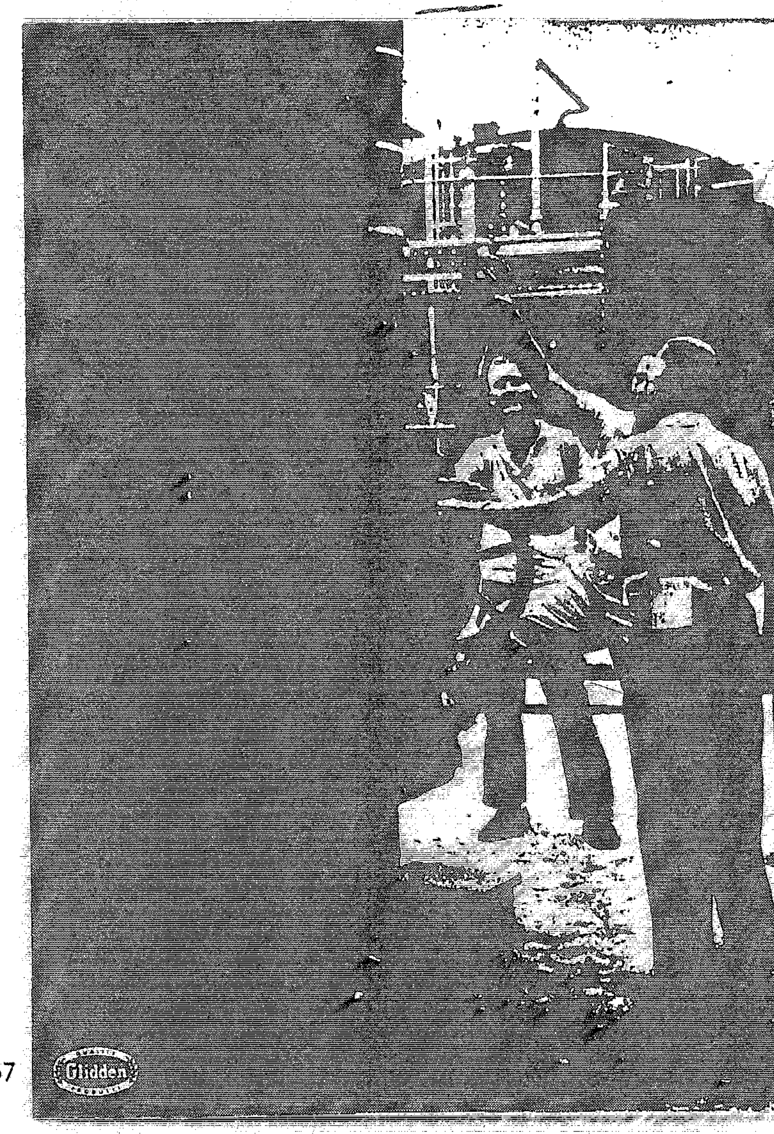
the GLIDDEN company annual report 1957



the GLIDDEN company ann

THE GLIDDEN COMPANY
900 UNION COMMERCE BUILDING
CLEVELAND 14, OHIO

DWIGHT P. JOYCE
CHAIRMAN OF THE BOARD
PRESIDENT

November 12, 1957

To Glidden Personnel:

I am very pleased to send you a copy of our 1957 Annual Report to Shareholders, particularly since it features you, the people who together are The Glidden Company.

Through your efforts, using the capital supplied to us by our shareholders, we have achieved the financial results reported on these pages. While 1957 earnings were somewhat lower than the previous year, this was largely the result of short term sacrifices made to obtain long term growth and stability.

There are many opportunities for future growth, both as individuals and as a company. The extent of these opportunities is dependent upon your own personal efforts.

I want to thank each of you for your loyal help and co-operation during the past year.

Sincerely,

Dwight P. Joyce

Chairman and President

DPJ:LG
Encl.

