PAINTS VARNISHES LACQUERS ENAMELS

CLEVELAND, OHIO

December 30, 1930.

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, I present herewith the Annual Report of the Company and its subsidiaries as of the close of business October 31, 1930.

Your Officers and Directors feel in view of the trying conditions prevailing during our last fiscal year, that the Company was fortunate in being able to show any profit. During the last six months it was necessary to constantly absorb in our costs the adjustments in our inventory due to declining commodity prices, and at the end of the year in taking our inventory at the lower of cost or market, we absorbed in our figures the final inventory losses.

Had it not been for the drastic decline in prices, not only of bulk products but of our trade-marked lines, the net profit of the Company would have been very satisfactory. Your particular attention is directed to the fact that the profit, before depreciation, interest and other deductions, amounted to $1,314,607.58. During the year we made provision for full depreciation which amounted to $633,579.76.

Our whole organization has given particular attention to the problems of manufacturing, merchandising and distribution of our products at lower costs, and working along these lines, has succeeded in reducing the operating expenses to the minimum, and has made several important arrangements for the distribution of our finished products at costs that are bound to return good profits under anything approaching normal conditions.

The present low prices of commodities, and our exceptional position in regard to the control of our raw materials, coupled with our low manufacturing costs, places us in a very favorable position to meet any conditions that may arise in 1931. In view of our strong financial position and the fact that our personnel is the best in the history of our organization, the management is encouraged to believe that the Company will make a satisfactory showing in the new fiscal year, even though conditions should average no better than for 1930.

The Food Division of the Company is making good progress; the plants are operating at capacity and the prospects for future profits in this department of our business are exceedingly good. Our Paint and Varnish Divisions, our Metals and Lead Divisions, and our Chemical and Pigment Division are all on an efficient and economical operating basis, and with the increase in industrial activity anticipated with the turn of the year, these Divisions will contribute materially to our income.

In presenting this Annual Report, the Officers and Directors wish to express their keen appreciation of the co-operation they have received from the employees of the Company.

Yours truly,

ADRIAN D. JOYCE,

President.

THE GLIDDEN COMPANY— CI

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ASSETS			
Current			
Cash on Hand, on Deposit and in Transit		$ 2,515,068.25	
Customers' Notes and Trade Acceptances Receivable	$ 437,143.94		
Customers' Accounts Receivable	4,003,626.00		
	$ 4,440,769.94		
Less: Allowance for Doubtful Accounts, Discounts, etc.	188,280.03	4,252,489.91	
Miscellaneous Current Accounts and Creditors' Debit Balances		125,384.39	
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)		7,694,341.51	$14,587,284.06
Other Assets			
Officers' and Employees' Notes Receivable for Purchase of Common Stock—14,831 shares		$ 332,558.07	
Common Stock purchased for resale to Employees—18,349 shares at cost		319,949.10	
Cash Surrender Value of Life Insurance Policies		188,331.75	
Miscellaneous Notes, Accounts, Salesmen's Advances, etc.		78,633.89	919,472.81
Permanent			
Land		$ 2,210,107.77	
Buildings, Machinery and Equipment, etc.	$15,972,420.88		
Less: Allowance for Depreciation	3,774,663.52	12,197,757.36	14,407,865.13
Investment in California Mining Companies and Ore Lands			
Mining Companies—Fully Owned (Not operated during current year):			
Investment in and Advances to The California Zinc Company and Afterthought Zinc Mining Company		$ 945,863.63	
Ore Lands, less allowance for Depletion		393,915.77	1,339,779.40
Good-Will, Patents, Trade-Marks, Reorganization, Development Expense, etc.			3,030,156.33
Prior Preference Stock Purchased for Sinking Fund (520 shares at cost)			49,275.50
Deferred			
Inventory of Advertising Stock, Stationery, Factory Supplies, Unexpired Insurance Premiums, Prepaid Taxes, Unamortized Discount, etc.			700,197.83
			$35,034,031.06

Board of Directors and Stockholders,
The Glidden Company,
Cleveland.

Cleveland, Ohio.
December 26, 1930.

Gentlemen:—

We have examined the books of account and record kept in Cleveland pertaining to the assets and liabilities of THE GLIDDEN COMPANY, CLEVELAND, as of the close of business October 31, 1930, and have examined reports and other data on file in Cleveland pertaining to the assets and liabilities of subsidiary companies and branches, and submit herewith Consolidated Balance Sheet as of the date named.

