National Lead Company

Semi-Annual Report

JUNE 30, 1949

NATIONAL LEA

111 Broa

New York (

TO THE STOCKHOLDERS:

There are submitted on the follow
sheet of the Company and its wholly o
30, 1949 in comparison with the corres
1948, and consolidated statements of inc
six months of the years 1949 and 1948

Earnings for the first six months of
with $6,512,990 for the corresponding p
payment of Preferred dividends, these
share on the 3,253,225 shares of Comm
pared with $1.77 per share earned on th
outstanding in the first half of 1948.

The decrease in earnings reflects t
from generally reduced business activity
sold by the Company. During the peri
marked the business picture during the
metal inventories were at the lowest le
of its operations. The effects of declinin
earnings were offset by transfers made f
ance with the principles of the normal

As a result of the stockividen
December, 1948, scrip certificates repres
stock were issued to some stockholders.
still outstanding; it is to the interest
convert it promptly into stock or to liq
of the City of New York, 11 Broad Str
as Scrip Agent for the convenience of s

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

COMPARATIVE CONSOLIDATED BALANCE SHEET

• ASSETS

	June 30, 1949	Dec. 31, 1948
Current Assets:		
Cash	$ 15,800,912	$ 9,304,183
United States Government securities, at cost (approximately equivalent to amounts at market quotations)	2,937,707	1,995,014
Other marketable securities, at cost less reserves of: 1949, $522,892; 1948, $522,892 (at market quotations: 1949, $2,423,407; 1948, $2,965,279)	592,644	529,431
Accounts and notes receivable, less reserves of: 1949, $1,968,374; 1948, $1,962,363	17,066,062	28,013,657
Notes receivable from employees	89,409	106,649
Inventories	55,830,087	59,118,313
Total current assets	92,316,821	99,067,247
Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of: 1949, $4,305,711; 1948, $4,305,711	7,821,331	7,962,526
Miscellaneous investments, at cost or below, less reserves of: 1949, $846,778; 1948, $846,778	1,040,160	794,190
Plant, property and equipment (including intangibles), less reserves for depreciation, depletion and amortization of: 1949, $61,858,846; 1948, $59,856,625	73,762,385	74,022,615
Patents and licenses, less amortization	96,220	117,022
Prepaid expenses, deferred charges, etc.	2,248,898	1,497,504
	$177,285,815	$183,461,104

• LIABILITIES

	June 30, 1949	Dec. 31, 1948
Current Liabilities:		
Accounts payable and accrued liabilities	$ 9,797,406	$ 13,683,127
Payable to unconsolidated subsidiaries	881,023	842,966
Provisions for taxes, including federal taxes on income	19,365,585	20,709,584
Dividends payable on Class B preferred stock	123,600	123,600
Total current liabilities	$ 30,167,614	$ 35,359,277
Reserves:		
Fire insurance	$ 4,797,284	$ 4,797,284
Employer's liability	426,664	426,664
Pension	3,309,230	3,354,018
Contingencies	4,080,358	4,080,358
Inventory	17,901,303	22,538,007
	$ 30,514,839	$ 35,196,331

• CAPITAL

	June 30, 1949	Dec. 31, 1948
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 $10); shares authorized 5,000,000, issued 3,253,225	32,532,250	32,532,250
	67,227,550	67,227,550
Capital Surplus	4,523,071	4,523,071
Earned Surplus	48,343,749	44,645,883
	120,094,370	116,396,504
Less, Reacquired capital stock, at cost	3,491,008	3,491,008
	$116,603,362	$112,905,496
	$177,285,815	$183,461,104

NATIONAL LEAD COMPANY

AND ITS WHOLLY OWNED DOMESTIC SUBSIDIARIES

COMPARATIVE CONSOLIDATED STATEMENTS OF INCOME AND EARNED SURPLUS

	Six Months Ended June 30 1949	1948
Sales, less returns and allowances	$127,259,564	$148,121,628
Cost of sales, taxes (other than federal taxes on income), and other expenses	115,129,939	133,409,081
	12,129,625	14,712,547
Depreciation, depletion and amortization	2,086,935	1,820,128
	10,042,690	12,892,419
Other income	746,487	411,512
	10,789,177	13,303,931
Other charges	......	215,000
	10,789,177	13,088,931
Provision for federal taxes on income	4,398,049	6,575,941
Net income for the six months period	$ 6,391,128	$ 6,512,990

	1949	1948
Earned surplus balance, January 1	$ 44,645,883	$ 42,098,542
Net income for the six months period	6,391,128	6,512,990
	$ 51,037,011	$ 48,611,532
Dividends:		
On Class A preferred stock	$ 820,026	$ 797,275
On Class B preferred stock	247,200	232,386
	1,067,226	1,029,661
On common stock	1,626,036	1,546,655
	$ 2,693,262	$ 2,576,316
Earned surplus balance, June 30th	$ 48,343,749	$ 46,035,216

NOTE:

Dividends received from foreign corporations owned in part or in whole, domestic corporations not wholly owned, as well as interest on bonds and miscellaneous items not directly connected with current operations, are included in the item "Other Income". Dividends on National Lead Company preferred and common stocks owned by the Company itself are not included in this statement, either as disbursement or as income.

BOARD OF DIRECTORS

LEONARD T. BEALE
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CLAUDE F. GARESCHE
CHARLES A. GEATTY
JOSEPH A. MARTINO
DAVID A. MERSON
GEORGE L. RATCLIFFE
CHARLES SIMON
JAMES A. TAYLOR
HERMAN T. WARSHOW
HARRY C. WILDNER

EXECUTIVE COMMITTEE

JOSEPH A. MARTINO, Chairman

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CLAUDE F. GARESCHE
DAVID A. MERSON
CHARLES SIMON
HERMAN T. WARSHOW
HARRY C. WILDNER

EXECUTIVE OFFICERS

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JOSEPH A. MARTINO

Vice Presidents
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WALTER P. CARROLL
CLAUDE F. GARESCHE
DAVID A. MERSON
HERMAN T. WARSHOW
HARRY C. WILDNER

Assistant to the President
ALFRED H. DREWES

Secretary
JOHN B. HENRICH

Treasurer
CHARLES SIMON

Comptroller
HARRY C. WILDNER

Assistant Secretary
THOMAS F. OWENS

Assistant Treasurer
JOSEPH J. MORSMAN, JR.

Assistant Comptrollers
GEORGE A. DEWEY
JOSEPH J. MORSMAN, JR.

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.
>
> "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. Moraman, 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