THE GLIDDEN COMPANY

Annual Report 1962

BOARD OF DIRECTORS

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B. W. MAXEY
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GEORGE S. WARNER
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CORPORATE OFFICERS

Dwight P. Joyce,
Chairman of the Board and President

B. W. Maxey,
Vice Chairman of the Board and
Vice President-Finance

Alexander D. Duncan,
Vice President, International Group

George M. Halsey,
Vice President, Chemicals Group

John H. Weeks,
Vice President-Personnel

George S. Warner,
Vice President-Operations,
Chemicals Group

Paul W. Neidhardt,
Vice President, Coatings and
Resins Group

Richard H. Turk, Sr.,
Vice President, Pemco Division

William G. Phillips,
Vice President-Planning and Treasurer

Robert D. Horner,
Secretary and General Counsel

Donald E. Erskine,
Controller

CORPORATE DATA

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

Trustee—Sinking Fund Debentures
First National City Bank of New York
New York, New York

Transfer Agent—Preferred Stock
The Glidden Company
900 Union Commerce Building
Cleveland, Ohio

Transfer Agents—Common Stock
Chemical Bank New York Trust Company
New York, New York

The Cleveland Trust Company
Cleveland, Ohio

Registrars—Common Stock
The Chase Manhattan Bank
New York, New York

Central National Bank of Cleveland
Cleveland, Ohio

The debentures and common stock of the Company are listed on the New York Stock Exchange and the common stock has trading privileges on other major stock exchanges.

The annual meeting of stockholders will be held on Thursday, December 13, 1962, at ten o'clock in the morning, in the Euclid Ballroom of the Hotel Statler-Hilton, Cleveland, Ohio.

FINANCIAL HIGHLIGHTS

	1962	1961	Change
Net sales	$237,882,381	$206,702,216	+15%
Income before taxes	$ 14,024,705	$ 12,606,983	+11%
Net income	$ 6,689,705	$ 6,416,983	+ 4%
Per common share	$2.72	$2.78	– 2%
Dividends on common stock	$ 4,650,214	$ 4,621,743	–
Per share	$2.00	$2.00	
Depreciation, depletion and amortization	$ 6,099,337	$ 7,440,940	–18%
Expenditures for plant and equipment	$ 11,755,093	$ 7,823,199	+50%
Working capital	$ 67,970,025	$ 68,061,010	–
Current ratio	4.60 to 1	5.43 to 1	
Shareholders' equity	$102,960,909	$ 94,665,592	+ 9%
Per common share	$40.31	$40.96	
Number of shareholders			
Preferred	121	–	
Common	21,043	20,873	–
Number of employees	7,115	6,372	+12%

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REPORT FROM THE CHAIRMAN AND PRESIDENT

Sales of The Glidden Company were $237,882,381 in fiscal 1962, compared with sales of $206,702,216 in fiscal 1961. All of the company's operating groups contributed to this gain. Net income amounted to $6,689,705 for the year, compared with $6,416,983 for 1961. Profits of the Chemicals and Foods Groups increased, but profits of the Coatings and Resins Group were below those of the previous year. The year's operating results, including the effects of consolidating Glidden subsidiaries outside the United States and Canada, are explained in other sections of this report.

Because of the leveling off of the economy, results for all three of the domestic operating groups were below our earlier expectations. Many American companies, including ours, are faced with the same economic problem—excess plant capacities and a sluggish growth in demand for industrial and consumer goods. This has led to more intense competition in product development, prices and customer services, resulting in lower profit margins for many manufacturers.

We are coping with this basic problem in several ways. First, we are continuing to invest money in new equipment and modern manufacturing and warehousing facilities so that we can operate as efficiently as possible. A major example is the new coatings plant at Carrollton, Tex., which was formally opened in January. This plant, utilizing the most efficient production techniques, serves the important Southwestern market at minimum shipping and other distribution costs.

Second, we are producing more of our own raw materials. For many years, we have made many paint pigments, colors and other ingredients where we could do so most economically. During the past year, we began to manufacture latex for use in paints, and to mine ilmenite ore for use in the manufacture of titanium dioxide. This will permit us to make better products, improve our manufacturing methods and reduce raw material inventories.

Third, we are placing more emphasis on product development and acquisitions to make the most efficient use of our production facilities and distribution systems, and to take advantage of new markets. One result of our acquisition program is the merger of Pemco Corporation into The Glidden Company, which gives us an important position in the field of inorganic coating materials. Another example is the purchase of the assets and business of Olney & Carpenter, Inc., a specialty grocery products manufacturer and an excellent addition to the Foods Group. At the same time, we have been investing increasing amounts of money in research and new product development, and in technical service. In the past four years, expenditures for these purposes have been doubled, and in 1962 alone amounted to $5.1 million, an increase of $1.3 million over the previous fiscal year. We have also strengthened our market research efforts to determine the products and markets which offer the greatest profit potential.

DWIGHT P. JOYCE

Fourth, we are increasing our interests in foreign markets. With the growing importance of the International Group, which includes all interests outside the United States and Canada, we are reflecting its operations in our financial statements for the first time. Last year, these operations contributed approximately $1 million in pre-tax profit. In August, we announced plans to build a wholly owned plant in Western Europe to produce porcelain enamel and ceramic frits, and we are seeking additional entries into Europe. We also acquired a 25 per cent interest in a Japanese paint company.

