CONDENSED CONSOLIDATED OPERATING STATEMENT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1932

Net Sales			
(Excluding inter-company and subsidiary sales and transfers)			$22,259,952.71
Profit Before Interest, Depreciation and Other Income			$ 1,044,808.47
Other Income:			
Discount on 5½% Gold Notes Purchased and Retired		$ 260,118.04	
Refund of Excise Tax charged to prior years' Cost of Sales	$ 225,113.14		
Less: Canadian exchange and additional Personal Property Taxes for prior year	41,596.61	183,516.53	443,634.57
			$ 1,488,443.04
Interest on Funded Debt		$ 298,158.73	
Other Deductions—Net		124,355.10	422,513.83
Profit Before Providing for Depreciation			$ 1,065,929.21
Provision for Depreciation			534,494.12
		Net Profit	$ 531,435.09

(Note A) In the preparation of the above statement, net operations of Canadian subsidiary have been adjusted to the basis of exchange rate prevailing at the end of the period.

SURPLUS ACCOUNTS

Capital Surplus			
Balance October 31, 1931			$10,681,684.97
Deductions			
Charges resulting from special write-down of permanent assets and ore lands		$ 2,326,437.81	
Note and Bond discount and expense as of November 1, 1931 written off		130,052.90	
Provision for special reserves		198,491.75	
Development Accounts written off		33,251.44	
		$ 2,688,233.90	
Less: Net excess of par or declared value over cost of Capital Stock of Parent Company and Subsidiary retired		174,007.10	2,514,226.80
Balance October 31, 1932			$ 8,167,458.17
Unearned Surplus			
Balance October 31, 1931			$ 1,351,644.60
Less: Appreciation of Permanent Assets written off as of November 1, 1931			1,351,644.60
Balance October 31, 1932			$ 0
Profit and Loss-Surplus			
Balance October 31, 1931			$ 2,873,913.05
Additions			
Net Profit from Operations for the Fiscal Year ended October 31, 1932	$ 531,435.09		
Miscellaneous Credits	6,922.29	$ 538,357.38	
Deductions			
Dividends Paid:			
The Glidden Company—Prior Preference 7%	$ 471,086.00		
Subsidiary Company—Preferred	21,019.15	492,105.15	
	Net Addition		46,252.23
Balance October 31, 1932			$ 2,920,165.28

THE GLIDDEN COMPANY

GLIDDEN

CLEVELAND, OHIO

December 31, 19

TO THE SHAREHOLDERS:

On behalf of the Directors, I present herewith the Annual Report of the Company and its subsidiari as of the close of business October 31, 1932.

Notwithstanding the serious loss in sales volume due to business conditions, the Company has earn a profit, and Earned Surplus shows an increase as compared with the previous year.

The continued decline in commodity prices, together with the decline in volume of sales, have accent ated the problems of operation. Fortunately, our long established budgetary control system has stood t test of the depression and your Officers feel that we can continue to look to the future with confidence.

The happenings during the past three years have proven the wisdom of diversifying our produc This diversification has resulted in our earning a profit in each year of the depression.

The Company has been successful in increasing the total number of its customers and has added ne and important lines of manufacture which, with the return of better conditions, will insure added volun and normal profits.

The attention of our Shareholders is directed to the action taken by the Board of Directors in marki down the book value of the Permanent Assets and in the writing off of certain deferred accounts. To ta care of these adjustments, the sum of $4,039,878.50 has been charged to Unearned and Capital Surplu respectively. These adjustments in no wise affect the Earned Surplus of the Company which now stan at $2,920,165.28.

Your Directors feel that this adjustment of the Company's assets to meet existing conditions is sour and to the best interests of the stockholders, and is in accord with the consistently conservative policy the management.

The Research and Development Divisions of the Company have been active all through the year an have succeeded in keeping our manufacturing operations fully in step with the march of progress. Th work of these Divisions will be continued as in the past.

The Officers and Directors desire to take this opportunity to express to the faithful employees of tl Company their appreciation of continued loyal, earnest and efficient work.

Yours truly,

ADRIAN D. JOYCE,

Presiden

GLD30285

CONDENSED CONSOLIDATED BALANCE SHEET

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES
AS OF THE CLOSE OF BUSINESS, OCTOBER 31, 1932

