CONDENSED CONSOLIDATED OPERATING STATEMENT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1927

Profit Before Interest, Depreciation, Federal Taxes, and other Deductions		$2,826,633.95
Interest on Bonds, Borrowed Money and Other Deductions—Net		492,444.81
Profit before providing for depreciation and Federal Taxes		2,334,189.14
Provision for Depreciation		371,750.59
Profit before providing for Federal Taxes		1,962,438.55
Provision for Estimated Federal Taxes		250,000.00
	Net Profit	$1,712,438.55

CONSOLIDATED SURPLUS ACCOUNT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

October 31, 1927

Balance October 31, 1926—as shown by Audit Report				$5,580,658.35
Addition				
Net Profit from operations for the fiscal year ended October 31, 1927			$1,712,438.55	
Deductions				
Dividends paid on stock of The Glidden Company:				
Common—$1.00 per share	$399,247.00			
Prior Preference—7%	497,850.50	$897,097.50		
Preferred Stock Expense of The Glidden Stores Company, previously capitalized, charged off upon dissolution of the Company July 1, 1927		54,473.98		
Miscellaneous Net Charges in connection with the acquisition of minority interests, purchase of Prior Preference Stock, etc.		1,294.64	952,866.12	
			Net Addition	759,572.43
Balance October 31, 1927, as shown by this Report				$6,340,230.78

THE GLIDDEN COMPANY

GLIDDEN

CLEVELAND, OHIO

January 3, 1928

TO THE STOCKHOLDERS:

Herewith is submitted the Annual Report of the Company and its subsidiaries as of the close of business October 31, 1927. The Balance Sheet shows a ratio of current assets to current liabilities in excess of nine to one, with no bank indebtedness.

Notwithstanding the loss in sales to certain of our automobile customers due to conditions within that industry, our company was able to bring in additional new business so that the total volume of sales for the year was in excess of twenty-five and one half million dollars. These sales figures demonstrate the strong position of the company due to its widely diversified line of products.

The final net profit was $1,712,438.55 after depreciation charges of $371,750.59 and a reserve for Federal Taxes of $250,000.00. After provision for dividends on the Prior Preference Stock these profits are equivalent to $3.03 per share on the No Par Common Stock of the company.

The Canadian Division of the Company has had a prosperous year and our business in that country is expanding rapidly. An extension to the Canadian plant has been completed that will increase its capacity about fifty percent.

The retail and service stores division has made good progress during the year and the results were so encouraging that the company has added three stores to its chain and plans on opening additional stores early in the new year as conditions warrant.

The Chemical and Pigment Division has completed its building program and the plant at Oakland, California is now in operation. Notwithstanding interruptions to operations incurred during the year due to building, the profits were better than for last year.

The Food Products Division has completed the addition to its edible oil refinery, thus increasing the productive capacity. The profits from this division were very satisfactory and with the increased volume of output the profits should show a large increase for 1928.

The Euston Lead Division was operated at a profit and at the same time made a substantial improvement in its operations.

The Barytes Mining operations of the company were successful and the company will produce a large quantity of Water Floated Barytes for use by the Paint, Rubber and Linoleum trades during 1928.

Our Zinc Mining Properties in California have been operated as a separate organization and a small loss was incurred this year due to prevailing low prices of zinc ores and the high cost of mining development. In view of some readjustment in the capital structure which is now being effected, we have not deemed it advisable to take this loss into our own operations, feeling that our mining investment now represented by a substantial equity in this property is amply protected due to the fact that a liberal reduction has been made by a charge against a Special Reserve Account. The properties are not now being operated but some development work is being done, and we do not contemplate active mining and treatment of zinc ores until there is a satisfactory recovery in the metal market which is unusually low at the present time.

The Management looks forward with confidence to a satisfactory business during the new fiscal year and inasmuch as the building operations in connection with our affiliated companies have been completed it is expected that there will be an improvement in both volume and profits.

On behalf of the Officers and Board of Directors I desire to express to the faithful employees of the company our appreciation of their loyal, earnest and efficient work.