In solving the problems which face us, we have several factors in our favor. One is that we have now completed our program of disposing of those operations which were low profit producers or which did not fit into our long range plans. Another is the company's excellent financial condition. We have the money to invest in efforts to create growth opportunities. Most important, we are a better company from a personnel standpoint. We have good, aggressive young men at all levels of corporate management.

Dr. William A. Bittenbender, Corporate Director of Research, was elected a Director to fill the vacancy created by the death of Mr. Harvey L. Slaughter.

During the year, the Board of Directors elected Mr. William G. Phillips, Treasurer of the company, to the newly created position of Vice President-Planning. He continues to serve as Treasurer. This election is a recognition of the continuing and growing importance of the growth planning effort, which I have discussed with you previously.

The Board also elected Mr. B. W. Maxey to the position of Vice Chairman of the Board of Directors. Mr. Maxey continues to serve as Vice President-Finance.

The coming year looks like a good one—though not outstanding. The economy is continuing to move sideways with no strong indications of significant change in either direction. We are exercising rigid expense controls in all segments of the business, but we do not intend to reduce or eliminate expenditures which are designed to contribute to long range profit growth. We are following the policy of sacrificing a dollar's worth of profit today if that dollar well spent leads to greater profits in the future.

Sincerely,

Dwight P. Joyce

Chairman and President

November 12, 1962

OPERATING RESULTS FOR THE GLIDDEN COMPANY IN 1962

The Glidden Company is composed of four major operating groups:

Coatings and Resins Group, which manufactures paints, other coatings, resins and plastic products for a variety of industrial and consumer applications.

Foods Group, which processes a broad range of edible oils and grocery products, principally under the Durkee Famous Foods trade name.

Chemicals Group, which manufactures pigments, colors, inorganic coating materials, metal powders and various specialty organic chemicals.

International Group, which is responsible for Glidden's interests outside the United States and Canada. Subsidiaries in this Group are being consolidated in our financial statements for the first time.

Following is the percentage of consolidated sales and profit for each operating group in 1962, along with the portion of the total assets employed to produce the sales and profit:

	% Sales	% Profit	% Assets
Coatings and Resins	40	30	36
Foods	41	28	24
Chemicals	17	36	35
International	2	6	5

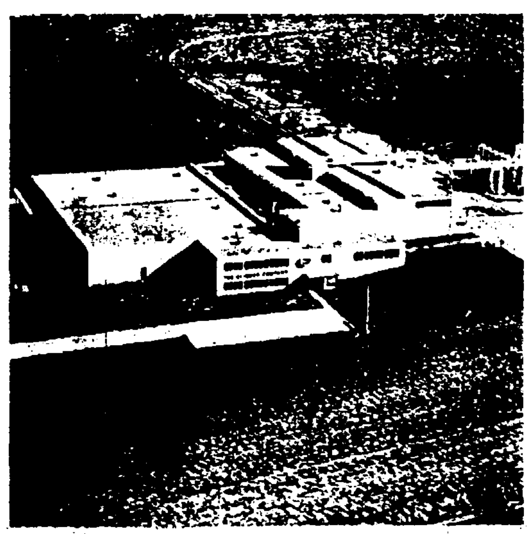
SALES IN 1962—Consolidated sales amounted to $237,882,381 in 1962, including $3,989,066 from the International Group. This compares with reported sales of $206,702,216 for the previous fiscal year.

Sales by operating groups for fiscal 1962 compared with fiscal 1961 were:

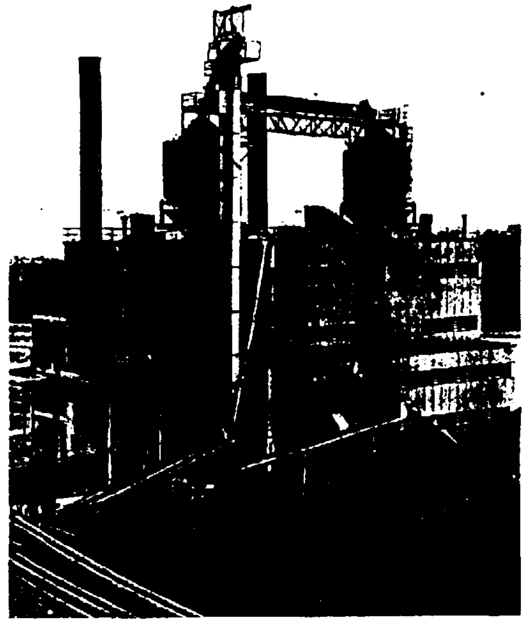
	1962	1961	% Increase
Coatings and Resins	$95,232,340	$91,367,016	4%
Foods	$98,584,155	$88,024,008	12%
Chemicals	$40,076,820	$27,311,192	47%
International	$ 3,989,066	(not reported)	—
Total	$237,882,381	$206,702,216	

As these figures show, the Coatings and Resins, Foods, and Chemicals Groups had significant sales increases over the previous fiscal year. These increases were achieved through more intensive sales effort, the introduction of new products and the addition of sales of acquired companies. Included in the Chemicals Group are Pemco Division sales of $8,757,162 for 1962.