GLD30453

the GLIDDEN company
40th Annual Report
fiscal year ended Augus

TABL

A FIVE-YEAR COMPARISON

	12 Months August 31		10 Months August 31	12 Months October 31	
	1957	1956	1955	1954	1953
Net Sales	$225,537,291	$226,290,387	$180,524,822	$209,083,579	$211,758,522
Income before Taxes	15,387,437	16,450,737	14,324,567	14,235,043	14,834,272
Taxes on Income	8,123,000	8,304,000	7,212,000	7,142,000	7,725,000
Net Income after Taxes	7,264,437	8,146,737	7,112,567	7,093,043	7,109,272
Per Share	3.16	3.55	3.10	3.09	3.10
% to Shareholders' Equity	8.5%	9.8%	8.9%	9.2%	9.6%
Cash Dividends Declared	4,594,340	4,591,435	4,588,588	4,581,860	4,578,538
Per Share	2.00	2.00	2.00	2.00	2.00
% of Net Income	63.2%	56.4%	64.5%	64.6%	64.4%
Earnings Reinvested	2,670,097	3,555,302	2,523,979	2,511,183	2,530,734
Shareholders' Equity	85,837,116	83,090,719	79,513,017	76,922,608	74,324,321
Per Share	37.35	36.19	34.64	33.54	32.44
Long Term Debt	27,500,000	7,500,000	9,000,000	10,500,000	7,000,000
Working Capital	52,301,673	35,695,848	47,155,983	51,225,674	46,004,697
Current Ratio	2.93	2.27	3.58	4.36	3.15
Plant and Equipment—Net	59,516,961	53,413,732	39,993,479	34,493,146	33,234,243
Total Assets	140,369,855	118,738,003	106,762,124	102,669,755	102,749,597
Depreciation and Amortization	5,046,378	2,870,339	2,234,960	2,332,685	2,185,184
Per Share	2.20	1.25	.97	1.02	.95
Expenditures for Plant and Equipment	12,465,415	16,637,000	8,155,366	4,020,936	4,149,573
Shares Outstanding	2,298,170	2,295,990	2,295,350	2,293,455	2,290,794
Number of Shareholders	21,686	20,758	20,019	19,174	18,726
Number of Employees	6,455	6,387	6,397	6,198	6,218

GLD30455

the president's report

November 12, 1957

To the Shareholders:

Net sales for the fiscal year which ended August 31, 1957, were $225,537,291. Income after taxes and all charges was $7,264,437.

The slight decline in sales from $226,290,387 in 1956 was due to the disposal of our margarine and salad products business east of the Rocky Mountains and the discontinuance of our soybean and flaxseed operations at Buena Park, California. If the 1956 sales which resulted from these operations were subtracted from the totals reported last year, sales for 1957 would show an increase of 2%. The source of 1957 sales by divisions was:

		Per Cent of Total
Paint	$76,357,447	34%
Durkee Famous Foods	88,779,546	39
Chemicals - Pigments - Metals	16,965,447	7
Chemurgy	35,113,745	16
Southern Chemical	8,321,106	4

Each of the five divisions operated profitably during 1957. A detailed review of division results and progress begins on page six of this report.

Consolidated net income of $7,264,437 was equal to $3.16 per share on the 2,298,170 shares outstanding at the year-end. In 1956 net income was $8,146,737 or $3.55 per share on 2,295,990 shares outstanding at August 31, 1956.

Operating results in 1957 were much better than net income per share indicates. Operations absorbed non-recurring costs and higher depreciation and amortization charges, both of which are the result of our program for sound, long-range growth.

Net income for 1957 was reduced by 29 cents per share because of start-up expenses on new facilities and non-recurring costs arising from the relocation and discontinuance of certain operations.

Depreciation, depletion and amortization charges for 1957 totaled $5,046,378 equivalent to $2.20 per share, compared with $2,870,339 or $1.25 for 1956. These charges include rapid amortization on our new grain elevators and "sum-of-the-years-digits" depreciation on most other capital additions since 1954. Rapid amortization of the grain elevators exceeded straight-line depreciation on these facilities by $1,182,317 in 1957 and by $98,714 in 1956. Depreciation by the "sum-of-the-years-digits" method exceeded straight-line depreciation by $946,188 in 1957, compared to $195,986 in 1956.

Although 1957 net income was lower because of these increased depreciation and amortization charges, cash earnings (net income after taxes plus depreciation and amortization) were higher. In 1957 they totaled $12,310,815 or $5.36 per share compared with $11,017,076 or $4.80 per share for 1956.

	1957		1956	
		Per Share		Per Share
Net Income	$ 7,264,437	$3.16	$ 8,146,737	$3.55
Depreciation and amortization	5,046,378	2.20	2,870,339	1.25
Total cash earnings	$12,310,815	$5.36	$11,017,076	$4.80

Cash earnings, of course, provide some of the funds required for capital expenditures and increased working capital.

Throughout the growth of any business enterprise, certain segments evolve which are either alien to the basic goals of the company, no longer economically justifiable or static with little potential for future growth. We have aggressively followed a policy of eliminating operations of this nature to provide additional funds for investment in new and promising ventures or *for expansion of more profitable existing activities.* Since 1951, when this program was initiated, over $12,000,000 has been diverted to more profitable use. While such action is not always immediately possible due to such factors as our position in the industry or the degree of integration with other operations, we continue to examine critically each of our activities and products to make sure that both our capital and personnel are being employed to the best advantage.

In addition to these sources, external financing has been required to cover our heavy capital investment in new and expanded facilities. Early in 1957 we borrowed $20,000,000, with interest at 4¼%, from 10 commercial banks on a revolving credit arrangement which expires late in 1960. This, of course, is only an interim method of financing, and a more permanent type of financing will be necessary during the next several years. The method, amount and timing of this financing are not yet determined.

Capital expenditures in 1957 continued at a high rate. Amounting to $12,465,415, these funds were primarily invested in facilities for titanium dioxide, tall oil, terpene chemicals and paint. During the last three years we have spent a total of $37,257,781 for expansion and modernization. The percentage of this three-year total invested in each division is shown below.

