PRESIDENT'S REPORT
TO SHAREHOLDERS AND EMPLOYEES
FOR FISCAL YEARENDED
AUGUST 31ST
1941

JANTZEN KNITTING MILLS
PORTLAND 14, OREGON
FISCAL YEAR ENDED
AUGUST 31, 1944

*
SALES VOLUME of our company for the year ended August 31, 1944, reached a new all-time high, exceeding by 20% the previous year.

Production of this quantity of goods for the Armed Services and our civilian trade has required much overtime effort by our entire staff. Procurement of raw materials and personnel for our manufacturing units were the outstanding problems of the year. During 1944, the wool freeze order diverted a large portion of our spinning mill production to rated Government orders.

COMMENT OF FINANCIAL STATEMENT

Net domestic sales for the fiscal year ended August 31, 1944, were $7,600,130 as compared with 1943 sales of $6,319,162, an increase of $1,280,968. Sales of foreign subsidiaries are not included in the Portland figures. Satisfactory gains were recorded in all divisions and foreign plants which are commented upon further on in this report.

Net profit for the year after provision for all taxes and charges amounted to $168,156 or 2.2% of sales as compared with $173,270 or 2.7% of sales for the previous year.

This decrease is due principally to the inclusion of the 1943 wage dividend in the operating expenses for the current year, resulting in wage dividend charges for the two years, amounting to $143,107. The 1943 wage dividend, less income tax offset, was set up as a reserve in 1943 pending authorization by Government authorities.

A post-war contingency reserve of $50,000 has been included in the charges for both years.
Progress of the company is more accurately disclosed by a review of the earnings before taxes. On that basis, earnings for 1944 were $788,068 and taxes of all kinds were $619,912 as contrasted with earnings of $701,689 for 1943 and corresponding taxes of $528,119.

Quarterly dividends of $1.25 per share were paid regularly on the 5% Cumulative Preferred Stock which amounted to $37,500 for the year. During the same period, holders of common stock received dividends of $80,000 which was at the rate of $.40 per share.

**DISTRIBUTION OF INCOME RECEIVED**

- **Materials, Manufacturing and Distribution**: $4,199,480
- **Wages, Salaries and Sales Commissions**: $2,563,756
- **Taxes, All Kinds**: $619,912
- **Reserve for Replacement and Future Needs**: $168,811
- **Payment to Shareholders**: $117,500

*Depreciation Buildings and Equipment*: $68,155
*Postwar Conversion Costs*: $50,000
*Balance Retained for Future Needs*: $50,656

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EXPLANATORY PROFIT AND LOSS STATEMENT

for the Fiscal Year ended August 31, 1944

INCOME

We received income from sales of our products of .......... $7,600,430.39
We received other income such as interest, discount, dividends and royalties of ........................................ 69,030.16
Which gave us a total income of ................................ $7,669,460.55

OUTGO

We paid out for materials, supplies and finished garments and for all manufacturing, advertising, selling and shipping expenses, excepting wages, salaries, commissions and taxes ........................................ 4,199,480.81
This left for employees, management, government, shareholders, reserves and future needs ........................................ $3,469,989.74

WHICH WAS DISTRIBUTED AS FOLLOWS:

For wages, salaries and sales commissions ........................................ $2,563,756.34
For federal and state income and excess profits taxes ........ $506,000.00
For Old Age Benefits, unemployment insurance and local government taxes ........................................ 113,912.02

619,912.02

$3,183,688.36

This left for dividends, reserves and future needs ........................................ $286,311.38

The foregoing amount has been apportioned as follows:

Buildings and equipment gradually wear out, go out of style, and have to be replaced. We have set aside for that purpose the amount shown at the right, which is being drawn on currently to meet replacement requirements ........................................ $68,155.27
To meet conversion costs after the war ........................................ 50,000.00

118,155.27

This left a balance of net profit for the year's operations of ........ $168,156.11
Of this amount stockholders received dividends of ........ $117,500.00
And the balance was retained in the business for future needs .... 50,656.11