NET INCOME IN 1962—Consolidated net income in 1962 was $6,689,705, compared with reported



GLIDDEN'S MODERN, NEW COATINGS PLANT AT CARROLLTON, TEX., WHICH WAS FORMALLY OPENED IN JANUARY, 1962



ILMENITE ORE AWAITS REFINING PROCESS
AT THE ADRIAN JOYCE WORKS IN BALTIMORE, MD.

net income of $6,416,983 for fiscal 1961. Net income per common share was $2.72, including an extraordinary charge of $.12 per share for Canadian devaluation. Net income for 1962 includes the Pemco Division. After provision for preferred dividends, this division's contribution to earnings was equal to $.08 a share. In fiscal 1961, net income per share was $2.78, which included a non-recurring gain of $.31 a share from sale of the company's soybean processing and grain storage facilities. The 1961 results do not include the Pemco Division or the International Group. Net income by quarters was:

Quarter Ended	1962 Amount (000)	1962 Per Common Share	1961 Amount (000)	1961 Per Common Share
November 30	$1,392	$ .59	$1,077	$ .47
February 28	1,012	.38	686	.29
May 31	1,761	.71	1,623	.71
August 31	2,525	1.04	3,031	1.31

DIVIDENDS—Dividends on common stock totaled $4,650,214, based upon the regular $2.00 annual rate. Last year, 73 per cent of net income available for common was distributed to common shareholders as dividends. Dividends declared on the $2.125 preferred stock amounted to $317,667.

During the 1962 calendar year, the following quarterly dividend payments on common stock were made:

Record Date	Date Paid	Amount Per Share
December 8	January 2	$.50
March 9	April 2	.50
June 8	July 2	.50
September 7	October 1	.50

CAPITAL EXPENDITURES—Capital expenditures for fiscal 1962 amounted to $11.8 million, up $4 million from the previous year. We are continuing to invest capital where needed to produce new products and reduce operating costs. Here is how capital was invested in the domestic operating groups during fiscal 1962:

Coatings and Resins	24%
Foods	39%
Chemicals	37%

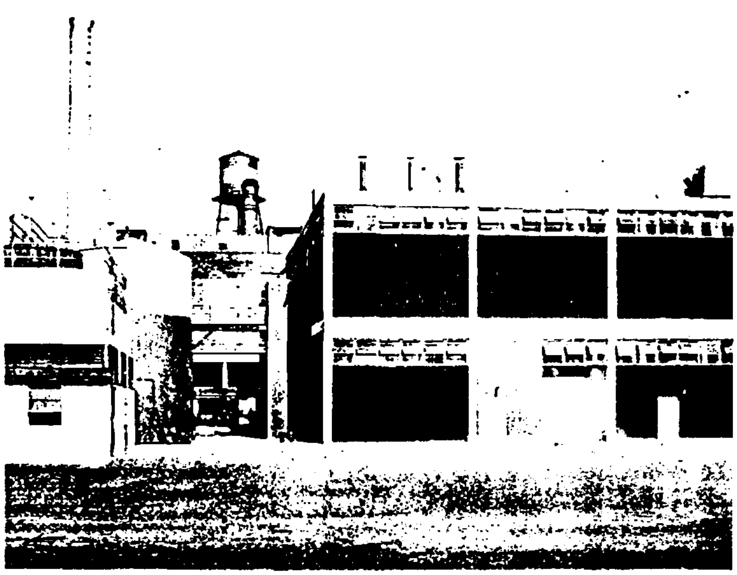
In the Coatings and Resins Group last year, we put into production a modern new plant at Carrollton, Tex., and made major improvements at coatings plants in Chicago, Ill.; Atlanta, Ga.; St. Louis, Mo.; and Toronto, Ont.

In the Foods Group, we constructed a new warehouse adjacent to the refinery at Louisville, Ky., which will improve operating efficiency and provide for future growth. In Chicago, we completed construction of a new addition to the edible oil refinery designed to process new types of vegetable oil products. Cost of the plant and equipment of Olney & Carpenter, Inc., is also included in the company's capital expenditures for 1962.

In the Chemicals Group, we are putting into operation a new ilmenite mine at Lakehurst, N. J. Ilmenite is the ore from which titanium dioxide is manufactured. We are completing a major expansion of the research and laboratory facilities at the Adrian Joyce Works at Baltimore, Md.

Capital expenditures for fiscal 1963 will range from $8 million to $10 million for expansion and modernization of domestic and international facilities.

NEW AND IMPROVED PRODUCTS—Last year, we developed a number of new products and made improvements in many existing ones. Here is a brief summary:



NEW TYPES OF VEGETABLE OILS ARE BEING PROCESSED AT THIS NEW ADDITION TO THE DURKEE REFINERY IN CHICAGO, ILL.

COATINGS AND RESINS GROUP—Improved Spred Satin, made with Glidden latex, is easier to apply, cures faster and reduces light reflection.