Paint	12%
Durkee Famous Foods	6
Chemicals - Pigments - Metals	47
Chemurgy	24
Southern Chemical	11

We continually review our capital expenditure program in relation to industry and general economic conditions and to our own internal requirements for funds. We anticipate that 1958 capital spending will be about the same as the amount spent in 1957.

Cash dividends totaling $2.00 were declared during the fiscal year. This includes the regular quarterly dividends of 50 cents per share paid January 2, April 1, July 1 and October 1, 1957. Dividends have been paid continuously since 1933.

Inventories at August 31, 1957, totaled $47,387,605, an increase of $8,895,365 over the total reported last year. Two major factors contributed most to this increase. With the opening of the new Adrian Joyce Works, it was necessary that we stockpile substantial quantities of imported titanium-bearing ores to prevent any interruption in production due to raw material shortages. Also, market conditions in crude vegetable oils made it advantageous to purchase sizable quantities during the latter part of the crop year and hedge these purchases with forward sales. Other major commodity inventories are also hedged to the maximum extent possible. This practice, coupled with a LIFO reserve of $1,044,285 on some of these commodities, provides protection against extreme market fluctuations.

Miscellaneous current accounts receivable include $2,227,719, which represents claims established for insurance recovery in connection with the fire losses at our Cleveland paint and Chicago protein plants.

Federal income tax returns for 1954 through 1957 have yet to be reviewed by the Internal Revenue Service, but no major adjustments are anticipated.

Retirement funds for employees deposited with bank trustees now total

$10,496,538. Our retirement plans are non-contributory, the company paying the entire cost.

Total advertising and promotion expenses for 1957 were $4,688,856 compared with $5,116,370 for 1956. This reduction in total expense resulted from the margarine and salad products disposition, as advertising efforts, in general, were intensified.

Research and development activities have been broadened considerably, and our newly-created central technical staff has undertaken a thorough evaluation of our present and future programs. The 1958 budget for research and development is 20% greater than that for 1957, primarily due to an increase in the number of professionally-trained people in our technical organizations. As is evident in the divisional reports, our research activities have provided important new products and promise to provide an even greater number in the future.

We continued the expansion of our overseas activities throughout 1957. Glidden International opened a new sales and administrative office in Nassau, Bahamas, and established new paint branches in Panama and Puerto Rico. We have added to and strengthened our export sales organization to improve the distribution of our products in major overseas markets.

During 1957, we entered into technological assistance and royalty agreements for titanium dioxide in Mexico, terpene chemicals in England and for paint in Spain.

Our Canadian subsidiary, The Glidden Company, Ltd., set new sales records in 1957. We are now studying various means by which we can expand and diversify our activities in the growing Canadian economy. This, in time, may necessitate some major readjustments in our current methods of operating in Canada.

Several important executive changes occurred during the year. Paul F. Sprague, senior vice president and a director, retired from active service after 42 years of loyal association with our company. We are fortunate in being able to retain his valuable counsel on a part-time basis. Dr. W. David Stallcup was elected to succeed Mr. Sprague as vice president in charge of the Southern Chemical Division. Willard C. Lighter was elected to the new position of executive vice president. His former position as vice president in charge of the Chemurgy Division has been filled by Richard O. Westley. Clark P. Maxson, formerly director of purchases, was elected vice president—purchasing and trade relations. In addition, we have recently centralized our engineering functions and have appointed James W. Pollard to the office of chief engineer.

Capable, aggressive personnel at all levels and adequate financial resources are essential to continued growth. We have a sound financial structure, and we are proud of the caliber of our people. With these two important assets, we have great confidence in the future of this company.

Dwight P. Joyce

chairman and president

PAINT
DIVISION

For the second successive year, sales and earnings set new records. Sales of $76,357,447 increased 2% over the $74,977,741 sales figure reported last year. However, earnings increased 5% as a result of higher profit margins.

Consumer products accounted for virtually the entire sales increase. Sales volume of industrial finishes and coatings was maintained at 1956 levels, in spite of a decline in production in certain industries, particularly durable goods. This highly satisfactory performance in both phases of our paint business was made possible by the sale of new products and an expanded distribution pattern.

The most significant development in the Paint Division during 1957 was the progress made on emulsion coatings. For many years, a portion of our research has been concentrated on the development *of water-reducible paints to eliminate the hazards of* conventional solvents and to obtain the better film-forming properties inherent in emulsion-type paints. In 1949, we introduced Spred Satin, the first synthetic latex interior emulsion for consumers; in 1954, we introduced Spred Glide-On, an exterior emulsion for masonry and asbestos shingles.

