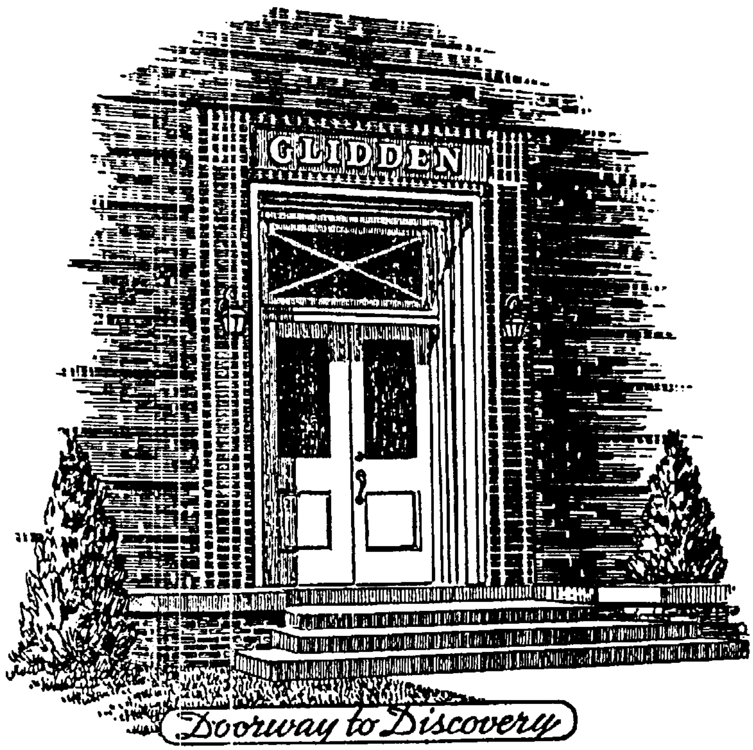
ANNUAL REPORT

FISCAL YEAR ENDED OCTOBER 31st,

1946



THE GLIDDEN COMPANY

THE GLIDDEN COMPANY

CLEVELAND, OHIO

Cleveland, Ohio,
December 20, 1946.

To the Shareholders of
The Glidden Company:

The Annual Report of your Company for the fiscal year ended October 31, 1946 is submitted herewith. This report marks the twenty-ninth anniversary of the founding of The Glidden Company and shows that some remarkable records have been established.

SALES. The net sales for the year amounted to $122,439,118.69 as compared with sales of $111,616,438.39 for the previous year. For the first month of our present fiscal year our sales show an increase over the same period last year of $7,626,898.87.

EARNINGS, DIVIDENDS AND TAXES. The net profit for the year after taxes and all charges amounted to $5,715,015.43 as compared with $2,347,643.89 for the preceding year. This net profit after preferred dividends, is equivalent to $5.90 per share on the common stock as compared with the previous year's earnings of $2.13 per share. Dividends of $2.00 per share were declared and paid during the fiscal year on the common stock, as were dividends of $2.25 per share on the preferred stock. These dividends amounted to $2,230,906.00 and after their payment there remained a balance of $3,484,109.43 which was carried to Earned Surplus. Taxes on income, including non-recurring excess profits taxes for the months of November and December 1945 of $1,080,000.00, amounted to $4,715,500.00, as compared with $4,402,000.00 for last year.

INVENTORIES. The inventories were priced at the lower of cost or market. The company's policy of using the Last-in, First-Out method of inventory pricing continues in effect with result that inventories are carried on the books of the Company as of October 31, 1946, at a valuation of $6,697,761.68 less than replacement cost at that date.

RENEGOTIATION. The final renegotiation of business done with the United States Government resulted in no assessment.

FINANCIAL CONDITION. Our balance sheet indicates a very sound financial situation. During the year the Company made payments on our long term indebtedness amounting to $2,000,000.00.

The Company has organized a company called Growth Products Company, in which the company holds a majority interest. This company is to manufacture and recover from fisheries certain growth factors and vitamins necessary in the manufacture of various stock and poultry feeds. The new plant will be located at Pascagoula, Mississippi and it is anticipated that it will provide The Glidden Feed Mill Division's entire requirements of these essential products.

