THE GLIDDEN COMPANY

GLIDDEN
PAINTS VARNISHES LACQUERS ENAMELS

CLEVELAND, OHIO

December 31, 1931

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, 1931.

It is gratifying to report that after all charges the Company has been able to show a substantial improvement in profit over the previous year. In analyzing the Balance Sheet, attention is directed to the good liquid position, the relation of Current Assets to Current Liabilities being in the proportion of approximately fifteen to one.

The total sales for the fiscal year, not including inter-company and subsidiary sales and transfers, amounted to $28,505,172.66. While it is true that in line with the general curtailment in business activities the Company's sales for the period show a decline in dollar value, it should be understood that due to lower prices, the units of output show a much smaller decline.

The Company has not only succeeded in maintaining its place in the business world but has strengthened its position greatly by the addition of new customers and new sources of output, therefore with any upturn in business it can reasonably be expected that a greatly increased sales volume will follow.

The decline in the price of commodities and raw materials currently purchased and entering into our manufacturing operations continued throughout our whole fiscal year so that it was necessary for the Company to absorb heavy losses against these operations, especially on vegetable oils and on metals, of which very large quantities are used in its operations. This penalty against profits amounted to over one million dollars.

The total of inventories show a large reduction as compared with the previous year and were taken at the lower of cost or market. Commodity markets are so low at this time that it can reasonably be expected that there will be no additional losses along this line.

Throughout the year a well devised plan was followed for absorbing all known losses and prospective losses against the operations and during the year a substantial nonrecurring charge for advertising was also absorbed.

The plants and manufacturing facilities of your Company have been maintained in excellent condition, and despite the liberal charge-off for depreciation, all expenditures for maintenance and repairs have been included in our operations.

Recognizing the changing commercial conditions of the present economic era, your Directors have striven to keep this Company in a sound financial condition and very careful attention has been given to effecting reductions in expenses and in conducting all operations on the soundest and most economical basis. At the same time we have continued the work in our Research Laboratories and have developed several new products of outstanding merit which we will place on the market with the return of better business conditions.

The Company's policy of diversifying its products has proven to be sound and it is apparent that if business conditions become reasonably stable that the Company should enjoy greatly increased profits even though the volume of dollar sales should be no greater the next fiscal year than for the previous year.

During the year the Company has taken advantage of the low market prices for its securities and has made purchases in the open market in varying amounts of the respective issues. These securities have either been held in the Treasury or have been retired as reflected in the report. Since the close of the fiscal year, additional purchases of the Company's debentures have been made and these will be retired shortly.

The organization has a very efficient personnel and the officers at all times have the close cooperation of all the employees. At this time the Officers and Directors wish to express their appreciation of this cooperation in meeting the unusual conditions during the past year.

Yours truly,

ADRIAN D. JOYCE,

President.

N13442

CONDENSED CONSOLID

THE GLIDDEN COMPANY—CLE

AS OF THE CLOSE OF BU

ASSETS			
Current			
Cash on Hand, on Deposit and in Transit		$ 3,341,836.37	
Customers' Notes and Acceptances Receivable	$ 259,149.41		
Customers' Accounts Receivable	3,464,033.54		
	$ 3,723,182.95		
Less: Allowance for Doubtful, Discounts, etc.	139,298.07	3,583,884.88	
Miscellaneous Current Accounts and Creditors' Debit Balances		162,268.93	
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)		5,549,053.63	$12,637,043.81
Other Assets			
Cash Surrender Value of Life Insurance Policies		$ 216,800.00	
Officers' and Employees' Notes Receivable for Purchase of Common Stock—9,853 shares		211,457.79	
Common Stock purchased for resale to Employees—25,660 shares at cost		198,610.51	
Miscellaneous Notes, Accounts, Salesmen's Advances, etc.		129,447.87	756,316.17
Permanent			
Land		$ 2,229,125.41	
Buildings, Machinery and Equipment, etc.	$16,255,512.89		
Less: Allowance for Depreciation	4,347,221.30	11,908,291.59	14,137,417.00
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		$ 989,788.54	
Ore Lands, less allowance for depletion, etc.		371,051.55	1,360,840.09
Good Will Patents, Trade Marks, Reorganization Expenses, etc.			3,052,062.32
Prior Preference Stock Purchased for Sinking Fund (79 shares at cost)			4,688.05
Deferred			
Inventory of Advertising Stock, Stationery, Factory Supplies, Unexpired Insurance Premiums, Prepaid Taxes, Unamortized Discount, etc.			581,932.73
			$32,530,300.17

The Glidden Company,
Cleveland.

December 23, 1931.

Gentlemen:—

We are submitting herewith consolidated balance sheet of THE GLIDDEN COMPANY, CLEVELAND, and SUBSIDIARIES, excepting the California mining companies, as of the close of business October 31, 1931. The scope of our work included the examination of the records kept at Cleveland and of reports and other data on file in Cleveland pertaining to the assets and liabilities of subsidiary companies and branches located elsewhere.