$168,156.11
EXPLANATORY

LISTING WHAT WE OWN

ASSETS . . . WHAT WE OWN

Cash, which is to be used to purchase raw materials for the manufacture of our products and to pay salaries, wages, taxes, and other operating expenses

Cash

$ 625,589.63

Customers' Receivables: Our customers owe us this amount for merchandise previously sold them, most of which was not due at the date of this statement

Customers' Receivables

815,366.90

Inventories: Representing the amount of raw materials, garments in work and finished merchandise on hand at the close of the year

Inventories

1,505,699.77

Miscellaneous Receivables, Loss Reserve: Due us from our associated companies in foreign countries, and from others who owe us small sums but who are not customers handling our merchandise

Miscellaneous Receivables, Loss Reserve

61,606.70

Investments in Subsidiary Companies: We have used this amount to build and operate factories in England, Australia, and Argentina

Investments in Subsidiary Companies

551,028.79

Investment in Stock and Note of Hayden Island Amusement Company (Jantzen Beach): The investment in the note and stock is fully secured by a first mortgage and reserves

Investment in Stock and Note of Hayden Island Amusement Company (Jantzen Beach)

50,000.00

Cash Surrender Value of Life Insurance: Life insurance amounting to $1,169,706.00 is carried on principal officers and executives of the Company. If the policies were cancelled the $207,847.32 would be returned to us in cash

Cash Surrender Value of Life Insurance

207,847.32

Advance Secured by Second Mortgage: An advance for the purchase of a building for the use of our manufacturers in Philadelphia; it is secured by a mortgage on the building

Advance Secured by Second Mortgage

50,000.00

Stocks and Bonds—Cost: A small investment in Canadian Victory Bonds, Columbia Aircraft Corporation bonds, and Atlantic Rayon Corporation Stock is represented by this amount

Stocks and Bonds—Cost

20,251.10

Plant and Equipment—Depreciated Cost: Representing the present value of our buildings, machinery, and equipment, after deducting from the cost an estimated allowance for loss in value because they are gradually wearing out and going out of style

Plant and Equipment—Depreciated Cost

668,283.25

Deferred Charges: In the operation of a business many services and supplies are purchased in advance for use later. This amount will be used during the next operating year

Deferred Charges

77,098.82

Patents and Trade Marks which we own cost far more than $1,000.00, but the costs have gradually been charged off until they are now carried on the books at that figure

Patents and Trade Marks

1,000.00

$ 1,633,772.88
BALANCE SHEET
worth at the close of our fiscal year August 31, 1944

LIABILITIES . . . What We Owe

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes Payable to Banks:</strong></td>
<td>250,000.00</td>
</tr>
<tr>
<td>We have borrowed this amount from the banks to purchase supplies and pay for salaries, wages and other operating expenses.</td>
<td></td>
</tr>
<tr>
<td><strong>Trade Accounts Payable:</strong></td>
<td>363,692.53</td>
</tr>
<tr>
<td>This represents what we owe for the purchase of manufacturing materials, supplies and services.</td>
<td></td>
</tr>
<tr>
<td><strong>Salesmen's Balances:</strong></td>
<td>252,733.84</td>
</tr>
<tr>
<td>For commissions earned but not yet paid at the date of this statement.</td>
<td></td>
</tr>
<tr>
<td><strong>Wages, Payroll Taxes, etc.,</strong></td>
<td>110,343.76</td>
</tr>
<tr>
<td>Representing the wages and salaries earned but not yet paid at August 31, 1944. The taxes on those wages and the local state and county taxes not yet due at that date are also included.</td>
<td></td>
</tr>
<tr>
<td><strong>Federal and State Income Taxes:</strong></td>
<td>654,393.69</td>
</tr>
<tr>
<td>This amount has been held out of earnings to pay the federal and state income and capital stock taxes on past earnings.</td>
<td></td>
</tr>
<tr>
<td><strong>Other Obligations:</strong></td>
<td>26,721.31</td>
</tr>
<tr>
<td>This covers small amounts due customers for credit balances on their accounts and war bonds due employees which had not yet been paid for in full.</td>
<td></td>
</tr>
<tr>
<td><strong>Reserve for Postwar Contingencies,</strong></td>
<td>150,000.00</td>
</tr>
<tr>
<td>which has been set aside during the past three years and will go toward meeting conversion costs after the war.</td>
<td></td>
</tr>
<tr>
<td><strong>Reserve for Other Purposes,</strong></td>
<td>1,257.94</td>
</tr>
<tr>
<td>which has been set aside for protection against loss on outstanding contracts.</td>
<td></td>
</tr>
<tr>
<td><strong>Capital and Surplus:</strong></td>
<td>2,794,626.81</td>
</tr>
<tr>
<td>This represents the money invested in the business by 1,594 owners.</td>
<td></td>
</tr>
</tbody>
</table>