Cash funds on deposit as shown by the records of the parent company and by reconcilements on file from subsidiaries and branches were verified by direct correspondence. Notes and trade acceptances receivable at the Cleveland office were satisfactorily accounted for by us and detailed lists of items at subsidiaries and branches were submitted for our inspection. Accounts receivable from customers were checked with detailed trial balances submitted for our inspection, and it is our opinion that the allowance provided for doubtful notes and accounts is sufficient. The merchandise inventory, as evidenced by detailed inventory sheets submitted for our inspection, is based upon physical inventories taken and priced under the direction of the management and certified by a responsible official of the company as to quantities, salability and basis of valuation, the latter representing

ND, AND SUBSIDIARIES

OCTOBER 31, 1930

LIABILITIES			
Current			
Drafts for Merchandise in Transit		$ 305,000.00	
Accounts Payable for Purchases, Pay Rolls, etc.		1,062,128.80	
Accrued Taxes, Interest, Insurance, Royalties, etc.		362,124.95	$ 1,729,253.75
Funded Debt			
Five-Year 5½% Gold Notes (due June 1, 1935)		$ 6,000,000.00	
First Mortgage 6% Bonds			
Subsidiary Companies:			
Outstanding ($35,000.00 due April 15, 1931)		285,000.00	6,285,000.00
Reserves			
For General Contingencies and Estimated Loss on Purchase Commitments			178,781.65
Nominal			
Capital Stock—Subsidiary Company			
Metals Refining Company 6% Cumulative Preferred—5,000 shares		$ 500,000.00	
Capital Stock (The Glidden Company)			
Prior Preference 7% Cumulative			
Authorized 75,000 shares	$ 7,500,000.00		
Less: Unissued and Redeemed 557 shares	55,700.00	7,444,300.00	
Common (*No Par Value*)			
Authorized 800,000 shares			
Issued 695,226 shares			
Stated Capital $5.00 per share		3,476,130.00	
Surplus			
Capital	$10,843,178.98		
Unearned	1,399,485.86		
Profit and Loss	3,177,900.82	15,420,565.66	26,840,995.66
			$35,034,031.06

(Note A) The Companies were reported as being contingently liable at October 31, 1930, on letters of credit in the amount of $451,311.80 and on foreign drafts discounted in the amount of $7,747.60.

(Note B) This balance sheet is subject to any adjustment found necessary upon determination of final liability of the Companies for taxes and to the comments in our "Certificate" included in and made a part of this report.

the lower of cost or market values at October 31, 1930. Test checks as to the mathematical accuracy of inventory computations and method of pricing were made by us.

Investment in California mining companies was increased during the year in the amount of $78,586.76 representing additional cash advances Statements of these companies for the fiscal year ended October 31, 1930 showed an increase of $18,648.09 in development cost of mines.

Provision has been made for all ascertained obligations of the Companies at October 31, 1930. The liability for outstanding notes and bonds, as stated, was verified by direct correspondence with the trustees of the issues.

Subject to the foregoing, WE HEREBY CERTIFY, that in our opinion, based upon the records examined and information obtained by us and subject to any necessary adjustment upon determination of final liability for taxes, 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, 1930.

Very truly yours,

Ernst & Ernst

Certified Public Accountants.

GLD002991

CONDENSED CONSOLIDATED OPERATING STATEMENT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1930

NET SALES		$36,434,052.61
Profit before Interest, Depreciation and Other Deductions		1,314,607.58
Interest on Bonds, Borrowed Money and other deductions—Net		669,662.08
Profit before Providing for Depreciation		$ 644,945.50
Provision for Depreciation		633,579.76
	Net Profit	$ 11,365.74

CONSOLIDATED SURPLUS ACCOUNT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

October 31, 1930

Balance October 31, 1929—as shown by Audit Report			$17,267,184.12
Deductions			
Dividends paid:			
Subsidiary Company—Preferred		$ 30,000.00	
The Glidden Company: Prior Preference—7%		519,841.00	
Common:			
Cash $1.80 per share	$ 1,240,763.20		
Stock—2% (13,476 shares)	67,380.00	1,308,143.20	
		$ 1,857,984.20	
Addition			
Net Profit from Operations for the Fiscal Year Ended October 31, 1930		11,365.74	1,846,618.46
			$15,420,565.66

GLD002992