Semi-Annual Report

National Lead Company

for Period Ending

June 30, 1938

Principal Office:

15 Exchange Place, Jersey City, N. J.

Executive Offices:

111 Broadway, New York City

To the Stockholders of National Lead Company:

The following is a Consolidated Balance Sheet of National Lead Company as of June 30, 1938 and a Statement of Consolidated Income and Surplus for the first six months of 1938. The consolidation includes only domestic subsidiaries in which National Lead Company owns all of the outstanding capital stock. Foreign corporations owned partly or wholly and domestic corporations not fully owned are included in the item of "Investments." Dividends received from such companies, as well as interest on bonds and miscellaneous items not directly connected with current operations, are included in the item of "Other Income." Dividends on National Lead Company Preferred and Common Stocks owned by the Company itself are not included in this statement, either as disbursements or as income.

H. T. Warshow, *Vice President and Comptroller.*

ASSETS

Current Assets:			
Cash		$ 4,166,744.95	
U. S. Government Securities (Market Value $1,225,312.20)		1,147,888.29	
Other Marketable Securities, Domestic (Market Value $ 863,195.88)	$ 608,012.68		
Other Marketable Securities, Foreign (Market Value $1,799,931.64)	1,536,353.08	2,144,365.76	
Accounts and Notes Receivable	$ 8,262,200.21		
Less Bad Debt Reserve	729,839.02	7,532,361.19	
Notes Receivable from Employees		219,725.99	
Inventories*		20,388,249.12	
Total Current Assets			$ 35,599,335.30
Investments:			
Securities of Affiliated Companies (at book value in no case exceeding cost)			
Domestic	$ 5,306,918.09		
Foreign	9,063,186.01	$14,370,104.10	
National Lead Company Capital Stock (29,883 shares Preferred A; 25,815 shares Preferred B; 3,210 shares Common) (Market Value $8,312,141.25)		6,950,229.77	
Miscellaneous Investments (not listed on any exchange)			
Domestic	$ 362,605.33		
Foreign	127,713.55	490,318.88	
Total Investments			21,810,652.75
Fixed Assets:			
Plant Properties and Equipment—Gross Property		$76,158,291.86	
Less: Depreciation and Depletion Reserve		28,988,859.36	47,169,432.50
Deferred Charges			382,835.09
			$104,962,255.64

LIABILITIES

Current Liabilities:				
Accounts Payable, audited but not due			$ 2,909,370.31	
Tax Reserve			1,933,400.95	
Dividend Payable August 1, 1938 on Class B Preferred Stock			116,193.00	
Total Current Liabilities				$ 4,958,964.26
Reserves:				
Fire Insurance Reserve			$ 4,797,284.02	
Employers Liability Reserve			426,664.30	
Pension Reserve			3,423,680.46	
Foreign Exchange and Miscellaneous			166,542.67	8,814,171.45
Capital Stock and Surplus:				
Capital Stock:	Authorized	Issued		
Preferred Class A—Par Value $100	$ 25,000,000.00	$24,367,600.00		
Preferred Class B—Par Value $100	25,000,000.00	10,327,700.00		
Common —Par Value $ 10	50,000,000.00	30,983,100.00		
	$100,000,000.00	$65,678,400.00		
Earned Surplus		$25,390,000.73		
Capital Surplus		120,719.20		
Total Capital Stock and Surplus				91,189,119.93
				$104,962,255.64

DETAILS OF PLANT INVESTMENT

	June 30, 1938	Dec. 31, 1937	Increase
Gross Property	$76,158,291.86	$74,063,169.69	$ 2,095,122.17
Less Depreciation and Depletion Reserve	28,988,859.36	28,212,242.60	776,616.76
Net Property	$47,169,432.50	$45,850,927.09	$ 1,318,505.41

* See Page 4.

STATEMENT OF CONSOLIDATED INCOME AND SURPLUS

Income Account

		Six Months Ended June 30th 1938		1937
Sales		$30,542,552.63		$50,728,761.58
Cost of Goods Sold, Taxes, Depreciation and Other Expenses		29,075,794.96		47,103,588.42
Net Operating Profit		$ 1,466,757.67		$ 3,625,173.16
Other Income		338,107.10		1,567,093.26
Total Net Income		$ 1,804,864.77		$ 5,192,266.42
Dividends on Preferred Stock Outstanding:—Class A	$748,275.50		$748,275.50	
Class B	232,386.00	980,661.50	232,386.00	980,661.50
Amount Earned on Common Stock		$ 824,203.27		$ 4,211,604.92
Amount Earned per Share of Common Stock Outstanding		$ .266		$ 1.361

Surplus Account

		1938		1937
Earned Surplus—At beginning of year		$25,220,172.46		$23,842,094.03
Add: Net Income for six months		1,804,864.77		5,192,266.42
Surplus Adjustment**		119,400.00		—
		$27,144,437.23		$29,034,360.45
Deduct Dividends: Preferred Stock Outstanding—Class A	$748,275.50		$748,275.50	
Class B	232,386.00	980,661.50	232,386.00	980,661.50
Common Stock Outstanding		773,775.00		773,775.00
Total Dividends Paid		$ 1,754,436.50		$ 1,754,436.50
Earned Surplus at June 30th		$25,390,000.73		$27,279,923.95
Capital Surplus at June 30th		120,719.20		120,719.20
Total Consolidated Surplus at June 30th		$25,510,719.93		$27,400,643.15

**On December 23rd, 1937, Patino Mines & Enterprises, Cons., Inc., paid a dividend of $2.00 per share on its common stock, of which $238,800.00 was received by National Lead Company. We were advised by P. M. & E. C. Inc., that one-half of this dividend, equivalent to $119,400.00, was to be considered as a return of capital—the other half as income for the year. It was treated in this way on the books of National Lead Company. In 1938, the Company was advised by P. M. & E. C. Inc., that the total dividend should be included as income. Since this is 1937 income, the adjustment is made directly to Surplus.

*The present normal stocks of the Company are as follows:

Lead	49,687¼ short tons	valued at $0.03 per pound.
Tin	1,124¾ short tons	valued at .21 per pound.
Antimony	259 short tons	valued at .05 per pound.

Stocks in excess of normals are valued at cost or market, whichever is lower.

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