Company
111 Broadway
New York 6, N.Y.

May 2, 1949

To the Stockholders:

AT THE ANNUAL MEETING in the principal offices of the Company at Sayreville, New Jersey, on April 21, there were present, in person or by proxy, 61% of the stockholders, representing 4,315,463 votes or approximately 67% of the total stock outstanding.

At the meeting the Annual Report to the Stockholders was discussed and approved. Messrs. William V. Burley, Walter P. Carroll, Charles A. Geatty, and James A. Taylor were re-elected unanimously to serve as members of the Board of Directors for three years. Also approved was an amendment to Article III of the by-laws of the Company, reducing the number of the Board of Directors from fifteen to twelve. The resolution regarding the engagement of Lybrand, Ross Bros. & Montgomery as the Company's auditors was likewise approved.

The following statement was made by the President, who acted as chairman of the meeting, as to general conditions and Company business prospects for 1949:

> "Earnings in the first quarter of this year were approximately the same as in the first quarter of 1948. Dollar sales for the quarter were close to 9% below a year earlier.
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> "The return to a more realistic price basis for lead is generally beneficial and should cause no uneasiness as to the future. Our inventories

have been kept well in hand, and reserves are sufficient to offset practically all of the price decline. Furthermore, the smaller cash requirements for inventories have improved the company's cash position and permitted the repayment of minor bank loans incurred early this year.

"Not everyone realizes, although it has often been stated, that National Lead Company is a fabricator rather than a producer so far as lead is concerned. Metal prices are obviously at a much healthier level now than during 1948. Once consumers feel satisfied that prices have found a stable level, we expect to see a return to normal buying, perhaps with a slight bulge to make up for the recent suspension of purchases in some lines.

"For the remainder of 1949 we may reasonably expect considerable variation in trends of business in the different industries we serve. Activity in such diverse fields as building, automobile manufacturing, railroads, and oil well drilling, to pick examples, will doubtless move in different directions at different times. On the whole, however, we expect 1949 to be a good year for National Lead Company."

It will serve to bring this picture more nearly up to date to cite the following figures which are being made public at the same time this statement is sent to stockholders:

"Net income of National Lead Company for the first quarter of 1949 amounted to $3,382,460. This was equal after preferred dividends to 88¢ per share on the common stock, and approximately the same as in the first quarter of 1948. Dollar sales for the quarter totalled $66,135,193, off about 9 per cent from a year ago."

A number of questions were asked at the meeting, indicating that the following information will be of general interest to the stockholders:

1. A question was raised as to the desirability of changing to the "last-in, first-out" method of inventory valuation. The Company has employed the "normal stock" method of valuation for more than thirty years and finds this method safe, conservative and contributing much to the Company's financial stability. It was explained that the "normal stock" method makes for uniformity of profits and eliminates extreme "ups and downs."

2. It was stated that Company advertising for 1949 would go along on the same basis as 1948, with the possibility that the introduction of new products might change advertising plans.

3. To a question asked on inventory increase in 1948 the chairman answered that the rise was due to a larger volume of business in the newer lines of products, along with higher prices in the older lines. Physical quantities of inventories in the older lines where price rises occurred have been held to minimum levels consistent with efficient operations.

   The lead supply of the Company is maintained at a conservative level, according to the chairman, and up to December 1948 National Lead was operating on about the lowest stock of lead in the history of the Company. The chairman stated, therefore, that National Lead is not in oversupply of the metal at high prices.

4. As to the question of retiring the Company's non-callable preferred stocks, the chairman replied that the subject had been considered from time to time but there had not been presented an arrangement which would be equitable to holders of all classes of stock.

5. The chairman announced in response to a question that the anti-trust suit of the Federal Government against the Company concerning titanium had been settled, although steps to

comply with the court decree have not been completed.

6. As to the development of titanium properties on this continent by other companies, the chairman commented that such projects would be beneficial to the Company, in providing another source of titanium-bearing ore, and eliminating in part a dependency on India.

7. It was explained that the Company has a plan in operation which assists in financing the purchase of Company stock by those employees who wish to do so. Hundreds of employees are stockholders, a situation creating the most favorable type of association between employees and the Company.

8. At the request of a stockholder at the Annual Meeting, resolutions have been drafted expressing on the part of the stockholders their high esteem and deep appreciation for the faithful service devoted to the Company by Mr. Fletcher W. Rockwell and Mr. Joseph J. Morsman, retired, and conveying their deep regret and sympathy to the family and friends of Mr. James L. Caruth on his untimely death.

The President expressed to the meeting, and takes this opportunity to repeat, his thanks to all who attended in person as well as to those who sent their proxies but could not attend.

J. A. Martin

President

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