$4,633,772.88
1944 was another year during which major emphasis was placed on production. Without expanding our production facilities, we were able to increase the dollar value of our production by 20% over 1943. This achievement was accomplished through a fuller utilization of the plant, intensified training of employees, and a reduction in labor turnover.

WAR WORK: The war effort has always had the first consideration in all the Company’s planning. A wide range of products has been and is being manufactured for the Armed Services. Some of the products are channeled through our regular factory facilities, while others require complete new installations of Government equipment and the training of personnel on entirely new operations. Much credit is due to those planning and producing the material to help bring the war to a victorious conclusion; they have turned out vital military supplies which have won the commendation of military authorities, and have finished very difficult production plans ahead of schedule.
PRODUCTS MANUFACTURED FOR THE ARMED SERVICES
PRIOR TO AND DURING 1944

- Army Sweater
  - Button Neck Type
- Army Sweater
- Marine & Navy Swim Trunks
- Carrier Bag
  - For Sleeping Bags
- Gas Mask Carrier Bag
- Down Filled Sleeping Bag
- Gas Mask
- Blanket Sleeping Bag
- Army Muffler
- Gas Mask Carrier
- Bomb Parachute
JANTZEN DIVISIONS

Each of the main Jantzen divisions, Swim Suits, Sweaters, Sun Clothes, and Foundations, made gains during 1941, placing the products carrying the internationally known "Red Diving Girl" in a firmer position to better serve the public with a year-round diversified business.

SWIM SUIT DIVISION: The veteran of all Jantzen products leads the procession in total sales for the year, although its percentage increase was not as great as that of the other divisions. The reason for this was the limitation placed on supplies and the diversion of personnel to war work.

SWEATER DIVISION: The greatest percentage of sales gain for all divisions goes to the Sweater Division. Had not a greater demand been made on our spinning facilities by the Government, even more progress would be shown. This division is expected to contribute even more in the future toward maintaining balanced, year-round production and employment.

SUN CLOTHES DIVISION: A natural companion to Jantzen Swim Suits is Sun Clothes. Our associates in this division at Philadelphia did a most creditable job by improving their facilities and substantially increasing production. Sun Shorts and Tee Shirts for men and women are manufactured there. For the coming year, a new Service Department has been organized in Philadelphia to facilitate the distribution of Jantzen Sun Clothes.
FOUNDATION DIVISION: A healthy increase in sales volume was experienced by this division, in spite of restrictions on the use of elastic yarns. However, the vast improvement in synthetic yarns has bettered prospects for the coming season. Much credit is due our associates who direct the production of foundation garments at Dover, New Jersey. This division has become a major one in Jantzen operations, and extensive plans are in progress for the future development of this business.

JANTZEN SPECIALTY DIVISION: This division, marketing Jan, Jantzen’s Sun Tan Cream, and Santiseptic lotion, is planning on expanding its marketing activities to national distribution during the coming fiscal period.