We have now solved many of the technical problems involved in the industrial use of emulsions for protective coatings on metal. During the year, the Ford Motor Company began to use emulsion coatings on certain structural parts, and we are continuing our work with Ford to develop more extensive applications for these finishes. Emulsion coatings are of major interest to the industrial user because of their cost advantages. *There are still many problems to* overcome, and the final accomplishment is a long-range project. When that time comes, The Glidden Company's leadership in emulsion technology will provide great opportunity for growth.

Our emulsion work has also led to the development of a *new* Spred Satin which will be introduced to consumers during 1958. Without impairing the outstanding qualities of the present product, we have materially improved the durability, appearance and decorating characteristics in the new Spred Satin. In addition, this new product will be attractively packaged with a foil label, similar to the one which has been so successful with Spred Lustre, our alkyd enamel.

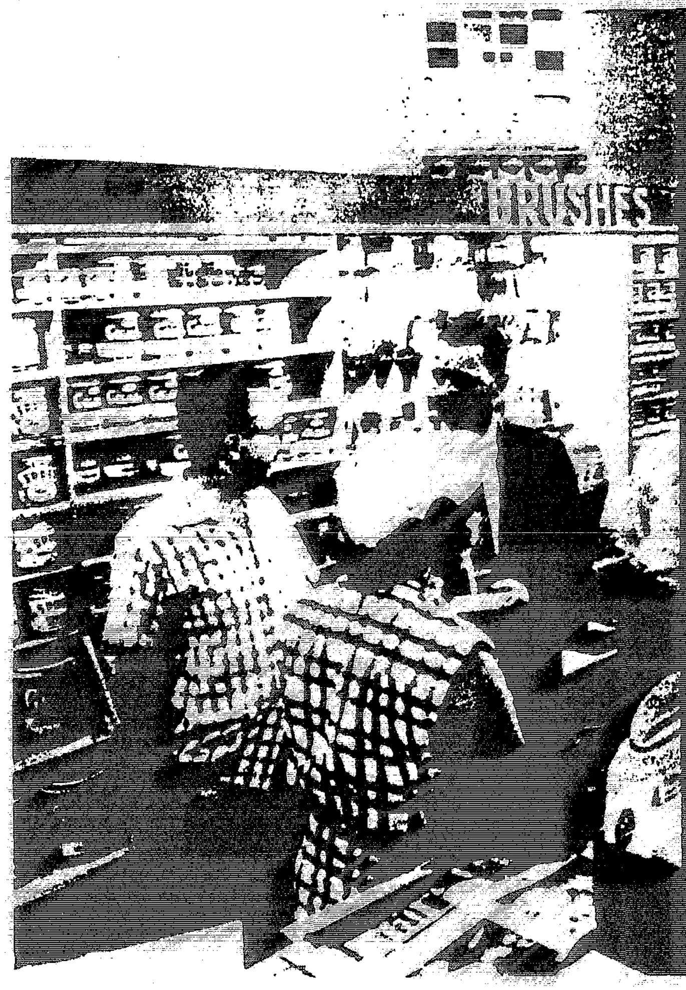
We are continuing our technical and market development on petroleum-based resins and coatings, such as Glidpol polyesters and Glid-Rez butoxy resins. These products make possible further diversification into markets outside the conventional paint field.

Our program for the expansion of consumer products distribution proceeded on schedule with the addition of 16 paint branches. We now have 89 such branches in operation, compared with 43 at the end of 1954. As part of this program, we are staffing our branches with maintenance sales specialists who are concentrating on the growing painter and build*ing maintenance markets. We expect to maintain this* over-all program which will contribute materially to the growth of the Paint Division.

In February, a sizable portion of our Cleveland plant was destroyed by fire. Customer requirements were adequately handled by our other plants and outside sources so there was no adverse effect upon earnings. Rehabilitation of the plant was started immediately after the fire, and normal operations were resumed late in the summer. This modernization has provided a 25% increase in the plant's capacity through the use of efficient, high speed manufacturing and material handling equipment.

We are now in the process of equipping a new research laboratory in Cleveland to conduct basic studies affecting the paint, resin and coating fields. The staff will augment and supplement the work performed in our divisional laboratories.

Though confronted with many marketing and production problems throughout the year, the Paint Division turned in a highly creditable performance. Our continual development of an aggressive organization assures further improvement in the steady growth of this division.



Alexander D. Duncan

GENERAL MANAGER, TRADE SALES
P. W. Neidhardt

GENERAL MANAGER, INDUSTRIAL SALES
J. N. Amiel

GENERAL SUPERINTENDENT
G. H. Wurtsbaugh

DIRECTOR OF RESEARCH
E. Schulte

DIVISIONAL MANAGERS
Atlanta, Georgia – J. L. Beauchamp
Chicago, Illinois – H. E. Miles
Chicago, Illinois – P. C. Brockman
Cleveland, Ohio – R. B. Simpson
Minneapolis, Minnesota – R. H. Stephens
New Orleans, Louisiana – W. G. Smart
Reading, Pennsylvania – H. F. Winger
St. Louis, Missouri – G. J. Seith
San Francisco, California
Los Angeles, California – J. H. Lathe
Toronto, Ontario, Canada – L. W. Lawson
Montreal, Quebec, Canada – R. J. Charlebois

