FROM E. D. Pittman

DATE November 2, 1961

FOR All Officers

CITY Cleveland 14, Ohio

cc: Mr. R. R. Augsburger
Mr. M. W. Peters
Dr. W. A. Bittenbender

ANSWERING LETTER OF

SUBJECT ANNUAL REPORT ADVERTISEMENT - 1961

For your information, attached is a proof of an annual report advertisement, which will appear as listed on the bottom of the proof.

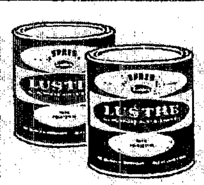
There is one change in this list: The New York World Telegram and Sun has been dropped and the New York Herald Tribune has been added in its place.

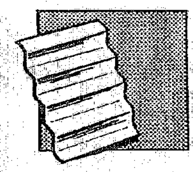
The publication date is November 14 for dailies and that same week, or as soon thereafter as possible, for other periodicals.

E. D. Pittman

EDP:rb
Attachment

GLD010277



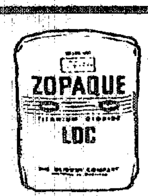



Merger with Pemco Corp. enables Glidden to offer a full line of coatings materials.

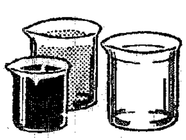

Purchase of one-third interest in West German paint company provides first direct entry into European Common Market.

# GLIDDEN REPORTS for 1961

Acquisition of Johnstown, Pa., plant complements present operation, offers full line of metal powders to industry.




## FINANCIAL HIGHLIGHTS FROM THE GLIDDEN COMPANY 1961 ANNUAL REPORT



| | 1961 |
|---|---|
| Net sales | $206,702,216 |
| Income before taxes | $ 12,737,983 |
| Net income | $ 6,416,983 |
| Per share | $2.78 |
| Dividends | $ 4,621,743 |
| Per share | $2.00 |
| Depreciation and amortization | $ 7,440,940 |
| Per share | $3.22 |
| Expenditures for plant and equipment | $ 7,823,199 |
| Working capital | $ 68,061,010 |
| Current ratio | 5.43 to 1 |
| Shareholders' equity | $ 94,665,592 |
| Per share | $40.96 |
| Number of shareholders | 20,873 |
| Number of employees | 6,372 |

New Carrollton, Texas coatings plant will serve growing Southwestern markets.

Capacities increased at Chicago, Louisville and Berkeley edible oil refineries.


*For a copy of Glidden's 1961 Annual Report write:*


**THE GLIDDEN COMPANY**
UNION COMMERCE BUILDING
Cleveland 14, Ohio

This advertisement appears in Financial Analysts Journal, Trusts and Estates, November, Barrons, Investment Dealers Digest, U. S. Investor, November 13, Wall Street Journal (National Edition), Journal of Commerce, Baltimore Sun, Chicago Tribune, New York Times, New York World Telegram & Sun, Philadelphia Enquirer, November 14, Financial World, Forbes, November 15, 1961.

GLDC10278

Printed in U. S. A.

A stu .y from the research department of

BWM

# Smith, Barney & Co.

NOV 24 1961

*Members New York Stock Exchange*

NEW YORK PHILADELPHIA CHICAGO BOSTON SAN FRANCISCO
ALBANY ALLENTOWN CLEVELAND DALLAS HARTFORD MILWAUKEE MINNEAPOLIS

Industrial Bulletin No. 135-61
(Miscellaneous)

November 17, 1961

## THE GLIDDEN COMPANY

### Common Stock

| | |
|---|---|
| Current Price (NYSE) | 44 |
| Price Range 1961 | 46-36 |
| Earnings Per Share - Fiscal 1961 | $2.78* |
| Earnings Per Share - Fiscal 1962 Est. | $2.90 |
| Price Times Estimated 1962 Earnings | 15.2X |
| Indicated Dividend | $2.00 |
| Current Yield | 4.55% |

*Includes non-recurring income of $0.31 per share.