DURKEE FAMOUS FOOD PRODUCTS DIVISION. The world-wide shortage of fats and edible oils has kept our plants that are refining vegetable oils operating at capacity, and our sales of such products as Durkee's margarine, shortening, and salad dressing have had a tremendous increase in volume. Durkee's package products such as pepper, spices, shred cocoanut and other package goods are keeping pace in production with the increased importation of the necessary raw materials.

VEGETABLE OIL DIVISION. Your Company operates four processing plants for the extraction of vegetable oils from soybeans, copra, flaxseed, palm kernels, and other vegetable seeds. Three of these plants are located on the Pacific Coast and one in Chicago. The world-wide demand for vegetable oils, and the requirements of our refineries and food plants, insure continuous operations at these plants for the ensuing year.

SOYBEAN DIVISION. The variety of products produced from soybeans is being constantly increased through the good work of our Research and Development Laboratories. These products now include, in addition to soybean oil, soybean meal and soybean flour, such products as Alpha Protein, Prosein, Lecithin, Synthetic Albumen, Sterols and Sex Hormones. The plant at Chicago has been in capacity production during the past year and a new sterol plant has been added and will be in production by January first.

CHEMICAL AND PIGMENT DIVISION. In our previous reports we have referred to the difficulty of securing sufficient raw materials for our Chemical and Pigment Division. I am pleased to report that our mining operations have been developed to such an extent that we are assured of a good supply of raw materials for full operations during the next twelve months. Government restrictions have been removed on distribution and it is apparent that there will be considerable expansion of the business of this Division.

METALS REFINING DIVISION. The Government has recently placed with this Division some substantial orders for materials for the Navy. With the improved labor conditions existing in the Middle West area, we anticipate an increased volume of production from our Metals Refining Plant at Hammond, Indiana. The prospects for increased production of Iron Powder, Copper Powder, Type Metal and other important products are most encouraging.

NAVAL STORES DIVISION. During the year the Company has completely restored the plant of the Nelio Resin Processing Division at Jacksonville, which was damaged by fire, and our plants at Jacksonville, Florida and Valdosta, Georgia are operating fully and the results are satisfactory. The Company has absorbed into its corporate structure the Nelio Resin Processing Corporation, which heretofore has been carried as a separate corporation.

PAINT AND VARNISH DIVISION. In our last report we predicted that the pentup demand for Paints and Varnishes would insure capacity operations during 1946. This prediction has proved to be correct and the back-log of orders in all of our Paint and Varnish plants is larger than at any previous time in our history. Our sales of SPRED LUSTER, which was developed by our Research Laboratories last year, have been very large and are constantly increasing. This remarkable soybean base, water-mix enamel has revolutionized the decorating of all interiors and is the only product of its kind on the market. With the reconversion of general industry from war work, there has developed a very great demand for Industrial Paints, Varnishes, and Lacquers and we believe all our plants will be fully employed throughout 1947.

GLIDDEN FEED MILL DIVISION. This mill more than doubled its production last year and the high quality of our products commanded a splendid market. This plant utilizes certain important materials produced in some of our vegetable oil processing plants and has proven to be a fine addition to our organization.

In our 1945 report we stated that the Company had no reconversion problems and that when our country returned to peacetime pursuits, our volume of business would be much greater. Our sales indicate that this prediction was borne out and we believe there will be an equally large increase in sales during the current year. Our diversified industry is so well coordinated that profitable operations are indicated.

On behalf of the Board of Directors, I desire to express our appreciation of the fine cooperative efforts of the whole organization in the year just closed.

Yours very truly,

ADRIAN D. JOYCE,
President.