SALES

The guiding sales policy of our Company has been and continues to be to supply our accounts and the public with the greatest possible quantity of merchandise worthy of the Jantzen name. We feel a great responsibility in taking care of civilian requirements to the fullest extent of the production facilities not required for war materials.

All Jantzen Swim Suits, Sweaters, Sun Clothes, and Foundations were distributed on an allotment or ration basis, thus assuring each account of its fair share of merchandise.

During the past year, much emphasis was placed on future sales plans. New Sales Offices are being planned for the three major apparel markets in the United States: New York, Chicago and Los Angeles. Sales management of all divisions has been centralized for more efficient and uniform administration.
ADVERTISING

We regard the maintenance of our advertising as necessary business insurance for the post-war period. Advertising campaigns have been maintained on a basis consistent with the volume of business done by each division.

The growth of our divisions has enabled us to advertise the year around. This has resulted in many economies in our entire promotional effort.

One outstanding feature of our promotional campaign has been a consistent series of advertisements, running in the leading trade papers, featuring "Jantzen, America’s Blue Ribbon Merchandising Package," and building the idea that we offer Swim Suits, Sweaters, Sun Clothes, and Foundations, under the world’s best known apparel trade-mark, "The Jantzen Red Diving Girl."

FOREIGN OPERATIONS AND EXPORT

Extensive plans for post-war development are being made for our Jantzen-controlled plants located abroad. In that connection the managers of our factories in England, Australia and Argentina spent from four to eight weeks at Portland during the summer. The co-managers of the Canadian licensed factory visited here also. At the present time the Australian plant buildings are being expanded to accommodate machinery for a new department.

All foreign plants were profitably operated and are under competent management. It is planned to contact our former European licensees as conditions permit.

The export business continues to be active in Latin American and Island markets, although somewhat restricted by sales quotas and current export regulations. Much of our merchandise has moved during the past year to Army and Navy destinations overseas.
PERSONNEL

The activities of Jantzen men and women during war-torn 1944 were characterized by loyalty, cooperation and untiring energy. These qualities were shown by our men in the Armed Forces; by our girls in the Auxiliary Services; and by our women and men of the home organization.

The progress of our employees in the Armed Services has been followed with great interest and pride. Many of them have demonstrated the leadership qualities we knew they had, and are now commissioned or non-commissioned officers. A number wear ribbons or medals in recognition of distinguished service. As this is written we are saddened by recent casualties, including the death of one of our boys in Europe.

Standing solidly behind those in the camps and at the front are the men and women of our home organization. They have responded well in the War Loan, Red Cross and War Chest drives, and in Payroll Savings. Many of them donate blood regularly to the Red Cross, serve as Nurses’ Aides or Civilian Defense volunteers, or help out at service men’s recreation centers.

In addition, Jantzen women and men at their machines and in planning and supervisory capacities have proved most willing and adaptable. New duties and new responsibilities have been accepted cheerfully. As a result, although the number of employees declined slightly during the year, production went up, indicating greatly increased efficiency.

One helpful factor in the employment picture was the reduced labor turnover. Still another was the drop in military inductions: only a small fraction of our employees at the start of the war were men—and those eligible have practically all gone into the service. We took over the task, as the fiscal year ended, of hiring 200-odd new employees for our Gas Mask Bag department. At this writing, most of them have been obtained.
Employee Relations and Services

In order for both employees and management to attain the greatest satisfaction in working together, there must be a warm and ready understanding between them. This principle has always been recognized by the company, and has guided its actions throughout the years. Thus when war came, bringing with it new problems and many additional employees, our Personnel Dept. was expanded accordingly.

This soon brought improvement in two phases of our business—the procurement and the induction of new employees. The next step was to improve and expand our in-plant training. During 1941 the training program was further expanded by the addition of general foremanship training.