Cash funds on deposit were verified by direct correspondence with depositories, and reconcilement with the Company's records in Cleveland and with reports received from branches and subsidiaries. We inspected notes and acceptances receivable at Cleveland and examined lists submitted by subsidiaries and branches in substantiation of like items included in their reports. Trial balances of customers' accounts receivable were submitted for our examination and the allowance for doubtful notes, accounts, discounts, etc., in our opinion, is sufficient. At certain of the subsidiaries and branches we also examined notes and acceptances on hand and checked the trial balances of accounts receivable with the individual ledger accounts. Detailed inventory sheets submitted for our inspection indicated that the merchandise inventory was based upon physical counts taken and priced under the direction of the management. The entire inventory has been certified to us

TED BALANCE SHEET

ELAND, AND SUBSIDIARIES

INESS, OCTOBER 31, 1931

LIABILITIES

Current				
Accounts Payable for Purchases, Pay Rolls, etc.			$ 520,722.65	
Accrued Taxes, Interest, Insurance, Royalties, etc.			335,336.38	$ 856,059.03
Funded Debt				
Five-Year 5½% Gold Notes (due June 1, 1935)				
Issued		$ 6,000,000.00		
Less: Held for Retirement		314,000.00	$ 5,686,000.00	
First Mortgage 6% Bonds				
Subsidiary Companies:				
Outstanding (35,000.00 due April 15, 1932)			250,000.00	5,936,000.00
Reserves				
For General Contingencies and Possible Loss on Purchase Commitments				142,713.52
Nominal				
Capital Stock—Subsidiary Company				
Metals Refining Company 6% Cumulative				
Preferred:				
Issued 5,000 shares		$ 500,000.00		
Less: Held in Treasury—645 shares		64,500.00	$ 435,500.00	
Capital Stock—The Glidden Company				
Prior Preference 7% Cumulative				
Authorized	75,000 shares	$ 7,500,000.00		
Less: Unissued and Redeemed	6,000 shares	600,000.00	6,900,000.00	
Common—Without Par Value				
Authorized	800,000 shares			
Outstanding	670,557 shares			
Stated Capital $5.00 per share			3,352,785.00	
Surplus				
Capital		$10,681,684.97		
Unearned		1,351,644.60		
Profit and Loss		2,873,913.05	14,907,242.62	25,595,527.62
				$32,530,300.17

(Note A) The Companies were reported as having letters of credit outstanding in the amount of $308,340.00 and were contingently liable for foreign drafts discounted amounting to $1,406.24, at October 31, 1931.

(Note B) 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 C) This balance sheet is subject to the comments in the "Certificate," included in this report.

by a responsible official of the Company as to quantities, salability and basis of valuation, the latter as representing the lower of cost or market values at October 31, 1931. We made test checks of the method of pricing and mathematical accuracy of computations.

The increase in the investment in California mining companies for the fiscal year, amounting to $43,924.91, represents additional cash advances made by the parent Company.

Provision has been made for all ascertained liabilities of the Companies at October 31, 1931, Outstanding gold notes and first mortgage bonds payable were verified by direct correspondence with the trustees. The trustee of the issue of gold notes also reported that notes in the amount of $447,000.00 were retired December 7, 1931, which included gold notes held for retirement at October 31, 1931. Due to prior year's deductible losses, etc., no provision has been made through operations for federal income taxes.

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, 1931.

Very truly yours,

Ernst & Ernst, Certified Public Accountants

CONDENSED CONSOLIDATED OPERATING STATEMENT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1931

Net Sales	
(Excluding inter-company and subsidiary sales and transfers)	$28,505,172.66
Profit Before Interest, Depreciation and Other Deductions	$1,365,219.22
Other Deductions—Net	214,901.47
Profit Before Interest and Depreciation	1,150,317.75
Interest on Funded Debt	342,161.20
Profit Before Providing for Depreciation	808,156.55
Provision for Depreciation	606,776.21
Net Profit	201,380.34

(Note A) In the preparation of the above condensed consolidated operating statement, net earnings of Canadian subsidiary have been reduced to the basis of exchange rate prevailing at the end of the period.

CONSOLIDATED SURPLUS ACCOUNT

THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

Balance October 31, 1930—as shown by Audit Report			$15,420,565.66
Deductions			
Dividends paid:			
Subsidiary Company—Preferred	$ 29,130.00		
The Glidden Company: Prior Preference—7%	506,138.50	$ 535,268.50	
Net Excess of Cost Over Declared or Par Value of Capital Stock of the Parent Company Retired		176,419.11	
Provision to Reduce Net Assets, Exclusive of Permanent Accounts, Located in Canada to Prevailing Rate of Exchange at October 31, 1931		53,989.57	
		$ 765,677.18	
Additions			
Net Profit from Operations for the Fiscal Year Ended October 31, 1931	$ 201,380.34		
Discount on 5½% Gold Notes Purchased for Retirement	34,962.50		
Discount on Subsidiary Company Preferred Stock Purchased	16,011.30	252,354.14	513,323.04
Balance October 31, 1931			$14,907,242.62

GLD002982