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.

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.

DWIGHT P. JOYCE,
President

ADRIAN D. JOYCE
Chairman of the Board

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	350,457.79	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		1,784,524.09
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	300,284.83	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	34,207,985.32	
	$36,918,770.41	
Less reserves for depreciation, depletion, and amortization	16,368,499.78	20,550,270.63
DEFERRED CHARGES		
Prepaid insurance and expenses		743,416.37
		$75,655,570.57

GLD002801

BALANCE SHEET

nd 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			$19,245,931.49
RESERVE			
For contingencies			2,525,000.00
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 $2,228,424.02 of surplus of Canadian subsidiary)	27,530,177.07		
	$40,111,615.48		
Less common stock in treasury 31,283 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
			$15,053,603.44
Other income			389,215.74
PROFIT BEFORE TAXES ON INCOME			$15,442,819.18
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 Cocoanut
Durkee's Spices
Durkee's Worcestershire Sauce
Special ingredients for Bakeries and Confectioners

SOYBEAN PRODUCTS
"Alpha" Protein*
Procein
Fine chemicals
Lecithin
Soya Meal
Sterols
Hormones
Soya Flour
Soya Flakes

LIVE STOCK AND POULTRY FOODS
Glidden Cattle and Hog Feed
Glidden Poultry Feed
Vitamin and Growth Products

PAINTS, VARNISHES AND LACQUERS

SPRED
SPRED LUSTER
Jap-A-Lac
Ripolin Enamel
Spray-Day-Lite
Glidair Aviation Finishes
Endurance House Paint
Gliddenspar 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
Cocoanut Oils
Cottonseed Oils
Peanut Oils
Corn Oils
Palm Oils
Linseed Oils

CHEMICALS AND PIGMENTS
Titanium Dioxide
Lithopone
Cadmium Colors
Litharge
Red Lead
Euston White Lead
Caprous Oxide
Dry Colors
Zinc Sulphate Crystals
Copperas
Coal Tar Products

METALS AND MINERALS
Powdered Iron and Copper
Powdered Lead and Tin
Glidden Type Metal
Barytes
Barium Products
Ilmenite

NAVAL STORES
Pigmentar
Rosins
Gual-a-phene
Camphene
Metal Resinates
Alpha Pinene
Beta Pinene
Turpentine
Nelio Resin
Charcoal
Solvents
Synthetic Rubber Compounds

*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

The Chemical & Pigment Company
Oakland, California

The Chemical & Pigment Company
Collinsville, Illinois

Metals Refining Company
Hammond, Indiana

Euston Lead Company
Scranton, Pennsylvania

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
Pascagoula, Mississippi

Zinc Chemical Company, Inc.
New York, New York