THE GLIDDEN COMPANY

CLEVELAND, OHIO

December 31, 1934

TO THE SHAREHOLDERS:

The Certified Annual Report of The Glidden Company for the year ending October 31, 1934 is herewith submitted.

Comparisons with previous reports can easily be made as there has been no change in accounting procedure.

The plan worked out for the retirement at par and interest of a portion of The Glidden Company Five Year 5½% Notes and the extension of the balance to a maturity of June 1, 1939, has been successfully carried through.

Both the sales and profits of the Company show an improvement as compared to the previous year.

The operating profit for the last half of the fiscal year was reduced because of the longshoremen's strike on the Pacific Coast. The Company was forced to close four of its important plants and when the strike was finally over the vegetable oil crushing plants at Berkeley, California and at Portland, Oregon were unable to operate continuously because of the delay in receiving new cargoes of copra and sesame seed from the Orient.

Profits were further adversely affected by the excise tax of three cents per pound placed by the United States Government on vegetable oils produced from imported seeds and nuts. There was a long delay in the issuing of explicit Treasury Department regulations and resultant loss of markets.

In cooperating with the Government in its efforts to reduce unemployment, the Company put through an extensive program of maintenance and repair work. While the expense incurred was a drain on the profits, yet the plan has resulted in putting each of our plants on a highly efficient operating basis.

During the year, the Company has completed a modern Soya Bean Oil extraction plant at Chicago. The plant has a capacity of one hundred thirty tons of soya beans per day and since December 15th has been in full operation. In connection with this plant, and designed to utilize its by-products, there are now being installed facilities and equipment for the manufacture of Lecithin and Soya Protein. These departments will be in production within the next few weeks.

Early in the year the American Zirconium Corporation was organized for the purpose of manufacturing Titanium Pigments. Ownership of this Company is shared by Metal & Thermit Corporation, which controlled many valuable patents. Work was immediately started on a manufacturing plant at Baltimore, Maryland. This plant was completed December first and is now in operation. The American Zirconium Corporation controls secret processes and basic patents which enable it to manufacture products of the highest quality.

The Company owns a controlling interest in the Nelio-Resin Corporation and during the year this organization has erected new plants at Jacksonville, Florida and Collins, Georgia for the manufacture of Nelio-Resin from crude pine products. These plants are now in operation.

Each of these new plants supplies products of which The Glidden Company, in its manufacturing operations, is a very large consumer. This important back-log of business not only puts these plants in position to meet competition but insures immediate profits.

For November, the first month of the new fiscal year, the profits as compared with those of November last year have nearly doubled. Prospects are most encouraging for the new year.

The employees of the Company and of its subsidiaries and affiliated companies have earned the appreciative recognition of the Officers and Directors for the fine conduct of their work during the year.

By order of the Board of Directors.

ADRIAN D. JOYCE

President.