PRODUCTS
Spred Satin
Spred Glide-On
Spred Lustre
Endurance
Endurance Imperial
Endurance Velvet
Spred Wall
Japalac
[illegible]
[illegible]
[illegible]
[illegible] Tone Stains
[illegible] Varnishes
Dramatone Colors
Spray Day-Lite
Brush Day-Lite
Industrial Finishes
Glid-Rez Coatings and Resins
Glid-Kote Polyester [illegible]
Glidpol Polyester Resins
[illegible] Primers and Enamels
Nubelite [illegible] Enamels
Nu-[illegible] Primers and Enamels
Wood Finishes
Glidvar Wire Coating
[illegible]
[illegible]
[illegible] Primers and Enamels

Whether it be a dealer's store or a customer's factory, this is the salesman's "office". To his customer, he is The Glidden Company. Only through him can the customer's needs be related to those who provide the products and services.

GLD30457

The bookkeeper records. The accountant brings those records to life. By interpreting their meaning, he helps others improve their own performance.

DURKEE FAMOUS FOODS DIVISION

Improved profit margins and the elimination of low profit items produced a significant increase in divisional earnings, which reached the highest level in recent years. Sales decreased slightly, from $88,927,483 in 1956 to $88,779,546 in 1957.

Sales of edible oil products were stable throughout the year and physical volume compared favorably with that of 1956. Our leadership in the development of specialty edible oil products and uses, particularly for prepared mixes and confection coatings, has strengthened our position in a highly competitive industry.

Coconut and condiment sales and profits reached all-time highs, largely due to the expanding bulk distribution of these products by our refinery sales organization. We have only begun to develop this phase of our business, which involves the addition of bulk seasonings and coconut to our regular line of shortenings and other edible oil products sold to bakers, and candy and food manufacturers. The Gourmet seasoning line introduced last year has proven very popular with consumers, and several new items have been added.

The major reorganization of Durkee operations begun in 1956 was continued. Last year we reported our plans to discontinue edible oil operations at Elmhurst, Long Island, and to relocate them at our refineries in Louisville and Chicago. This plan has been completed and we are now in the process of revising the former Elmhurst product line and eliminating marginal business previously carried for volume purposes only. Eastern markets will continue to be served by the same sales force.

We have recently discontinued all other operations at Elmhurst and have entered into a long-term lease for a modern, one-story building in Bethlehem, Pennsylvania, to house our new coconut and condiment operations. This building, which contains over 200,000 square feet of floor space, has been equipped with the latest processing and packaging equipment. The efficiencies from this new plant layout and equipment are expected to produce a 10% increase in overall divisional earnings by 1959. The net proceeds from the ultimate sale of the Elmhurst building will amply cover the $750,000 new investment at Bethlehem.

As part of our reorganization program, we disposed of our entire consumer table margarine and salad products business east of the Rocky Mountains during the second quarter. For the past several years, the return from these operations has failed to meet our performance standards, and as major suppliers of refined margarine oils to independent manufacturers, we found ourselves competing with many of our present and potential oil customers in the East and Midwest. Our primary position is in the edible oil field and the loss in sales volume incurred by this disposition has already been offset by additional edible oil business.

Material progress has been made within the Durkee Division. 1958 will be a year of consolidation and further improvement. We have eliminated many of our problems so that management and staff can now devote their efforts to the further development of our profitable activities.

GLD30458

CHEMICALS PIGMENTS METALS DIVISION

Heavy start-up and depreciation expenses, combined with a softening in demand for titanium dioxide and a decline in copper prices, reduced earnings substantially below their 1956 level. Sales of $16,965,447 were off 8% from the $18,428,612 record high reported in 1956. Even with these factors, 1957 results have been surpassed only in 1955 and 1956, and return on investment for 1957 was still satisfactory.

Titanium dioxide has had a phenomenal growth record. However, the pattern throughout the industry has been one in which occasional periods of surplus productive capacity immediately follow long periods of shortages. Naturally, when demand exceeds supply it is not possible to develop new markets. Only when additional capacity becomes available can this process be begun.

Such is the case at the present time. During recent years demand for titanium dioxide has been far in excess of supply, and customers were placed on allocation. In 1956, however, industry capacity was increased 24%, while demand for titanium dioxide fell off because of lower production levels in the paper and appliance industries. These factors made 1957 a difficult operating year for the division as earnings were further burdened with heavy start-up expenses and first-year depreciation charges on the new Adrian Joyce Works. We look upon the current situation in titanium dioxide as similar to that which occurred in 1949 following a major increase in industry capacity. We have complete confidence in the future of this product and are proceeding with the completion of our expansion program.