ASSETS

Current			
Cash on Hand, on Deposit and in Transit		$2,231,553.38	
Customers' Notes and Acceptances Receivable	$ 223,425.35		
Customers' Accounts Receivable	3,019,014.05		
	$ 3,242,439.40		
Less: Reserve	155,156.95	3,087,282.45	
Miscellaneous Current Accounts and Creditors' Debit Balances		121,784.65	
Inventories—Raw Material, in Process and Finished Merchandise on Hand and in Transit on basis of lower of cost or market value (Certified by Management)		5,327,763.79	$10,768,384.27
Other Assets			
Cash Surrender Value of Life Insurance Policies		$ 244,631.50	
Common Stock purchased for resale to Employees—39,266 shares at cost		292,511.00	
Officers' and Employees' Notes Receivable for Purchase of Common Stock—9,643 shares		210,012.32	
Miscellaneous Notes, Accounts, Salesmen's Advances, Subsidiary Bonds purchased, Investments, etc.		188,317.89	935,472.71
Permanent			
Land		$1,725,387.06	
Buildings, Machinery, Equipment, Etc. on basis of cost or Appraisal Value, less special write-down	$12,905,988.78		
Less: Reserve for Depreciation	4,005,102.51	8,900,886.27	10,626,273.33
Investment in California Mining Companies			
Mining Companies—Fully Owned (Not operated during current year): Investment in and Advances to The California Zinc Company and Afterthought Zinc Mining Company			1,010,097.07
Good Will, Patents, Trade Marks, Reorganization Expense, etc.			3,059,062.33
Deferred			
Inventory of Advertising Stock, Stationery, Factory Supplies, Unexpired Insurance Premiums, Prepaid Taxes, etc.			333,077.06
			$26,732,366.77

LIABILITIES

Current			
Accounts Payable for Purchases, Pay Rolls, etc.		$ 569,036.00	
Accrued Taxes, Interest, Insurance, Royalties, etc.		344,100.18	$ 913,136.18
Funded Debt			
Five-Year 5½% Gold Notes (due June 1, 1935): Issued	$ 6,000,000.00		
Less: Retired	1,500,000.00	$ 4,500,000.00	
First Mortgage 6% Bonds Subsidiary Companies: ($35,000.00 due April 15, 1933)		215,000.00	4,715,000.00
Reserves			
For General Contingencies and Possible Loss on Purchase Commitments			266,607.14
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	$ 8,167,458.17		
Profit and Loss	2,920,165.28	11,087,623.45	20,837,623.45
			$26,732,366.77

(Note A) The outstanding preferred stock of the Metals Refining Company, was called for retirement in October 1932 and funds were deposited with Trustee for the full amount thereof. The stock and funds have been excluded in the preparation of this statement.

(Note B) The Companies were reported as having letters of credit outstanding in the amount of $457,644.56 and were contingently liable for foreign drafts discounted amounting to $621.68, at October 31, 1932.

(Note C) In the preparation of this balance sheet, net assets located in Canada have been reduced to valuations based upon rate of exchange prevailing at date thereof, with exception of permanent assets which are included at valuation based upon par of exchange.

(Note D) *This balance sheet is subject to the comments in our "Certificate," included in this report.*

The Glidden Company,
Cleveland.

December 24, 1932.

Gentlemen:—

We submit herewith consolidated balance sheet of THE GLIDDEN COMPANY—CLEVELAND, and SUBSIDIARIES, excepting the California mining companies, as of the close of business October 31, 1932, subject to the following comments:

Cash funds on deposit as shown by the Company's records and by reports received from branches and subsidiaries, were reconciled with amounts confirmed directly to us by the depositary banks. Notes and acceptances receivable at Cleveland and certain of the subsidiaries were inspected by us and lists were submitted in substantiation of like items at branches and other subsidiaries. Customers' accounts receivable were evidenced by trial balances of the individual accounts which were submitted for our examination. At Cleveland and certain subsidiary Companies we also checked the trial balances with the individual ledger accounts. Reserve for doubtful notes, accounts, discounts, etc., in our opinion, is sufficient. Merchandise inventory was based upon physical counts taken and priced under the direction of the management as indicated by detailed inventory sheets submitted for our inspection and the entire inventory has been certified to us by a responsible official of the Company as to quantities, salability and a basis of valuation as representing the lower of cost or market valu[illegible] October 31, 1932. The method of pricing and mathematical accuracy of [illegible] but we made no verification of quantities.

During the year land, ore lands, buildings, machinery, equipment, etc., were reduced in the amounts of $1,351,644.60 and $2,326,437.81 by charges to unearned and capital surplus, respectively.

The investment in California mining companies was increased during the year in the amount of $20,308.53, representing additional cash advances made by the parent Company.

All ascertained liabilities of the Companies at October 31, 1932 have been provided for in the accompanying balance sheet. The Companies' liability for outstanding gold notes and first mortgage bonds payable was confirmed directly to us by the trustees. No provision has been made through operations for federal income taxes as certain charges to capital surplus, etc., are deductible from taxable income.

During the year the Company redeemed 4,000 shares of its prior preference stock and also retired 20,557 shares of its common stock. The stated capital was reduced in proportion to these redemptions and certificate of reduction was received subsequent to October 31, 1932.

Subject to the foregoing, WE HEREBY CERTIFY, that in our opinion, based upon the records examined and information obtained by us, the accompanying balance sheet sets forth the financial position of THE GLIDDEN COMPANY—CLEVELAND, and SUBSIDIARIES, excepting the California mining companies, as of the close of business October 31, 1932.

Very truly yours,

Ernst and Ernst, Certified Public Accountants

GLD30286