- New Spred House Paint Tint Base, which provides a wide range of modern colors when tinted with Dramatone colors. The Spred House Paint system, now in its third year, is enjoying excellent reception among homeowners.
- Recent improvements in water reducible resins have made possible a wide variety of functional water reducible coatings for finishing wood and metal products. We have had particular success in new coatings for the automotive industry.
- Better polyester coating resins for specialized applications on reinforced plastics.
- Improved mill-applied wood primers for a wide variety of wood, plywood, and composition boards for use on exterior siding and other wood building products.
- A number of improved coil and strip coatings for use on a variety of metal products, including building panels, roof decks, siding and other exterior surfaces.
- Improved fiber glass reinforced paneling and new glazing panes for structural and decorative purposes.

FOOD GROUPS—Kaomel, a new confectioner's coating which is compatible with cocoa butter. This is one of the products from our new edible oil refinery in Chicago and is now undergoing extensive field trials for use in chocolate coatings, candies, biscuits, crackers and other confections.

- Betr Icing, a new vegetable oil base product for lighter cake icings and cream fillings.

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RESEARCH CONTINUES AT COATINGS AND RESINS RESEARCH CENTER IN CLEVELAND, O., TO DEVELOP IMPROVED POLYESTER RESINS.

COCONUT AND CONDIMENTS ARE PROCESSED AT THIS DURKEE PLANT IN BETHLEHEM, PA.

• Sunrise Margarine, an improved baker's margarine for use in warmer climates during the summer.

• A group of four safflower oil shortenings for use when a shortening or oil with a low poly-saturate count is desired. Several of our customers are market-testing a margarine using Durkee safflower oil, and we expect greater use of this oil in 1963.

• Kex "500," a new high stability, rancidity-resistant oil for a number of specialized industrial uses.

• Mel-Fry, a new fluid shortening especially designed for deep-fat frying.

• A new line of convenience sauce mixes, which is now being market-tested in several cities.

CHEMICALS GROUP—Improved grades of titanium dioxide for use in the production of porcelain enamel frits, floor tile, rubber products, latex paints and paper coatings.

• New grades of frit for use on steel bathtubs, sinks, appliances and for other industrial applications.

• Improved ceramic frits for low temperature red glazes.

• New iron and other metal powders for various specialized uses.

MARKETING AND DISTRIBUTION—During the year, Glidden continued its aggressive marketing efforts through advertising, intensified sales efforts, and by enlarging and strengthening distribution systems.

Advertising expenditures amounted to $5,710,852 for all domestic operating groups, compared with $4,985,689 for the previous year. In the Coatings and Resins Group, 34 new paint branches were opened and 14 were closed, for a net increase of 20 outlets during the year.

ACQUISITIONS—The largest single acquisition in fiscal 1962 was the merger into Glidden of Pemco Corporation of Baltimore, one of the country's leading producers of porcelain enamel and ceramic frits, and inorganic colors. This organization is now known as the Pemco Division of Glidden's Chemicals Group.

In the fourth quarter, Glidden purchased for cash the assets and business of Olney & Carpenter, Inc., makers of specialty grocery products,

CONTINUOUSLY IMPROVING COATINGS—A PRIME OBJECTIVE OF PAINT RESEARCH

ILMENITE ORE IS EXTRACTED FROM SAND AT THE NEW LAKEHURST, N. J., MINE.

with plants at Wolcott and Eden, N. Y. Leading products of the firm are O & C canned French fried onions, canned potato sticks, canned boiled onions, frozen French fried potatoes and other canned and frozen foods. Products will continue to be distributed under the O & C brand labels. This operation, with annual sales in excess of $5 million, fits well into Glidden's program for expanding the Grocery Products Division of the Foods Group.

During the year, Glidden purchased facilities for production of stainless steel powders, which helps fill out the company's line of metal powders.

OVERSEAS ACTIVITIES—In the closing days of the 1962 fiscal year, Glidden announced its intention to construct a plant in Western Europe for production of porcelain enamel and ceramic frits. The plant will be located in Belgium to serve industries in the Common Market and elsewhere in Europe. Total investment is expected to reach $3 million.

It is Glidden's intention to expand the activities of the Pemco Division in many world markets. The decision to construct a plant in the European Common Market was made particularly attractive by the fact that the Western European economy has grown significantly in recent years. Glidden believes that the economy there will continue to expand, and will offer even greater markets for the company's products. At this time, we are actively seeking additional entries into Western Europe for various product lines.

On the other side of the world, the company has acquired a 25 per cent interest in Sekisan Kako Kabushiki Kaisha, one of the leading paint companies in Japan. Sekisan owns two paint plants—one at Osaka and a new facility recently put in operation at Odawara. Glidden has also acquired an interest in two small companies which distribute products to the building trade in Puerto Rico.

In fiscal 1961, Glidden acquired a one-third interest in Hermann Wulfing Wings-Lackfabrik, one of the leading paint companies in West Germany. This investment has been profitable from the beginning and offers excellent potential for growth.

WAGES AND SALARIES—Total wages, salaries and employee benefits amounted to $46,053,835 in 1962 and were 19.4 per cent of sales. The comparable figures for fiscal 1961 were $41,798,041 and 20.2 per cent.