To complete our titanium dioxide program, it is necessary that we acquire adequate domestic ore reserves. At the present time, we are purchasing titanium-bearing ores from non-domestic sources. In April, we entered into a lease for 7,000 acres of ore lands on Cumberland Island, located off the southern coast of Georgia. However, the status of this lease is now being litigated, and we will not know the final outcome for several months. If our lease is upheld, this property will give us a 15 to 20 year supply of raw material which can be economically shipped to Baltimore through the Inland Waterway.

Production and sales of metal powders remained quite stable throughout 1957. However, a severe decline in the price of copper, one of our principal raw materials, was reflected in earnings which were well below the record earnings of 1955 and 1956.

Sales of lithopone and color pigments continued at about the same level as in the previous year. Lower prices on the metals used in these pigments are expected to permit more realistic profit margins for the coming year.

While 1957 results for the Chemicals-Pigments-Metals Division were below our expectations, we believe its long-term potential is still promising.

Many are the problems of a production superintendent—but not without reward. A feeling of satisfaction comes with bringing men, materials and machinery together to produce a useful product.

VICE PRESIDENT
G. M. Halsey

SALES MANAGEMENT
W. J. Barrett
R. B. Quelos
J. C. Rankin

MANAGER, RESEARCH AND DEVELOPMENT
H. L. Rhodes

PLANT MANAGEMENT
Baltimore, Maryland
Scranton, Pennsylvania — J. E. Nicholas
Baltimore, Maryland — E. W. Cooper
Collinsville, Illinois — W. K. Kelley
Hammond, Indiana — E. P. Palmer

PRODUCTS
ZOPAQUE Titanium Dioxide
CADMOLITH Red Colors
MERCADMOLITH Red Colors
CADMOLITH Yellow Colors
SUNOLITH Lithopone
Titanated Lithopone
EUSTON White Lead
Lead in Oil
CUBOND Brazing Compound
Copper Powder
Lead Powder
Tin Powder
Alloy Powders
Cuprous Oxide
Cupric Oxide
Copper Pigment

GLD30459

CHEMURGY
DIVISION

Chemurgy Division earnings for 1957 were substantially lower than for 1956 because of unsatisfactory soybean processing margins and rapid amortization charges on the division's new grain elevators. While sales of $35,113,715 were below the $35,907,492 reported for 1956, this decline was caused by the elimination of the Buena Park operations which were discontinued at the end of 1956.

Increased corn marketing by Commodity Credit Corporation, amounting to more than half the corn moving into commercial channels, sharply reduced merchandising in the private corn trade during 1957. Since corn is the principal commodity merchandised through Chicago, our new grain activities were at a lower level than had been anticipated. The entire cost of the new elevators in Chicago, Indianapolis, Lockport and Seneca, used by our grain merchandising operation, is being amortized over a five-year period ending in 1961.

While the 1956 soybean crop, at 455 million bushels, was the largest on record, processing margins, except during the early part of the year, continued to be unsatisfactory. Government price support policies on soybeans, coupled with the fact that there are no government supports on soybean oil and soybean meal, kept a tight squeeze on processing margins from the beginning of March to the end of the crop year.

For the past six years, soybean processing margins have been far from satisfactory as excess processing capacity in the industry has created an abnormally high demand for beans to keep facilities running. Each year the industry has optimistically expected some improvement in processing margins as the quantity of soybeans harvested has increased. However, the growth in industry capacity has more than kept pace with the expanded soybean harvest.

This new capacity has been in efficient, instrumented processing units added to large existing plants or installed in new plants. Whether a better balance between supply and demand will eventually result from the elimination of marginal plants or from increased demand for the end products, soybean oil and meal, we are unable to foresee. We have serious doubts that this condition will correct itself for several years.

In the meantime, we continue to stress the development of high profit margin products derived from the soybean to eliminate our dependence upon primary processing margins. Sales of industrial protein, soybean flour and lecithin now represent 24% of total division sales. Profit margins on these products are satisfactory.

To further improve our leadership in the field of industrial protein, our applications laboratory has recently been equipped with production-type coaters which will permit better technical service on the use of protein in paper coatings.

A fire in the packaging and grinding department of the protein plant interrupted production during the month of July. We were able to continue supplying our customers out of inventory and through the use of emergency facilities. The entire protein operation is now back to normal.

On the basis of our technical and market development work on edible protein, we have started construction of a new protein plant at Indianapolis. Promine, our trade name for this edible protein, is an entirely new product. There are no other natural or synthetic proteins which have comparable chemical or physical properties and cost advantages. The evaluation of this product by leading food companies has stimulated a great deal of interest, not only because of its nutritional values, but also for use *as a coating, thickening and gelling agent* to improve the quality of many existing food products.

Soybean derivatives have provided this division with a steady, growing source of income and it is our ultimate goal to utilize a major portion of our meal and oil output in the production of these products. The closer we come to the achievement of this goal, the greater will be the profit potential of the division.