GLIDDEN
EVERYWHERE ON EVERYTHING

CONDENSED CONSOLIC

THE GLIDDEN COMPANY — CLEVELAND, AND SUBSIDIAF

ASSETS

Current			
Cash on Hand, on Deposit and in Transit		$ 953,376.47	
Customers' Notes and Acceptances Receivable	$ 156,143.69		
Customers' Accounts Receivable	3,516,112.51		
	$ 3,672,256.20		
Less: Reserve	189,350.98	3,482,905.22	
Miscellaneous Current Accounts and Creditors' Debit Balances		100,168.84	
Balance in Brokerage Account Against Commitments of Subsidiary for Future Delivery of Cottonseed Oil		105,689.71	
Inventories—Raw Material, In Process, Finished Merchandise and Supplies on basis of lower of cost or market value (Certified by Management)		7,902,063.03	$ 12,544,203.27
Other Assets			
Securities of Affiliated Companies—At Cost (Note A)		$ 493,200.00	
Advances to Affiliated Companies		238,628.58	
Cash Surrender Value of Life Insurance		306,724.00	
Deposits in Closed Banks, Less Reserve		94,130.36	
Officer's Note Receivable for Purchase of Common Stock—5,100 Shares		169,985.85	
Miscellaneous Notes, Accounts, Salesmen's Advances, Sundry Investments, etc.		111,467.47	1,414,136.26
Permanent			
Land		$ 1,779,233.36	
Buildings, Machinery, Equipment, Etc., on Basis of Cost or Appraisal Value, Less Special Write-down		14,055,739.08	
		$ 15,834,972.44	
Less: Reserve for Depreciation and Depletion		4,780,959.17	11,054,013.27
Investments in California Mining Companies (*at Cost*)			
Mining Companies—Fully Owned (Not operated during current year): Investment in and Advances to The California Zinc Company and Afterthought Zinc Mining Company (Note B)			1,027,388.05
Good Will, Patents, Trade Marks, Reorganization Expense, Etc. (*See Comments*)			
Good Will		$ 2,492,007.93	
Patents and Trade Marks		176,024.42	
Rights to Manufacture, Secret Processes, Formulas, Etc.		72,098.34	
Reorganization Expense		365,921.09	3,106,051.78
Deferred			
Special New Products Development		$ 34,035.65	
Inventory of Advertising Stock, Stationery, Unexpired Insurance Premiums, Prepaid Taxes, Etc.		313,771.59	347,807.24
			$ 29,493,599.87

The Glidden Company,
Cleveland.

December 26, 1934

We have made an examination of the consolidated balance sheet of THE GLIDDEN COMPANY—CLEVELAND and its fully owned subsidiaries (exclusive of California mining companies) as at October 31, 1934 and of the statement of income and surplus for the year ended at that date. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence, and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion sufficient provision has been made for doubtful notes and accounts receivable. Inventories have been test checked by us as to method of valuation and computations and are stated on the basis of the lower of cost or market values. No inter-company profits are included in the inventories.

Notations are included on the balance sheet and income statement regarding investments in and advances to affiliated companies and fully owned California mining companies.

Good Will, Patents, Trade Marks, Reorganization Expense, etc., are stated at the aggregate carrying value of $3,106,051.78. The Good Will, Patent and Trade Mark values originated largely from values assigned thereto as of the dates of acquisition of assets for capital stock of the Company and/or cash and the values

ATED BALANCE SHEET

ES AS OF THE CLOSE OF BUSINESS, OCTOBER 31, 1934

LIABILITIES

Current			
Notes Payable for Money Borrowed from Banks		$ 1,975,000.00	
Accounts Payable for Purchases, Pay Rolls, Etc.		1,112,382.15	
Accrued Taxes, Interest, Insurance, Royalties, Etc.		649,786.56	
Five Year 5½% Gold Notes—Due June 1, 1935		44,000.00	
First Mortgage 6% Bonds of Subsidiary Company Due April 15, 1935		18,000.00	$ 3,799,168.71
Long Term Debt (Exclusive of Amounts Shown as Current)			
Five Year 5½% Gold Notes Due June 1, 1939—Outstanding (Including Notes Extended up to December 24, 1934)		$ 3,224,000.00	
First Mortgage 6% Bonds of Subsidiary Companies, Less Held in Treasury		108,200.00	3,332,200.00
Reserve			
For Contingencies (Including Amount of $67,912.46 Provided from Capital Surplus in 1932)			122,100.45
Nominal			
Capital Stock			
Prior Preference—7% Cumulative			
Authorized 75,000 Shares	$ 7,500,000.00		
Less: Unissued and Redeemed 10,000 Shares	1,000,000.00	$ 6,500,000.00	
Common—Without Par Value			
Authorized 800,000 Shares			
Outstanding 650,000 Shares			
Stated Capital $5.00 per Share		3,250,000.00	
Surplus			
Capital	$ 8,240,951.64		
Profit and Loss	4,249,179.07	12,490,130.71	22,240,130.71
			$ 29,493,599.87

(Note A) Securities of affiliated Companies include investment in approximately 54% of common stock of one Company at cost which was $7,255.37 in excess of the equity in that Company's net assets at October 31, 1934. The principal part of the balance of securities of affiliated Companies consisted of a 50% interest in common stock and 100% interest in preferred stock of another Company which had not reached a full operating basis at October 31, 1934.