INVENTORIES—Inventories at August 31 totaled $48,621,870, compared with $41,602,106 at the end of the 1961 fiscal year. Most of this increase is accounted for by the Pemco and Olney & Carpenter acquisitions during the year. Larger crude vegetable oil stocks were also a factor.

DEPRECIATION—Charges against income for depreciation and depletion amounted to $6,099,337 in 1962, compared with $7,440,940 for fiscal 1961. The 1961 figure includes charges of $1,974,260 for depreciation and amortization of the company's grain storage and soybean processing facilities which have been sold. This accounts for the decline in total depreciation charges during the past year.

During 1962, the United States Treasury Department announced procedures which permit

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the company to depreciate its property for income tax purposes over a substantially shorter period of time than had previously been allowed. These new rates have not been used in computing the above depreciation of $6,099,337 charged against income in 1962. They will, however, be used for tax purposes, and an additional $2,341,011 will be deducted for depreciation on our 1962 federal income tax return. Provision has been made for the taxes which have been deferred as a result of taking additional depreciation for tax purposes, so that reported net income for the year has not been affected.

By taking these additional depreciation charges for tax purposes, the company's financial position will be materially strengthened because we are reducing our current tax liability and postponing its payment to future years. This means that we will have an additional $1.2 million cash available for investment today.

TAXES—Taxes on income totaled $7,335,000 equal to $3.15 per common share. Of this amount, $6,118,000 represents taxes currently payable, and $1,217,000 represents taxes for which payment has been deferred to future years. Real estate, personal property, franchise and similar taxes amounted to $2,943,057.

LITIGATION—On June 14, 1962, Glidden and nine other vegetable oil processors were indicted by a federal grand jury in Los Angeles, Calif., on charges of stabilizing prices and restricting competition in the sale of shortening and salad oil for industrial purposes in ten western states. Two executives of our Edible Oil Products Division, together with individual defendants employed by other processors, were also indicted. All of the corporate and individual defendants involved have entered pleas of "not guilty." The Western market for these products is extremely competitive, as it is in all other parts of the country. Glidden's policy is to compete independently and vigorously for this business. We have no reason to believe that either our company or any of its employees has violated the antitrust laws and are confident that the ultimate decision with respect to these charges will be in our favor.

In March, 1962, the U. S. Supreme Court, after denying review on the labor issues in the case of Zdanok v. Glidden, in effect upheld, by a constitutional interpretation, a Circuit Court of Appeals' decision against the company. This was the decision upholding allegations of five former Glidden employees that they had been denied seniority rights under their union contract when the company closed its coconut and condiment plant at Elmhurst, Long Island, N.Y., and established new operations at Bethlehem, Pa. Later, the Supreme Court and another Circuit Court of Appeals issued decisions which we believed conflicted with the Circuit Court's decision in the Zdanok case. The Supreme Court last month ruled against the company on a motion to reconsider its October, 1961, decision not to review (thereby upholding) the Circuit Court's split decision. This case, along with a similar proceeding involving 154 other former employees, will now go to the U. S. District Court where damages, if any, due each of the former employees involved will be determined. It is the opinion of counsel that the company's potential financial liability in these cases is not material.

A TEN YEAR COMPARISON

(All dollar amounts are expressed in thousands, except figures given on a per share basis)

	1962[1]	1961	1960
INCOME			
Net sales	$ 237,882	$ 206,702	$ 197,491
Cost of products sold	172,819	150,173	142,80[illegible]
Selling and administrative expenses	50,877	43,850	40,61[illegible]
Income from operations	14,187	12,548	14,06[illegible]
Income before taxes	14,025	12,607	13,63[illegible]
Taxes on income	7,335	6,190	6,948
Net income	6,690	6,417	6,69[illegible]
Dividends on preferred shares	318	–	–
Dividends on common shares	4,650	4,622	4,621
Earnings reinvested	1,722	1,795	2,069
Depreciation, depletion and amortization	6,099	7,441	6,960
FINANCIAL POSITION			
Working capital	$ 67,970	$ 68,061	$ 59,722
Property, plant and equipment – net	61,261	54,691	62,106
Total assets	151,840	140,039	138,034
Long-term debt	30,000	30,000	30,000
Shareholders' equity	102,961	94,666	92,847
PER COMMON SHARE			
Net sales	$ 93.15	$ 89.43	$ 85.47
Net income	2.72	2.78	2.90
Depreciation, depletion and amortization	2.62	3.22	3.01
Dividends	2.00	2.00	2.00
Shareholders' equity	40.31	40.96	40.18
Price of Glidden common shares[2] – High	45.50	47.00	45.63
– Low	35.12	35.75	34.75
OTHER STATISTICS			
Expenditures for property, plant and equipment	$ 11,755	$ 7,823	$ 8,764
% net income to shareholders' equity	6.5%	6.8%	7.2%
% common dividends to net income available for common	73.4%	72.0%	69.1%
Ratio of current assets to current liabilities	4.60	5.43	4.93
Preferred shares outstanding	198,900	–	–
Common shares outstanding	2,329,872	2,311,245	2,310,590
Number of shareholders – Preferred	121	–	–
– Common	21,043	20,873	20,969
Number of employees	7,115	6,372	6,151
PRO FORMA *(excluding operations of Chemurgy Division for the fiscal years 1953–1958)*			
Net sales	$ 237,882	$ 206,702	$ 197,491
Income from operations	14,187	12,548	14,066
Income before taxes	14,025	12,607	13,638
Net income	6,690	6,417	6,690