CONSOLIDATED

The Glidden Company

October

ASSETS

CURRENT ASSETS		
Cash		$ 6,038,069.11
Dominion of Canada Victory Loan Bonds		200,000.00
Trade notes receivable	$ 18,546.43	
Trade accounts receivable	9,670,848.93	
	$ 9,689,395.36	
Less reserves	247,482.67	9,441,912.69
Inventories—raw materials, in-process, and finished goods—Note A		25,503,273.42
Other current notes and accounts receivable and advances, less reserve of $23,228.83		367,709.31
TOTAL CURRENT ASSETS		$41,550,964.53
OTHER ASSETS		
Cash surrender value of life insurance	$ 673,029.25	
Claims for refund of federal taxes on income of prior years	244,284.83 ✓	
Miscellaneous notes and accounts receivable and advances, less reserve of $11,392.62	115,035.26	
Estimated Canadian postwar refund of excess profits tax	56,000.00	
Other investments	33,540.47	1,121,889.81
PROPERTY, PLANT, AND EQUIPMENT		
Land—Note B	$ 2,463,534.08	
Buildings, machinery, and equipment—Note B	27,563,723.97	
	$30,027,258.05	
Less reserves for depreciation, depletion, and amortization	14,227,231.48	15,800,026.57
DEFERRED CHARGES		
Prepaid insurance and expenses		640,258.52
		$59,113,139.43

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BALANCE SHEET

ınd Canadian Subsidiary

31, 1946

LIABILITIES, CAPITAL STOCK, AND SURPLUS

CURRENT LIABILITIES			
Accounts payable (including notes payable of $102,300.00)			$ 6,095,986.13
Accrued taxes, royalties, interest, and insurance			510,227.70
Federal, state, and dominion taxes on income—estimated			4,658,123.85
TOTAL CURRENT LIABILITIES			$11,264,337.68
LONG-TERM DEBT			
Serial notes payable, maturing $1,000,000.00 annually July 1, 1948 to 1951, inclusive, and $4,000,000.00 on July 1, 1952, interest 1½% to 2%			8,000,000.00
RESERVE			
For contingencies			1,340,000.00
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 .73 share of common stock:			
Authorized 200,000 shares			
Issued and outstanding 199,540 shares		$ 9,977,000.00	
Common, without par value:			
Authorized 1,200,000 shares			
Outstanding, including treasury shares, 892,000 shares			
Reserved for conversion 145,505 shares			
Stated capital		4,460,000.00	
		$14,437,000.00	
Surplus—Note C:			
Capital surplus	$12,581,438.41		
Earned surplus (includes $1,908,446.24 of surplus of Canadian subsidiary)	11,668,968.63		
	$24,250,407.04		
Less common stock in treasury—4,300 shares at cost	178,605.29	24,071,801.75	38,508,801.75
			$59,113,139.43
CONTINGENT LIABILITIES			
Letters of credit outstanding	$ 791,877.15		

See notes to financial statements.

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CONSOLIDATED PROFIT AND LOSS AND SURPLUS

The Glidden Company and Canadian Subsidiary

Fiscal year ended October 31, 1946

PROFIT AND LOSS STATEMENT

Net sales			$122,439,118.69
Cost of goods sold, selling, administrative and general expenses, including provision of $1,075,888.76 for depreciation and depletion			112,181,838.17
			$10,257,280.52
Other income			586,162.97
			$10,843,443.49
Other deductions:			
Interest on long-term debt		$ 168,152.79	
Other interest		34,596.92	
Provision for contingencies		140,000.00	
Miscellaneous		70,178.35	412,928.06
PROFIT BEFORE TAXES ON INCOME			$10,430,515.43
Estimated taxes on income:			
Federal normal income tax and surtax		$ 3,452,500.00	
Federal excess profits tax		1,080,000.00	
Dominion and state taxes		183,000.00	4,715,500.00
CONSOLIDATED NET PROFIT			$ 5,715,015.43

SURPLUS

CAPITAL SURPLUS			
Balance at November 1, 1945			$ 9,961,116.97
Transfer to earned surplus account of certain charges to capital surplus in 1932			2,620,321.44
Balance at October 31, 1946			$12,581,438.41
EARNED SURPLUS			
Balance at November 1, 1945		$10,717,437.36	
Add:			
Net profit for the year	$ 5,715,015.43		
Recovery on investment in California mining company charged off to earned surplus in 1943	87,743.28	5,802,758.71	
		$16,520,196.07	
Deduct:			
Cash dividends paid:			
Convertible preferred—$2.25 per share	$ 448,986.00		
Common—$2.00 per share	1,781,920.00		
	$ 2,230,906.00		
Certain items of note and bond discount and expense, provision for contingencies, losses on dismantlements, and revaluation of properties charged to capital surplus in 1932	2,620,321.44	4,851,227.44	
Balance at October 31, 1946			$11,668,968.63
TOTAL SURPLUS AT OCTOBER 31, 1946			$24,250,407.04