Obtaining the right materials at the right time and at the right price presents a challenge for the buyer to make his contribution *to the success of the organization.*

SOUTHERN CHEMICAL DIVISION

Although sales increased from $8,119,050 in 1956 to $8,321,106, 1957 earnings were moderately lower.

Two new additions to our terpene chemical facilities were completed on schedule and were put in operation during the middle of the year. Start-up costs and initial depreciation charges on these facilities were primarily responsible for a slight decline in terpene profit margins. Further improvement in our synthetic resin business was evident throughout 1957.

With the changing character of the division's activities over the past five years, gum naval stores and wood distillation operations have taken a relatively minor position. The cyclical gum naval stores business continued on one of its down cycles during the year, and very small profits were realized. In the second quarter, we disposed of our 50% interest in Jacksonville Processing Corporation, a gum naval stores producer. Wood distillation operations were fairly satisfactory, but were at a lower level than in the previous year. A further decline is likely during 1958.

Construction of our new $3,400,000 tall oil plant at Port St. Joe, Florida, is nearing completion after a delay of several months caused by shortages of certain construction materials. Initial production will be limited, and full capacity probably will not be reached until early in fiscal 1959. Start-up and introductory expenses will limit earnings from this plant during its first year of operation. Utilizing by-products of the St. Joe Paper Company as raw materials, the plant will produce crude tall oil, distilled tall oil and tall oil fatty acids and rosin. New processes employed in the design of these facilities are expected to yield products superior in quality to those presently on the market. There is a growing demand for these products for use in paper, protective coatings, rubber, detergents, soaps and chemicals.

For the past ten years, this division has been directing its research efforts toward the use of inexpensive terpene hydrocarbons to produce fine organic and aromatic compounds through chemical processing. While many of these compounds have been available from natural sources, their supply, quality and price is necessarily affected by variations in soil, climate and import-export restrictions. The chemical synthesis of these products from domestic raw materials provides the consuming industries, both here and abroad, with a regularity of supply, price stability and consistent quality not otherwise available.

Within recent years, some of this research work has been successfully concluded, resulting in products such as anethole, a synthetic anise flavoring, and nopol, which is used in soap perfumery. We are now in the process of introducing the first synthetic geraniol to the essential oil trade. This terpene aromatic, which is used in perfumery, is expected to receive excellent commercial acceptance and will lead the division into still further activities in terpene aromatic chemicals.

The division's most important step in this field is still in the developmental stage. Design and engineering studies are now being completed for the construction of a plant at Jacksonville to produce synthetic laevo-menthol with patented processes which we believe to be the first commercially feasible approach to the synthesis of this important natural flavor. Pilot quantities of this product have received an excellent reception from manufacturers of proprietary drug, confection and tobacco products. We expect to start construction of this plant in 1958.

Throughout 1957 we have continued to build for the future of the Southern Chemical Division, and, although its present contribution to profits is small in relation to the total, the gradual introduction of new facilities and products should materially increase this contribution during the next several years.

Long, quiet hours of searching and thinking lay the foundation for scientific advancement. Once conceived, the ideas of the research chemist are expanded in the laboratory, the plant and the market place.

GLD30461

The Glidden Company and Canadian Subsidiary
August 31, 1957, and August 31, 1956

assets

CURRENT ASSETS	1957	1956
Cash	$ 9,581,466	$ 5,512,638
Trade accounts receivable, less allowances of $505,621 for doubtful accounts (1956 — $477,131)	18,343,022	18,244,642
Inventories — raw materials, in process, and finished goods — at the lower of cost (accumulated average) or replacement market, except for certain basic materials stated at cost (last-in, first-out method) which did not exceed replacement market	47,387,605	38,492,240
Insurance claims and other current accounts, advances, and investments	4,022,319	1,593,612
TOTAL CURRENT ASSETS	$ 79,334,412	$ 63,843,132
OTHER ASSETS		
Prepaid insurance and other expense	$ 798,459	$ 863,216
Miscellaneous notes and accounts receivable, advances, and investments	720,023	617,923
TOTAL OTHER ASSETS	$ 1,518,482	$ 1,481,139
PROPERTY, PLANT AND EQUIPMENT		
Land — at cost	$ 4,084,821	$ 3,888,059
Buildings — at cost	31,460,224	28,219,303
Machinery and equipment — at cost	53,631,577	47,732,654
	$ 89,176,622	$ 79,840,016
Less accumulated depreciation, depletion, and amortization	29,659,661	26,426,284
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$ 59,516,961	$ 53,413,732
	$140,369,855	$118,738,003