(1) Includes International Group and Pemco Division

(2) Calendar years, except 1962 which is to October 15, 1962

12 Months – August 31 1959	1958	1957	1956	10 Months August 31 1955	12 Months – October 31 1954	1953
$ 195,764	$ 217,353	$ 225,537	$ 226,290	$ 180,525	$ 209,084	$ 211,758
142,535	168,979	176,874	177,538	142,047	167,845	170,492
36,803	34,149	32,995	31,974	24,047	27,701	26,739
16,426	14,225	15,668	16,778	14,431	13,538	14,527
15,926	12,350	15,387	16,451	14,325	14,235	14,834
8,292	6,287	8,123	8,304	7,212	7,142	7,725
7,634	6,063	7,264	8,147	7,113	7,093	7,109
—	—	—	—	—	—	—
4,610	4,596	4,594	4,592	4,589	4,582	4,578
3,024	1,467	2,670	3,555	2,524	2,511	2,531
6,579	5,838	5,046	2,870	2,235	2,333	2,185
$ 58,248	$ 52,572	$ 53,100	$ 35,696	$ 47,156	$ 51,226	$ 46,005
60,907	59,992	59,517	53,414	39,993	34,493	33,234
137,552	133,240	140,370	118,738	106,762	102,670	102,750
30,000	26,000	27,500	7,500	9,000	10,500	7,000
90,679	87,304	85,837	83,091	79,513	76,923	74,324
$ 84.82	$ 94.58	$ 98.14	$ 98.56	$ 78.65	$ 91.16	$ 92.44
3.31	2.64	3.16	3.55	3.10	3.09	3.10
2.85	2.54	2.20	1.25	.97	1.02	.95
2.00	2.00	2.00	2.00	2.00	2.00	2.00
39.29	37.99	37.35	36.19	34.64	33.54	32.44
50.25	47.00	37.50	41.12	44.50	42.50	38.12
41.88	28.00	29.50	34.50	36.12	28.75	27.88
$ 7,607	$ 9,214	$ 12,465	$ 16,637	$ 8,155	$ 4,021	$ 4,150
8.4%	6.9%	8.5%	9.8%	8.9%	9.2%	9.6%
60.4%	75.8%	63.2%	56.4%	64.5%	64.6%	64.4%
4.45	3.64	2.96	2.27	3.58	4.36	3.15
—	—	—	—	—	—	—
2,307,850	2,298,170	2,298,170	2,295,990	2,295,350	2,293,455	2,290,794
—	—	—	—	—	—	—
20,993	22,405	21,686	20,758	20,019	19,174	18,726
6,023	6,353	6,455	6,387	6,397	6,198	6,120
$ 195,764	$ 185,380	$ 190,424	$ 190,483	$ 151,752	$ 169,823	$ 170,717
16,426	11,923	13,590	13,956	12,706	11,362	12,414
15,926	10,294	13,590	14,252	13,102	12,271	12,907
7,634	5,076	6,402	7,091	6,526	6,150	6,184

GLD38531

CONSOLIDATED BALANCE SHEETS

THE GLIDDEN COMPANY AND SUBSIDIARIES

August 31, 1962 and August 31, 1961

ASSETS

CURRENT ASSETS	1962	1961
Cash	$ 9,957,068	$ 8,076,305
Short-term securities — at cost	1,989,993	1,991,447
Trade accounts receivable, less allowances of $502,720 (1961 — $419,879)	24,066,793	21,836,602
Inventories — generally at the lower of accumulated-average cost or replacement market:		
Raw materials and work in process	$ 21,043,890	$ 18,982,647
Finished products	27,577,980	22,619,459
	$ 48,621,870	$ 41,602,106
Amount receivable from sale of Chemurgy properties	— 0 —	8,500,000
Other current accounts and investments	1,432,680	932,380
Prepaid expenses	780,947	496,056
TOTAL CURRENT ASSETS	$ 86,849,351	$ 83,434,896
PROPERTY, PLANT, AND EQUIPMENT		
Land and mineral deposits — at cost	$ 5,487,499	$ 5,109,153
Buildings — at cost	29,868,259	26,177,778
Machinery and other equipment — at cost	66,832,306	57,328,330
	$102,188,064	$ 88,615,261
Less accumulated depreciation and depletion	40,926,681	33,924,289
TOTAL PROPERTY, PLANT, AND EQUIPMENT — NET	$ 61,261,383	$ 54,690,972
OTHER ASSETS AND DEFERRED CHARGES	3,729,501	1,913,610
	$151,840,235	$140,039,478