It has also been possible, in cooperation with various company departments, to bring about improvement in the monthly employee magazine “Jantzen Yarns”; our bulletin boards; the employee sales room; the company suggestion system; and, at this writing, in our plant cafeteria.

Long-established employee benefit services and activities, which continue to function smoothly, include the Jantzen Health Association, complete first-aid station, group life insurance, Jantzen Retirement Plan, the annual picnic, athletic programs and victory gardens.

Two groups which contribute forward-looking plans for management of the business are the Factory Executives’ Board and the Junior Board of Directors. Both groups work quietly and efficiently, broadening themselves through study of various management problems.
Appreciation of the management for faithful service was shown in three ways: (1) Appropriate pins were awarded to those who completed 5, 10, 15, 20 and 25 years with the company; (2) Those eligible received paid vacations; (3) In the opinion of the Board of Directors, profits for the year were sufficient to pay a wage and salary bonus. Accordingly, eligible employees received a bonus equal to 5% of their annual earnings. Employees in the Armed Services, who were eligible, shared in the bonus.

**FUTURE PLANNING**

Our Company is pressing its plans for future development of the products it now manufactures. Investigation of other manufacturing possibilities is going forward with all speed consistent with the times—bearing in mind that all such plans must be geared to present conditions, and be flexible enough to meet the rapidly changing conditions which cannot be foreseen at the present time.

*For the Board of Directors*

[Signature]

President.

January 31, 1945
# JANTZEN KNITTING MILLS

(An Oregon Corporation)

**Balance Sheet—August 31, 1944**

## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on deposit and on hand</td>
<td>$623,589.63</td>
</tr>
<tr>
<td>Customers' receivables—less reserves</td>
<td>$815,366.90</td>
</tr>
<tr>
<td>Inventories—(lower of cost or market; wool and mohair top, last-in—first-out)</td>
<td>$1,505,699.77</td>
</tr>
<tr>
<td><strong>Total—Current Assets</strong></td>
<td><strong>$2,946,666.30</strong></td>
</tr>
<tr>
<td>Miscellaneous Receivables—less reserve</td>
<td>$61,606.70</td>
</tr>
</tbody>
</table>

### Investments In Subsidiary Companies—cost:

- Jantzen Knitting Mills Ltd., London                                         $438,962.60
- Jantzen (Australia) Ltd.                                                   $78,884.67
- Jantzen Soc. An. Textil, Buenos Aires                                       $33,181.52

### Hayden Island Amusement Co.—Stock (fully reserved) and secured advances

- 50,000.00

### Cash Surrender Value Of Life Insurance

- 207,847.32

### Advance Secured By Second Mortgage

- Philadelphia property                                                      $50,000.00

### Stocks and Bonds—cost

- 20,251.70
- 879,127.81

### Plant and Equipment—depreciated cost

- 668,283.25

### Deferred Charges

- 77,098.82

### Patents and Trademarks

- 1,000.00

**Total Assets**                                                               **$4,633,722.88**

## LIABILITIES

### Current Liabilities:

- Notes payable—bank                                                          **$250,000.00**
- Trade accounts payable                                                      $363,692.53
- Salesmen's balances                                                         $252,733.84
- Wages, payroll taxes, etc                                                   $149,343.76
- Federal and state income taxes                                              $654,393.69
- Other obligations                                                           $26,724.31

**Total—Current Liabilities**                                                 **$1,687,888.13**

### Reserves:

- For post-war contingencies                                                  $150,000.00
- For other purposes                                                          $1,257.91

### Capital and Surplus:

- Preferred stock 5% cumulative—$100 par. Authorized and outstanding 7,500 shares $750,000.00
- Common stock—$1 par value. Authorized 300,000 shares; outstanding 200,000 shares $200,000.00
- Surplus: Capital Earned                                                     618,844.86
- **1,225,781.95**
- **2,791,626.81**

**Total Capital and Surplus**                                                 **$4,633,722.88**

### Contingent Assets:

(a) Foreign royalties and dividends not yet collected; (b) other values indicated in certificate attached.