(Note B) Investments in California mining companies are stated herein at cost which amount was $135,242.67 less than the book value of the assets of those companies at October 31, 1934. The properties of these companies are not being operated and the value of the investments therein is indeterminable at this time.

(Note C) The Company was reported as having letters of credit outstanding in the amount of $684,300.45 and it was contingently liable for subscriptions to capital stock of other corporations in the amount of $203,200.00.

(Note D) This balance sheet is subject to the comments submitted herewith.

have been used for amortization purposes, for federal taxes and in the accompanying income account, only to the extent of a gross amount of $48,239.40 and a net amount of $46,314.95. No amortization has been provided against the reorganization expense.

Charges have been made against reserve for general contingencies during the year for items considered as having been specifically provided for therein at the beginning of the year including application of the amount of $80,000.00 against deposits in closed banks and the amount of $27,561.18, provided out of capital surplus in 1932, against charges incident to certain litigation. The excess of charges incident to the litigation referred to over specific provision therefor has been charged against the current year's income.

General Counsel for the Company has informed us that no liability is anticipated in connection with certain litigation and the officials of the Company express the same opinion as to other suits pending, which they consider of minor importance.

In our opinion, based upon our examination, the accompanying consolidated balance sheet and related statement of income and surplus fairly present the consolidated position of the Company and its subsidiaries, excepting California mining companies, at October 31, 1934 and the results from operations for the year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year, subject to the foregoing comments.

Ernst & Ernst,
Certified Public Accountants.

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CONDENSED CONSOLIDATED OPERATING STATEMENT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1934

Net Sales (Excluding inter-company and subsidiary sales and transfers)		$29,820,273.91
Profit Before Interest, Depreciation and Other Deductions		$ 2,529,704.61
Other Deductions—Net	$ 111,653.14	
Less: Discount on 5½% Gold Notes Purchased and Retired	7,267.62	104,385.52
		$ 2,425,319.09
Interest on Funded Debt	$ 192,512.61	
Other Interest Expense	28,009.12	220,521.73
Profit Before Providing for Depreciation and Federal Income Tax		$ 2,204,797.36
Provision for Depreciation and Depletion		478,473.37
Profit Before Federal Income Tax		$ 1,726,323.99
Provision for Federal Income Tax		194,000.00
	Net Profit	$ 1,532,323.99

(Note A) No provision has been made in the foregoing statement for(1) loss of fully owned non-operated California mining companies for the year amounting to $59,188.62, including provision for depreciation in the amount of $46.343.95 and (2) portion of loss amounting to $6,099.61 applicable to the company's interest of approximately 54% in common stock of an affiliated Company.

(Note B) Discount and expense on notes and bonds of the Companies were charged to capital surplus asof November 1, 1931 as authorized by the Board of Directors. If these items had been amortized on the basis of money in use, the amount of $22,140.00 would have been charged against income for the year ended October 31, 1934.

SURPLUS ACCOUNTS

Capital Surplus			
Balance October 31, 1933			$ 8,194,404.39
Additions			
Excess of selling price over cost of 2,116 Shares of Prior Preference Stock sold		$ 46,123.25	
Credit on Sale of Property Previously Written off		424.00	46,547.25
Balance October 31, 1934			$ 8,240,951.64
Profit and Loss—Surplus			
Balance October 31, 1933			$ 3,903,360.33
Addition			
Net Profit from Operations for the Fiscal Year ended October 31, 1934		$ 1,532,323.99	
Deductions			
Dividends paid:			
Prior Preference—7%	$ 440,345.50		
Common-$1.15 a share	746,159.75	1,186,505.25	345,818.74
Balance October 31, 1934			$ 4,249,179.07

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