### Pro Forma Capitalization - August 31, 1961**

| | | |
|---|---|---|
| 4 3/4% S. F. Debentures, due 1964-1983 | $ 30,000,000 | 23.1% |
| $2.125 Cumulative Convertible Preferred Stock, (No Par, 199,840 Shares) | 4,996,000 | 3.8 |
| Common Stock, ($10 Par, 2,311,245 Shares), & Surplus | 95,171,608 | 73.1 |
| | $130,167,608 | 100.0% |

**To give effect to merger with Pemco Corporation on the basis of an exchange of 199,840 shares of new cumulative convertible preferred stock for 99,920 shares of Pemco common stock.

Book Value Per Share of Common Stock $41.18

GLD010279

In Brief:

The Glidden Company is a leading manufacturer of paints, enamels, lacquers, varnishes, organic coatings, resins and plastics. The Foods Group is a major refiner and processor of edible fats and oils, and processes spices, seasonings and specialty products for the food industry. The Chemicals Group produces titanium dioxide and other pigments, metal powders, synthetic aromatics, tall oil and other raw materials. Glidden recently acquired the Pemco Corporation, a leading manufacturer of porcelain enamel frits, in line with the Company's long range program of upgrading operations and expanding in building materials and other fields. We believe that this program is constructive and that the stock has good long term potential.

History & Business

The Glidden Company was founded by Adrian Joyce in Cleveland, Ohio in 1917. The Company was originally engaged in the manufacture and sale of paints, varnishes and allied products but began to diversify in 1920 and had entered into almost all of its present activities by 1935. Its domestic business is now conducted by three Groups, each of which accounted for the following percentage of total sales in the fiscal year ended August 31, 1961:

| Group | Sales (000) | Per Cent of Total |
|---|---|---|
| Coatings & Resins | $91,367 | 44.2% |
| Foods | 88,024 | 42.6 |
| Chemicals | 27,311 | 13.2 |
| | $206,702 | 100.0% |

The Coatings and Resins Group, (formerly the Paint Division), which includes The Glidden Company, Ltd., a wholly owned Canadian subsidiary, manufactures and sells a complete line of paints, enamels, lacquers, varnishes, organic coatings, resins and plastics. The Group is one of the largest paint manufacturers in the United States and accounts for about 5% of domestic industry volume.

The Group's business involves two separate distinct markets: (1) Trade Sales, which are about sixty per cent of total volume and consist of products used by household consumers and professional painters; and (2) Industrial Sales, which account for the remainder of its business and consist of custom-formulated organic coatings and resins for ultimate use as product finishes, protective coatings, structural materials and for equipment maintenance.

The principal brand names for Trade Sales products are Glidden, General, Spred Satin, Spred Lustre, Spred House Paint, Glid-Tone, Japalac, Endurance and Ripolin. They are distributed at wholesale through company-operated branches and independent distributors, and at retail through the same branches and a large network of independent dealers.

The Industrial Sales organization supplies product finishes to leading manufacturers of household appliances, and protective coating and lining materials to the metal container industry. The Company is directing considerable effort towards polyesters and other plastic resins which are used, in combination with reinforcing materials, to produce structural products for boats, building materials, appliances and other products. Other industries which use the Group's products include transportation, petroleum, furniture and equipment manufacture.

The Coatings and Resins Group operates twelve plants in the United States and two in Canada. In November, it opened a new paint plant at Carrollton, Texas to produce a full line of consumer and industrial paint products to serve expanding markets in the Southwest. It has installed additional resin reactors at several plants.

The Foods Group is a major refiner and processor of edible fats and oils. It also processes and sells spices, seasonings, condiments and coconut. Its products are marketed under the trade-name "Durkee Famous Foods" and are distributed principally in bulk form to food processors, commercial bakers, confectionery manufacturers and institutional customers and through retail grocery channels.