### Contingent Liability:

Renegotiation of profit on war contracts; cleared to August 31, 1943, without adjustment.
Comparative Statement of Profit and Loss and Surplus
for years ended August 31, 1943 and 1944

<table>
<thead>
<tr>
<th>Year Ended August 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
</tr>
<tr>
<td>Cost of sales</td>
</tr>
<tr>
<td><strong>Gross profit on sales</strong></td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
</tr>
<tr>
<td><strong>Operating profit, before depreciation—Note 1</strong></td>
</tr>
<tr>
<td><strong>Other income:</strong></td>
</tr>
<tr>
<td>Interest, dividends, discounts, etc.</td>
</tr>
<tr>
<td>Foreign royalties</td>
</tr>
<tr>
<td><strong>Total operating profit</strong></td>
</tr>
<tr>
<td><strong>Less:</strong></td>
</tr>
<tr>
<td>Interest expense</td>
</tr>
<tr>
<td>Other items</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Federal and state income and excess profits taxes</td>
</tr>
<tr>
<td>Reserve for post-war contingencies</td>
</tr>
<tr>
<td>Reserve for other purposes</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
</tr>
<tr>
<td><strong>Balance of net profit—transferred to surplus</strong></td>
</tr>
<tr>
<td><strong>Surplus—Beginning of year</strong></td>
</tr>
<tr>
<td>Add: Reserve eliminated re Hayden Island Amusement Co.'s mortgage note</td>
</tr>
<tr>
<td>Depreciation disallowed re prior year</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
</tr>
<tr>
<td>Dividends on preferred stock</td>
</tr>
<tr>
<td>Dividends on common stock</td>
</tr>
<tr>
<td>Additional income tax—prior years</td>
</tr>
<tr>
<td><strong>Total surplus</strong></td>
</tr>
</tbody>
</table>

**Note 1:** Operating expenses for the fiscal year 1944 include two annual wage dividends paid totaling $113,106.81. The 1943 wage dividend, less income tax offset, was reserved for pending authorization.
JANTZEN KNITTING MILLS

Directors
JOHN A. ZEHNTBAUER, Chairman
G. ROY ZEHNTBAUER
JOHN R. DODSON
ALFRED J. CORMACK
MITCHELL HEINEMANN
HENRY L. GERMAN
PAUL M. DEKONING
EDNA M. BEAMER

Officers
JOHN A. ZEHNTBAUER . . . . . . . . . . . . . . . President
C. ROY ZEHNTBAUER . . . . . . . . . . . . . . . Vice-President
JOHN R. DODSON . . . . . . . . . . . . . . . . . Vice-President and Treasurer
MITCHELL HEINEMANN . . . . . . . . . . . Vice-President in Charge of Sales
HENRY L. GERMAN . . . . . . . . . . . . . . . Vice-President and Assistant Treasurer
PAUL M. DEKONING . . . . . . . . . . . . . . . Vice-President in Charge of Production
ALFRED J. CORMACK . . . . . . . . . . . . . . . Secretary and Assistant Treasurer
JAMES E. CORMACK . . . . . . . . . . . . . . . . Assistant Treasurer
EDNA M. BEAMER . . . . . . . . . . . . . . . . . Assistant Secretary
G. ROBERT DODSON . . . . . . . . . . . . . . . . Assistant Secretary

★

FOR BOTH PREFERRED AND COMMON STOCK

Transfer Agents: Registrars:
JANTZEN KNITTING MILLS THE UNITED STATES NATIONAL BANK
Jantzen Center Broadway and Sixth at Stark
Portland, Oregon Portland, Oregon

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The information herein is intended solely as a report for the Stockholders and employees to whom this Report has been addressed and is not a representation, prospectus or circular in respect to any stock or note of any corporation and is not transmitted in connection with any sale or offer to sell or any negotiation for the sale of any stock or note.