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	1962	1961
Accounts payable	$ 9,401,826	$ 7,647,668
Accrued taxes, interest, and other expenses	2,170,787	1,846,155
Note payable by subsidiary to bank	900,000	– 0 –
Dividend payable	1,164,936	1,155,633
Income taxes – estimated	5,241,777	4,724,430
TOTAL CURRENT LIABILITIES	$ 18,879,326	$ 15,373,886
4¾% SINKING FUND DEBENTURES		
–payable $1,500,000 annually 1964-1983	$ 30,000,000	$ 30,000,000
SHAREHOLDERS' EQUITY – *Notes B, C, D, and E*		
Cumulative Preferred Stock without par value:		
Authorized – 500,000 shares, of which 199,840 have been designated as $2.125 series		
Outstanding – 198,900 shares, at stated value of $25 a share	$ 4,972,500	$ – 0 –
Common Stock – par value $10 per share:		
Authorized – 3,500,000 shares (1961 – 3,000,000)		
Reserved for conversion and options – 376,888 shares (1961 – 174,845)		
Outstanding – 2,329,872 shares (1961 – 2,311,245)	23,298,720	23,112,450
Additional capital paid in	11,081,262	10,204,144
Earnings retained for use in the business	63,608,427	61,348,998
TOTAL SHAREHOLDERS' EQUITY	$102,960,909	$ 94,665,592
	$151,840,235	$140,039,478

See notes to financial statements.

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THE GLIDDEN COMPANY AND SUBSIDIARIES

Years ended August 31, 1962, and August 31, 1961

INCOME	1962	1961
Net sales	$237,882,381	$206,702,216
Operating costs:		
Cost of products sold	$172,818,579	$150,172,507
Selling and administrative expenses	50,876,936	43,981,322
	$223,695,515	$194,153,829
INCOME FROM OPERATIONS	$ 14,186,866	$ 12,548,387
Other income and (deductions):		
Foreign technical service fees	$ 679,370	$ 181,723
Income from foreign associates	268,600	– 0 –
Canadian exchange adjustment	(286,041)	– 0 –
Interest on long-term debt	(1,425,000)	(1,425,000)
Gain on final disposal of Chemurgy properties	– 0 –	1,108,672
Other items – net	600,910	193,201
	$ (162,161)	$ 58,596
INCOME BEFORE INCOME TAXES	$ 14,024,705	$ 12,606,983
Provision for income taxes (including $1,217,000 deferred in 1962)	7,335,000	6,190,000
NET INCOME	$ 6,689,705	$ 6,416,983
Provision for depreciation and depletion was $6,099,337 (1961–$5,466,680, excluding depreciation of Chemurgy properties)		
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$ 61,348,998	$ 59,553,758
Retained earnings at September 1, 1961 of subsidiaries taken into consolidation as of that date	537,605	– 0 –
Net income	6,689,705	6,416,983
	$ 68,576,308	$ 65,970,741
Cash dividends declared:		
Preferred Stock – $1.59375 per share	$ 317,667	$ – 0 –
Common Stock – $2.00 per share	4,650,214	4,621,743
	$ 4,967,881	$ 4,621,743
Balance at end of year	$ 63,608,427	$ 61,348,998

See notes to financial statements.

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SUMMARY OF SOURCE AND APPLICATION OF FUNDS

THE GLIDDEN COMPANY AND SUBSIDIARIES

Years ended August 31, 1962, and August 31, 1961

SOURCE OF FUNDS	1962	1961
From operations:		
Net income	$ 6,689,705	$ 6,416,983
Charges which did not involve current expenditures:		
Provision for depreciation and depletion	6,099,337	7,440,940
Provision for deferred income taxes – added to accumulated depreciation	1,217,000	– 0 –
TOTAL FROM OPERATIONS	$14,006,042	$13,857,923
Net current assets acquired from Pemco Corporation for Preferred Stock	3,381,562	– 0 –
Sale of Common Stock under option plans (1962 – 17,570 shares; 1961 – 655 shares)	629,793	23,610
Sale of Chemurgy properties (reduced by gain recognized in determination of net income shown above)	– 0 –	7,642,068
Decrease (increase) in working capital	90,985	(8,339,076)
	$18,108,382	$13,184,525
APPLICATION OF FUNDS		
Dividends declared	$ 4,967,881	$ 4,621,743
Expenditures for property, plant, and equipment	11,755,093	7,823,199
Additional investments in and advances to associated companies, including consolidation of net current liabilities of foreign subsidiaries taken into consolidation as of September 1, 1961	894,884	400,000
Other applications – net	490,524	339,583
	$18,108,382	$13,184,525

NOTES TO FINANCIAL STATEMENTS

Year ended August 31, 1962

Note A – All subsidiaries have been included in the consolidated financial statements for the year ended August 31, 1962, including certain foreign subsidiaries not theretofore consolidated. Had such subsidiaries been included for the year ended August 31, 1961, consolidated net income for that year would have been $149,871 greater than the amount reported.

The accounts of the foreign subsidiaries have been converted at rates of exchange prevailing during the year except for the property, plant, and equipment accounts of the Canadian subsidiary, which are included on a dollar-for-dollar basis.

