

THIRTY-FIRST ANNUAL REPORT

FISCAL YEAR ENDED OCTOBER 31st,

1948



THE GLIDDEN COMPANY

THE GLIDDEN COMPANY
CLEVELAND, OHIO

December 20, 1948

*To the Stockholders of
The Glidden Company:*

The fiscal year of your Company that was ended October 31, 1948 presented many problems. Wage and salary increases were necessary to keep pace with the rising costs of living, and other manufacturing costs increased proportionately. Price rises are no longer the quick answer to a higher level of costs. Greater efficiency in production and in distribution is the only answer. Peak prices of our principal raw materials were reached during the first half of the year, but since then there has been a gradual leveling off indicating that our economy is tending toward normalcy.

The net sales for the year amounted to \$202,318,794.33 as compared with sales of \$185,753,245.89 for the previous year. Our sales volume reached a new high level in the history of the business, and the unit volume of manufactured products also reached an all-time high.

The net profit, after taxes and all charges, amounted to \$9,276,819.18, equivalent, after preferred dividends, to \$5.04 per share on the present outstanding common stock, and after deducting treasury shares. The earnings for the previous year on the same basis amounted to \$7.57 per share. The difference is accounted for by a large increment in the inventory values due to rapidly advancing prices during 1947, and to the increased manufacturing costs due to higher wages, higher freight rates, and higher handling and storage costs during 1948, and to the fact that our earnings from our four plants on the Pacific Coast were seriously affected by the maritime strike and the strike in the petroleum industry. These strikes prevented our receiving raw materials from the Orient, and also prevented the exportation of manufactured products.

The stock piling by the Government of essential metals such as lead, copper, tin and antimony helped to shorten the supply and raised prices—thus adversely affecting operations of our Metals Refining plant at Hammond, Indiana.

Our increased sales volume necessitates larger inventories and increased working capital. Under the LIFO method of inventory accounting, the principal raw materials were carried on our books at the close of the year at a valuation of \$7,875,268.42 less than replacement cost on October 31, 1948. Other items are stated at the lower of cost or replacement market. As a matter of inventory protection, our stocks of soybeans and edible vegetable oils are, as far as possible, hedged in the commodity markets. In the case of stocks of flaxseed and linseed oil, our commodity contracts with the Government afford inventory protection.

Since the end of the war, as a result of the higher price level, capital requirements for working capital and for plant facilities have increased greatly. For this reason it has been necessary to retain a large percent of earnings for reinvestment in the business. During the year our expenditures for maintenance and repairs amounted to \$2,508,083.01. Capital expenditures for additions to plant and equipment were \$4,044,012.79. At the present time we have under construction an additional extraction unit at our soya plant in Chicago, a complete soybean processing plant and storage silos at Indianapolis, Indiana, and a plant for the manufacture of margarine at Macon, Georgia.

GLD002799

The regular quarterly dividend of 40 cents will be paid on January 3, 1949 to Common stock of record November 24, 1948. In addition, a stock dividend of two shares for each 100 shares of common stock has been declared payable January 3, 1949 to common stockholders of record November 26, 1948. Fractional shares or scrip will not be issued but will be paid for in cash on the basis of \$20.00 per full share. In the opinion of the Counsel for the Company, the receipt of the stock dividend will not constitute income under existing Federal Income Tax law and regulations.

The strategic and geographical location of our thirty-five plants, and the decentralization of our manufacturing and sales activities, will prove of great advantage to our organization in the coming year. The control of production of our most important raw materials, and our well diversified business will insure substantial growth and development.

Earnings in the terms of present day dollars are currently running at a relatively high level, and employment is at peace time peak.

As usual, on the last page of this report there is given a list of the Glidden Divisions, and on the seventh page, a list of Glidden diversified products.

At the close of the year Mr. R. H. Horsburgh, Vice Chairman, resigned having reached the age of retirement according to our Pension and Retirement Plan. Mr. Horsburgh was an officer of the Company since its foundation in 1917. He served successively as Secretary-Treasurer, Treasurer, Vice President, Executive Vice President and Vice Chairman. During his many years he has ably assisted in the development of our organization and will continue to serve the Company as a Director.

Labor relations continue to be cooperative and friendly, and the many plans worked out by the Company to provide for the well-being of the employees appear to be bearing fruit. During the fiscal year our employees were paid \$18,017,295.08 as compared with \$16,630,020.96 in 1947. Dividends paid to stockholders in 1948 amounted to \$3,785,659.70 as compared with \$2,387,935.45 in 1947. The total number of our stockholders is now 16,765. The total number of our employees is 6,119.

On behalf of the Board of Directors we extend our sincere appreciation to all the members of the organization on the many evidences of good will and cooperation during the past year.