liabilities and shareholders' equity

CURRENT LIABILITIES	1957	1956
Notes payable to banks:		
Short term	$ 9,000,000	$ 9,500,000
Long term notes maturing within one year	— 0 —	1,500,000
Accounts payable	8,002,714	6,824,354
Accrued taxes, insurance, royalties, and interest	1,639,224	1,429,106
Dividend payable	1,149,085	1,147,995
Federal, dominion, and state taxes on income — estimated	7,241,716	7,745,829
TOTAL CURRENT LIABILITIES	$ 27,032,739	$ 28,147,284
LONG TERM DEBT		
Notes payable to banks, due $1,500,000 annually beginning September 1, 1958; interest 3¼%	$ 7,500,000	$ 7,500,000
Notes payable to banks, due October 31, 1960; interest 4¼%	20,000,000	— 0 —
TOTAL LONG TERM DEBT	$ 27,500,000	$ 7,500,000
SHAREHOLDERS' EQUITY		
Capital:		
Common Stock, par value $10 per share:		
Authorized 3,000,000 shares; reserved for sale to key employees 93,160 shares (1956 — 95,340)		
Outstanding 2,298,170 shares (1956 — 2,295,990)	$ 22,981,700	$ 22,959,900
Additional amount paid in	9,861,772	9,807,272
Earnings retained for use in the business, including retained earnings of Canadian subsidiary $5,530,754 (1956 — $5,135,989)	52,993,644	50,323,547
TOTAL SHAREHOLDERS' EQUITY	$ 85,837,116	$ 83,090,719
	$140,369,855	$118,738,003

GLD30462

CONSOLIDATED INCOME

and earnings retained for use in the business

The Glidden Company and Canadian Subsidiary
Years ended August 31, 1957, and August 31, 1956

income

	1957	1956
Net sales	$225,537,291	$226,290,387
Other income	1,448,679	673,148
	$226,985,970	$226,963,535
Cost of products sold	$172,105,550	$174,894,035
Selling, administrative, and general expenses	33,168,829	31,947,320
Provision for depreciation, depletion, and amortization	5,046,378	2,870,339
Interest expense	1,277,776	801,104
	$211,598,533	$210,512,798
INCOME BEFORE TAXES ON INCOME	$ 15,387,437	$ 16,450,737
Taxes on income — estimated:		
Federal	$ 7,620,000	$ 7,834,000
Dominion and state	503,000	470,000
	$ 8,123,000	$ 8,304,000
NET INCOME	$ 7,264,437	$ 8,146,737

earnings retained in the business

	1957	1956
Balance at beginning of year	$ 50,323,547	$ 46,768,245
Net income	7,264,437	8,146,737
	$ 57,587,984	$ 54,914,982
Cash dividends declared — $2 per share	4,594,340	4,591,435
Balance at end of year	$ 52,993,644	$ 50,323,547

GLD30463

SUMMARY OF SOURCE AND DISPOSITIO

The Glidden Company and Canadian Subsi
Years ended August 31, 1957, and August 31, 195

Source of funds:
Net income
Provision for depreciation, depletion, and amortiza
Total from operations
Long term borrowings (repayments)
Other sources [net]

Disposition of funds:
Dividends declared
Expenditures for property, plant, and equipment
Increase (decrease) in working capital

ACCOUNTANTS' REPORT

Shareholders and Board of Directors,
The Glidden Company,
Cleveland, Ohio.

We have examined the consolidated financia
and its Canadian subsidiary for the year ended Augu
in accordance with generally accepted auditing sta
tests of the accounting records and such other
necessary in the circumstances.

In our opinion, the accompanying balance sh
retained for use in the business, and summary of s
fairly the consolidated financial position of The Glid
at August 31, 1957, and the consolidated results of t
in conformity with generally accepted accounting p
with that of the preceding year.

Cleveland, Ohio
October 15, 1957

BOARD OF DIRECTORS

Dwight P. Joyce
Alexander D. Duncan
R. W. Maxey
John H. Weeks
R. D. Horner
W. G. Phillips
Willard C. Lighter
Harvey L. Slaughter
G. M. Halsey
W. D. Stallcup
G. S. Warner

OFFICERS

Dwight P. Joyce, Chairman of the Board and President
Willard C. Lighter, Executive Vice President
R. W. Maxey, Vice President – Finance
Alexander D. Duncan, Vice President
Harvey L. Slaughter, Vice President
John H. Weeks, Vice President – Personnel
G. M. Halsey, Vice President
W. D. Stallcup, Vice President
C. P. Maxson, Vice President – Purchasing and Trade Relations
R. O. Westley, Vice President
R. D. Horner, Secretary and General Counsel
W. G. Phillips, Treasurer
G. S. Warner, Controller
W. P. Stetzelberger, Assistant Secretary

GENERAL STAFF

M. A. Dupont, General Manager, Glidden International, C. A.
W. von Fischer, Coordinator of Research
F. R. Hysell, General Traffic Manager
C. A. Leach, Insurance Manager
J. W. Pollard, Chief Engineer

CORPORATE DATA

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

Transfer Agents
The New York Trust Company
New York City

The Cleveland Trust Company
Cleveland, Ohio

Registrars
The Chase Manhattan Bank
New York City

Central National Bank of Cleveland
Cleveland, Ohio

Common stock of the Company is listed on the New York Stock Exchange and has trading privileges on other major stock exchanges.

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