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NOTES TO FINANCIAL STATEMENTS—Continued

In November, 1961, the Company acquired the net assets of Pemco Corporation in exchange for 199,840 shares of $2.125 Cumulative Preferred Stock. The acquisition has been treated for accounting purposes as a pooling of interests and, accordingly, the consolidated financial statements for the year ended August 31, 1962, include the operations of Pemco for the entire year. The consolidated financial statements for the year ended August 31, 1961, are presented herewith as previously published and do not include the accounts of Pemco; net sales and net income of Pemco for that year amounted to $8,256,134 and $485,804 respectively.

Note B – The $2.125 Cumulative Preferred Stock is convertible at any time into Common Stock at an exchange rate of 1⅛ shares of common for each share of preferred and is redeemable at prices ranging from $55 a share in 1966 to $51 a share in 1981 and thereafter. At August 31, 1962 there were 223,763 common shares reserved for conversion.

Note C – At the beginning of the year, options were outstanding for 103,545 shares of Common Stock pursuant to restricted stock option plans for key personnel. During the year, options for 47,800 shares were granted, options for 17,570 shares were exercised, and options for 4,150 shares were cancelled. At August 31, 1962, options for 129,625 shares were outstanding and 23,500 shares were available for the granting of future options.

Note D – The increase in additional capital paid in during the year arose principally from the issuance of $2.125 Cumulative Preferred Stock in the acquisition of the net assets of Pemco and the sale of Common Stock pursuant to stock options.

Note E – The indenture relating to the Company's 4¾% Sinking Fund Debentures includes, among other things, a covenant restricting the payment of dividends after August 31, 1962, to approximately $19,000,000 plus consolidated net income earned after that date.

Note F – The Company and a consolidated subsidiary maintain and absorb all costs of employee retirement plans that provide benefits to eligible employees in proportion to the employees' basic earnings during stipulated periods of service and subject to certain maximums. At August 31, 1962, the unfunded liability for past service costs under the plans was estimated to be $3,900,000, and the annual current service cost (which does not include funding of the past service cost) was estimated to be $1,200,000.

Note G – Reference is made to the Operating Results section of this annual report with respect to litigation.

ACCOUNTANTS' REPORT

Shareholders and Board of Directors
The Glidden Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Glidden Company and its subsidiaries for the year ended August 31, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet, statements of income and earnings retained for use in the business, and summary of source and application of funds present fairly the consolidated financial position of The Glidden Company and its subsidiaries at August 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change in consolidation policy explained in Note A, in which we concur, have been applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
October 11, 1962

Ernst & Ernst

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COATINGS AND RESINS GROUP

Paul W. Neidhardt, Vice President

Regional Vice Presidents

Thomas N. Armel, Chicago, Ill.
James L. Beauchamp, Atlanta, Ga.
Robert B. Simpson, Cleveland, O.
Herman F. Winger, Reading, Pa.

Coatings and Resins Plants

Atlanta, Ga.
Carrollton, Tex.
Chicago, Ill. (2)
Cleveland, O.
Los Angeles, Calif.
Minneapolis, Minn.
Montreal, Que.
New Orleans, La.
Portland, Ore.
Reading, Pa.
St. Louis, Mo.
San Francisco, Calif.
Toronto, Ont.

Architectural Products Pilot Plants

Marietta, Ga.
Sarasota, Fla.

INTERNATIONAL GROUP

Alexander D. Duncan, Vice President

Frank J Kelley, General Manager

Financial Interests In:

West Germany
Norway
Mexico
Panama
Ecuador
Guatemala
Japan
Puerto Rico
Costa Rica

Licensees In:

Australia	Finland
West Indies	France
Chile	Germany
Colombia	Iceland
Guatemala	Japan
Peru	The Netherlands
Denmark	Spain
Norway	United Kingdom
Sweden	South Africa
Ecuador	New Zealand

FOODS GROUP

George F. Atkinson, Vice President, Edible Oil Products Division

Paul D. Hursh, Vice President, Grocery Products Division

Norman L. Waggoner, Assistant Vice President, Grocery Products Division

Plants

Berkeley, Calif.
Bethlehem, Pa.
Chicago, Ill. (2)
Eden, N. Y.
Louisville, Ky.
Wolcott, N. Y.

CHEMICALS GROUP

George M. Halsey, Vice President

George S. Warner, Vice President-Operations
Richard H. Turk, Sr., Vice President, Pemco

Vice Presidents—Pemco Division

Herbert Turk, Sr.—Administration
Karl Turk, Jr.—Operations

Plants

Baltimore, Md. (3)
Hammond, Ind.
Jacksonville, Fla.
Johnsonburg, Pa.
Johnstown, Pa.
Port St. Joe, Fla.

CORPORATE HEADQUARTERS OFFICIALS

Robert R. Augsburger, Director of Financial Relations
William A. Bittenbender, Corporate Director of Research
R. E. Dorfmeyer, Assistant Treasurer and Director of Acquisitions
R. K. Dutton, Assistant Secretary and General Attorney
M. D. Higbee, Assistant Controller
Robert L. Lozon, Vice President-Purchases and Trade Relations
Bryce I. MacDonald, Director of Engineering
R. W. Patterson, Assistant Treasurer
M. W. Peters, Assistant Treasurer
E. D. Pittman, Director of Public Relations
G. W. Reid, Assistant Secretary
J. P. White, Assistant Secretary

THE GLIDDEN COMPANY *Annual Report 1962*

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