ADRIAN D. JOYCE
Chairman of the Board

DWIGHT P. JOYCE,
President

GLD002800

CONSOLIDATED
The Glidden Company a
October

ASSETS	
CURRENT ASSETS	
Cash	\$ 5,784,855.11
Dominion of Canada Victory Loan Bonds	25,000.00
Trade accounts receivable (includes notes \$160,839.94)	\$12,412,993.59
Less reserves	<u>350,457.79</u> 12,062,535.80
Inventories—raw materials, in process, and finished goods:	
Principal raw materials are stated at cost (last-in, first-out method) which did not exceed replacement market; other items are stated at the lower of cost (accumulated average) or replacement market	32,085,504.02
Other current notes and accounts receivable and advances, less reserve of \$9,133.02	<u>1,784,524.09</u>
TOTAL CURRENT ASSETS	\$51,742,419.02
OTHER ASSETS	
Advance payment on account of possible federal income tax assessment	\$ 1,000,000.00
Cash surrender value of life insurance	727,308.50
Miscellaneous notes and accounts receivable, advances, and investments, less reserve of \$11,392.62	591,871.22
Estimated refund of federal and dominion taxes on income of prior years	<u>300,284.83</u> 2,619,464.55
PROPERTY, PLANT, AND EQUIPMENT	
Gross amounts represent cost less write-down in 1932	
Land	\$ 2,710,785.09
Buildings, machinery, and equipment	<u>34,207,985.32</u>
	\$36,918,770.41
Less reserves for depreciation, depletion, and amortization	<u>16,368,499.78</u> 20,550,270.63
DEFERRED CHARGES	
Prepaid insurance and expenses	<u>743,416.37</u>
	<u>\$75,655,570.57</u>

GLD002801

BALANCE SHEET

and Canadian Subsidiary

31, 1948

LIABILITIES, CAPITAL STOCK, AND SURPLUS

CURRENT LIABILITIES

Notes payable to banks	\$ 3,500,000.00
Accounts payable	8,654,100.31
Accrued taxes, royalties, and insurance	773,058.12
Federal, state, and dominion taxes on income—estimated	6,318,773.06
TOTAL CURRENT LIABILITIES	<u>\$19,245,931.49</u>

RESERVE

For contingencies	2,525,000.00
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CAPITAL STOCK AND SURPLUS

Capital stock:

Convertible preferred 4½% cumulative, par value \$50.00 a share redeemable at \$52.50 a share, each share convertible into approximately 1.45 shares of common stock:

Authorized 200,000 shares

Issued and outstanding 199,540 shares \$ 9,977,000.00

Common without par value:

Authorized 3,000,000 shares

Outstanding, including treasury shares, 1,784,000 shares

Reserved for conversion 289,373 shares

Stated capital 4,460,000.00

\$14,437,000.00

Surplus:

Capital surplus \$12,581,438.41

Earned surplus (includes \$2,328,424.02 of surplus of Canadian subsidiary) 27,530,177.07

\$40,111,615.48

Less common stock in treasury 31,281 shares, at cost (includes 24,350 shares reserved for sale to certain officers and key employees)

663,976.40 39,447,639.08 53,884,639.08

\$75,655,570.57

CONTINGENT LIABILITIES

Letters of credit outstanding \$ 44,100.00

GLD002802

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

The Glidden Company and Canadian Subsidiary

Fiscal Year ended October 31, 1948

PROFIT AND LOSS STATEMENT

Net sales	\$202,318,794.33
Cost of goods sold, selling, administrative and general expenses, including provision of \$1,343,959.36 for depreciation and depletion	187,265,190.89
	<u>\$15,053,603.44</u>
Other income	389,215.74
PROFIT BEFORE TAXES ON INCOME	<u>\$15,442,819.18</u>

Taxes on income:

Provision for the year—estimated:

Federal income taxes	\$ 6,000,000.00	
Dominion and state taxes	166,000.00	6,166,000.00

CONSOLIDATED NET PROFIT \$ 9,276,819.18

SURPLUS

CAPITAL SURPLUS

Balance at November 1, 1947, and October 31, 1948 \$12,581,438.41

EARNED SURPLUS

Balance at November 1, 1947 \$22,039,017.59

Add net profit for the fiscal year 9,276,819.18

\$31,315,836.77

Deduct cash dividends paid:

Convertible preferred—\$2.25 per share \$ 448,984.70

Common—\$1.90 per share 3,336,675.00 3,785,659.70

Balance at October 31, 1948 27,530,177.07

TOTAL SURPLUS AT OCTOBER 31, 1948 \$40,111,615.48

GLD002803

ERNST & ERNST
CLEVELAND
 UNION COMMERCE BUILDING

Board of Directors,
 The Glidden Company,
 Cleveland, Ohio.