Yours truly,

ADRIAN D. JOYCE

President

GLD30253

[illegible] SHEET

THE GLIDDEN COMPANY - CLEVELAND, AND SUBSIDIARIES

AS OF THE CLOSE OF BUSINESS OCTOBER 31, 1927

ASSETS

Current			
Cash on Hand, On Deposit and In Transit		$ 599,841.92	
Customers' Notes and Trade Acceptances Receivable	$ 211,544.96		
Customers' Accounts Receivable	3,452,365.25		
	3,663,910.21		
Less: Allowance for Doubtful Accounts, Discounts, etc.	91,349.86	3,572,560.35	
Miscellaneous Current Accounts Receivable		12,117.44	
Inventory on basis of lower of cost or market		4,765,836.10	$ 8,950,355.81
Other Assets			
Investment in The California Zinc Company and the Afterthought Zinc Mining Company including balance of net advances to October 31, 1927		522,356.56	
Cash Surrender Value of Life Insurance		109,571.75	
Miscellaneous Notes and Accounts, Salesmen's Advances, Capital Stock Owned, etc.		92,130.50	724,058.81
Permanent			
Land		1,384,234.86	
Buildings, Machinery, Equipment, etc.	9,393,896.30		
Less: Allowance for Depreciation	2,282,909.09	7,110,987.21	
Ore Lands and Leases, less allowance for Depletion		416,244.25	8,911,466.32
Good-Will, Patents, Trade-Marks, Reorganization and Development Expense and Unamortized Portion of Bond Discount, etc.			1,153,089.19
Stock Held for Retirement			
Prior Preference Stock—At Cost			81,952.05
Deferred			
Inventory of Advertising Stock, Stationery, Factory Supplies, Unexpired Insurance Premiums, Prepaid Interest, Taxes, etc.			400,759.67
			$20,221,681.85

LIABILITIES

Current

Accounts Payable, Customers' Credit Balances and Miscellaneous Accounts

Accrued Taxes, Bond Interest, Insurance, Royalties, etc.

Reserve

For Estimated Federal Taxes

Deferred

Note given in acquisition of Subsidiary Company (Due in equal installments December 31, 1928 and December 31, 1929. Payment in full made December 2, 1927)

First Mortgage 6% Gold Bonds

The Glidden Company

Authorized

Less: Retired

Subsidiary Companies—Outstanding

Reserve

For General Contingencies

Nominal

Capital Stock

Prior Preference 7% Cumulative

Authorized	75,000 shares
Less: Unissued and Retired	3,391 shares

Common No Par Value

Authorized	500,000 shares
Issued	400,000 shares

Declared Value of $5.00 per share

Surplus

Balance October 31, 1927:

Capital Surplus

Unearned Surplus

Profit and Loss—Surplus

Board of Directors and Stockholders,
The Glidden Company,
Cleveland.

December 30, 1927

Gentlemen:

We submit herewith Condensed Consolidated Balance Sheet setting forth the Assets and Liabilities of THE GLIDDEN COMPANY—CLEVELAND, and SUBSIDIARIES, excepting California Mining Companies carried as an investment and referred to in the President's letter, as of the close of business October 31, 1927, subject to the following comments:

We independently verified Cash balances and Customers' Notes and Trade Acceptances Receivable, with the exception of Cash Funds and Notes at certain units which are included as shown by reports submitted to us. Customers' Accounts Receivable are stated as shown by trial balances submitted, the accuracy of which has been thoroughly tested by comparison with the recorded ledger balances. In our opinion, the allowance provided for doubtful accounts, etc., is sufficient to cover any reasonably anticipated shrinkage at the date of this Balance Sheet. Inventories of merchandise are stated as taken and priced under the direction of the management, and certified to us by a responsible official as to quantities, salability and valuation based upon the lower of cost or market values. Our verification of the Inventories [illegible] as to prices used and mathematical accuracy of computations.

The investment in California Mining Companies including th[illegible] represented as shown by the records at October 31, 1927, no inde[illegible] obtained by us.

All ascertained liabilities of the Companies at October 31, 192[illegible] in the accompanying Balance Sheet.

Subject to the foregoing, WE HEREBY CERTIFY, that i[illegible] records examined and information obtained by us and subject to [illegible] determination of final liability for Taxes, the accompanying Balanc[illegible] financial position of THE GLIDDEN COMPANY—CLEVEL[illegible] excepting the California Mining Companies, as of the close of bus[illegible]

Very truly yours,
ERNST & ER[illegible]
Certif[illegible]