

Business Report

TO ALL EMPLOYEES

FOR FISCAL YEAR ENDING

SEPTEMBER 30, 1948

CAROLINA MILLS, INC.

Distribution of Each Dollar Received

Cost of Raw Materials, Services and Supplies:

$$\textcircled{10\text{¢}} \textcircled{10\text{¢}} \textcircled{10\text{¢}} \textcircled{10\text{¢}} \textcircled{10\text{¢}} \textcircled{10\text{¢}} \left(1.9\text{¢} = 19.9 \right)$$

Paid in Taxes and Donations:

$$\left(4.2\text{¢} \right) = 4.2$$

Wear and Tear on Buildings and Equipment
Spent for New Building and Equipment
Kept for Future Growth

$$\left. \right\} \left(7.9\text{¢} \right) = 7.9$$

Cost of Wages and Salaries:

$$\textcircled{10\text{¢}} \textcircled{10\text{¢}} \left(2.5\text{¢} = 25.5 \right)$$

Additional for Benefit of Employees:
(Bonuses, Pension Trust, Hospital
Insurance and Employee Welfare)

$$\left(1.8\text{¢} \right) = 1.8$$

Paid in dividends to the 42 Folks
whose savings are invested in this
business:

$$\left(1.7\text{¢} \right) = 1.7$$

100.0

TO OUR EMPLOYEES:

After seven years of extra good operations in the textile industry as a result of the recent war, it is going to be hard to readjust ourselves to the lower level expected in peace time. Apparently the war-developed scarcities have been supplied and the channels of textile distribution have been filled. Back in March we experienced a letup in demand for our products but we had enough orders on our books to keep us operating full time until July.

During the last quarter of our past fiscal year, July-August-September, 1948, all of our plants were operating on a curtailed basis. With the slackening in demand for textiles we also experienced a decline in prices. Mills were bidding against each other in their efforts to book business so they could run as much as possible. We have been faced with a reduction in our manufacturing margin (the difference between cost of cotton and sale price of product) and at the same time our fixed expenses have increased on each pound of goods produced by reason of spreading the cost over a smaller number of pounds. This has resulted in our realizing no profits during the past quarter. How soon the demand for textiles will increase to the point that we can run full in all departments and prices will improve to the point where we will have a profitable operation is anyone's guess. The picture does not look any too good for the near future.

In spite of these facts, our operations for the past year as a whole were profitable, and we are happy that we have a nice Christmas Bonus to distribute again this year. While the Bonus is not as large as last year, it is still very substantial, and it is probably the last large bonus that can be distributed in this manner. We expect to continue our Christmas parties on as generous a basis as circumstances will permit but the gifts to be distributed, money or otherwise, will not be calculated as in the past.

The benefits and advantages offered all employees of the Company with five or more years continuous service through joining our Pension Retirement Trust Program will serve as a substitute for our Christmas Bonuses. Last year more than \$30,000 was paid to Jefferson Standard Life Insurance Company to guarantee the retirement income promised to those who have joined the program and we expect enough more people to join next year to bring the payment up to \$45,000. We are looking forward to the time when the great majority of our employees will be participating in the Pension Retirement Trust Program. Then we can rest assured that they, or their families, will be getting their Christmas presents each month, following their retirement from active duty, irrespective of how good or how bad business may get.

May your Holidays be Merry and may the New Year bring you full measure of Happiness and Prosperity.

CAROLINA MILLS, INC.,

Leonard Moretz, Secy.-Treas.