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

The Glidden Company and Canadian Subsidiary

October 31, 1946

Note A—Inventories of principal raw materials are stated at cost (last-in, first-out method) which did not exceed replacement market other inventories are stated at the lower of cost (accumulated average) or replacement market.

Note B—Property, plant, and equipment are stated at cost or less, reduction having been made in 1932 to eliminate appreciation and to provide for further write-downs. Property, plant, and equipment include emergency facilities acquired at a cost of $875,614.48, which cost has been fully amortized in prior years.

Note C—The agreement relating to long-term debt contains certain restrictions in respect of payment of dividends, stock acquisitions, etc. *At October 31, 1946, earnings available under such agreement for dividend payments on common stock and stock acquisitions* amount to $6,014,535.77.

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, 1946, and the consolidated statements of profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Such procedures included test confirmation of trade receivables and observation of procedures employed by the companies in ascertaining inventory quantities at locations selected by us.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Glidden Company and its Canadian subsidiary at October 31, 1946, and the consolidated results of their operations for the fiscal year, 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 14, 1946

DIVERSIFIED PRODUCTS BY GLIDDEN

FOODS
- Durkee's Famous Dressing
- Durkee's Margarine
- Durkee's Shortening
- Durkee's Salad Dressing
- Dunham's Shred Cocoanut
- Durkee's Spices and Worcestershire Sauce
- Special ingredients for Bakeries and Confectioners

SOYBEAN PRODUCTS
- "Alpha" Protein*
- Gamma Protein
- 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
- Nulelite
- Industrial Paints
- Industrial Lacquers, Enamels and Varnishes
- GLID-N Specialties

VEGETABLE OILS
- Soybean Oils
- Cocoanut Oils
- Cottonseed Oils
- Peanut Oils
- Corn Oils
- Palm Oils
- Linseed Oil

CHEMICALS AND PIGMENTS
- Titanium Dioxide
- Lithopone
- Cadmium Colors
- Litharge
- Red Lead
- Euston White Lead
- Cuprous Oxide
- Dry Colors

METALS AND MINERALS
- Powdered Iron and Copper
- Powdered Lead and Tin
- Wilkes Type Metal
- Barytes
- Barium Products

NAVAL STORES
- Pigmentar and Rosins
- Turpentine
- Nelio Resin
- Charcoal
- Solvents
- Synthetic Rubber Compounds
- Compounds for Plastics

**Trademark Registered*

GLD002839

BOARD OF DIRECTORS

ADRIAN D. JOYCE
ROBERT H. HORSBURGH
RICHARD W. LEVENHAGEN
WILLIAM J. O'BRIEN
DWIGHT P. JOYCE
PAUL E. SPRAGUE
CLIFTON M. KOLB
JOHN A. PETERS

OFFICERS

ADRIAN D. JOYCE, President
ROBERT H. HORSBURGH, Executive Vice-President
RICHARD W. LEVENHAGEN, Senior Vice-President
WILLIAM J. O'BRIEN, Vice-President
DWIGHT P. JOYCE, Vice-President
PAUL E. SPRAGUE, Vice-President
JOHN A. PETERS, Treasurer
CLIFTON M. KOLB, Secretary
WILLIAM W. CONANT, Assistant Secretary
CLARENCE L. COLE, Controller

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
Portland, Oregon

Durkee Famous Foods
Louisville, Kentucky

Durkee Famous Foods
Norwalk, Ohio

Durkee Famous Foods
Berkeley, California

Durkee Famous Foods
Elmhurst, Long Island, New York

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

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 Valley Ilmenite Company
Lenoir, North Carolina

Retail Stores and Warehouses in the Principal cities

GLD002840