We have examined the consolidated balance sheet of The Glidden Company and its Canadian subsidiary as of October 31, 1948, and the related consolidated statements of profit and loss and surplus for the fiscal year then ended. Our examination was 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.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated financial position of The Glidden Company and its Canadian subsidiary at October 31, 1948, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
 December 15, 1948

DIVERSIFIED PRODUCTS BY GLIDDEN

FOODS Durkee's Famous Dressing Durkee's Margarine Durkee's Shortening Durkee's Salad Dressing Durkee's Shred Coconut Durkee's Spices Durkee's Worcestershire Sauce Special ingredients for Bakeries and Confectioners	PAINTS, VARNISHES AND LACQUERS SPREI SPREI LUSTER Jap-A-Lac Ripolin Enamel Spray-Day-Lite Glidair Aviation Finishes Endurance House Paint Gliddenpar Varnish Nubelite Industrial Paints Industrial Lacquers, Enamels and Varnishes Finishes for all Manufactured Products GLID-N Specialties 5% DDT Liquid Cleaners Floor Wax Weed Killers	VEGETABLE OILS Soybean Oils Coconut Oils Cottonseed Oils Peanut Oils Corn Oils Palm Oils Linseed Oils	METALS AND MINERALS Powdered Iron and Copper Powdered Lead and Tin Glidden Type Metal Barytes Barium Products Ilmenite
SOYBEAN PRODUCTS "Alpha" Protein* Procein Fine chemicals Lecithin Soya Meal Sterols Hormones Soya Flour Soya Flakes		CHEMICALS AND PIGMENTS Titanium Dioxide Lithopons Cadmium Colors Litharge Red Lead Euxton White Lead Caprous Oxide Dry Colors Zinc Sulphate Crystals Copperas Coal Tar Products	NAVAL STORES Pigmentar Rosins Guai-a-phene Camphene Metal Resinates Alpha Pinene Beta Pinene Turpentine Nello Resin Charcoal Solvents Synthetic Rubber Compounds
LIVE STOCK AND POULTRY FOODS Glidden Cattle and Hog Feed Glidden Poultry Feed Vitamins and Growth Products			*Trademark Registered

GLD002804

BOARD OF DIRECTORS

ADRIAN D. JOYCE
ROBERT H. HORSBURGH
WILLIAM J. O'BRIEN
DWIGHT P. JOYCE
PAUL E. SPRAGUE

CLIFTON M. KOLB
JOHN A. PETERS
JOHN P. RUTH
LOVELL Y. PULLIAM
NESTOR B. BETZOLD

OFFICERS

ADRIAN D. JOYCE, Chairman Board of Directors
DWIGHT P. JOYCE, President
PAUL E. SPRAGUE, Vice President
WILLIAM J. O'BRIEN, Vice President
NEWELL BEATTY, Vice President
ALEXANDER D. DUNCAN, Vice President
LOVELL Y. PULLIAM, Vice President

JOHN P. RUTH, Vice President
RALPH G. GOLSETH, Vice President
JOHN A. PETERS, Treasurer
CLIFTON M. KOLB, Secretary
B. W. MAXEY, Controller
W. W. CONANT, Assistant Secretary

Transfer Agent
THE NEW YORK TRUST COMPANY
New York City

Registrar
THE CHASE NATIONAL BANK
New York City

GLIDDEN DIVISIONS

PAINT

The Glidden Company
Cleveland, Ohio
The A. Wilhelm Company
Reading, Pennsylvania
The American Paint Works
New Orleans, Louisiana

The Campbell Paint & Varnish Co.
St. Louis, Missouri
The Glidden Company
Minneapolis, Minnesota
Nubian Paint & Varnish Company
Chicago, Illinois

The Glidden Company, Ltd.
Toronto, Ontario, Canada
The Glidden Company
San Francisco, California
Adams & Elting Company
Chicago, Illinois

FOOD

Durkee Famous Foods
Elston Avenue, Chicago, Illinois
Durkee Famous Foods
Iron Street, Chicago, Illinois
Durkee Famous Foods
Norwalk, Ohio

Durkee Famous Foods
Portland, Oregon
Durkee Famous Foods
Louisville, Kentucky

Durkee Famous Foods
Berkeley, California
Durkee Famous Foods
Elmhurst, Long Island, New York
Durkee Famous Foods
Macon, Georgia

CHEMICALS, PIGMENTS AND METALS

The Chemical & Pigment Company
St. Helena (Baltimore), Maryland

Metals Refining Company
Hammond, Indiana

The Chemical & Pigment Company
Oakland, California

Easton Lead Company
Scranton, Pennsylvania

The Chemical & Pigment Company
Collinsville, Illinois

SOYA PRODUCTS

The Glidden Company
Chicago, Illinois
The Glidden Company
Indianapolis, Indiana

NAVAL STORES

The Glidden Company
Jacksonville, Florida
The Glidden Company
Valdosta, Georgia

FEED MILL

The Glidden Company
Indianapolis, Indiana

VEGETABLE OILS

The Glidden Company
Buena Park, California

The Glidden Company
Berkeley, California

The Glidden Company
Portland, Oregon

MINES

The Chemical & Pigment Company
Barytes Mines
Battle Mountain, Nevada

Yadkin Mica and Ilmenite Company
Lenoir, North Carolina

Retail Stores and Warehouses in the Principal Cities

AFFILIATED CORPORATIONS

Growth Products Company
Pawagoula, Mississippi

Zinc Chemical Company, Inc.
New York, New York

GLD002805