The Company recently created two new divisions within the Foods Group: the Edible Oil Products Division, which is responsible for vegetable oil refinery operations, including marketing of institutional and retail bakery products; and the Grocery Products Division which handles grocery product sales of both divisions and operation of the food processing plant at Bethlehem, Pennsylvania. Glidden is a leading supplier of hard fats for confection coatings, shortenings and emulsifiers for prepared mixes and high grade margarine oils. The Company is interested in expanding its higher-margined consumer food lines and in minimizing speculative commodity-type business. Earnings of this Group are comparatively stable although subject to pricing conditions in the edible oils industry.

About 25% of the Group's business consists of packaged spices, coconut, salad products and shortenings sold at retail under the "Durkee" brand name and certain private labels. Glidden is one of the three largest spice processors and the second largest coconut processor in the United States. The Group has concentrated on the development of specialized products and markets. It operates five plants in the United States, all of which are owned with the exception of the leased plant in Bethlehem.

The Chemicals Group produces titanium dioxide and cadmium pigments, copper, lead, tin and other non-ferrous metal powders, iron powders, metal-based chemicals, terpene and aromatic chemicals and tall oil products. Principal end uses for these products include coatings, paper, rubber, plastics, ceramics, automotive and appliance parts, cleaning compounds, chemicals, perfumes and flavors. Its most important product is titanium dioxide, a superior white pigment used as an opacifier and colorant by the paint, paper, rubber, plastics and other industries. Glidden is one of the five domestic producers of titanium dioxide. Its plant at Baltimore, Maryland has an estimated annual capacity of 60,000 tons for the production of pure titanium dioxide, about 10% of the U. S. total.

Copper and tin powders are used by the automotive and appliance industries to form bearings, bushings and other precision molded parts. Lead powder is used for graphites and greases. This business is historically profitable but cyclical, varying with demand from the automobile and appliance industries.

Other products include magnesium powder, copper oxides, copper pigment, brazing paste, yellow cadmium pigments and red cadmium-selenium pigments.

The Company is emphasizing production of upgraded fatty acids and rosin. The tall oil plant at Port St. Joe, Florida, provides Glidden with an economical source of rosin, enabling it to produce fatty acids for protective coatings, soaps and detergents, emulsifiers, floor coverings and chemical compounds.

The Chemicals Group operates eight domestic plants, all of which are owned except the leased land at Port St. Joe, and owns a large deposit of high-grade ilmenite ore near Lakehurst, New Jersey. Ilmenite is the principal raw material for production of titanium dioxide. This mine is expected to begin supplying commercial quantities of quality ore in 1962, enabling the Company to reduce its raw material inventories and operating costs.

## Foreign Operations

The International Group includes the wholly-owned, unconsolidated subsidiary, Glidden International, C.A. It is responsible for export sales, licensing and investments outside the United States and Canada. Glidden, directly or through Glidden International, controls wholly owned subsidiaries in Mexico, Panama and the Netherlands West Indies. It holds minority interests in companies in Germany, Norway, Guatemala, Ecuador, Japan and Puerto Rico. Licensees are located throughout the world.

Glidden International has a one-third interest in Hermann Wulfing Wings-Lackfabrik, a leading German paint manufacturer in the Ruhr. It also has a technological assistance and licensing agreement with N. V. Titaandioxydefabriek for the construction of a titanium dioxide plant in The Netherlands.

It acquired General Paint of Mexico, a subsidiary of the General Pacific Corporation, and owns a one-fourth interest in A/S Fjord-Plast, in Arendal, Norway, which manufactures polyester boats and other plastic products. Production goal is 1,800 boats annually which will be marketed in Europe, Canada and the United States, providing an outlet for Glidden's polyester resins.

The Company plans gradual expansion abroad, concentrating in areas of good market potential.

## Acquisition of Pemco Corporation

The Glidden Company recently acquired the Pemco Corporation of Baltimore in exchange for 199,840 shares of new $2.125 cumulative preferred stock for the 99,920 outstanding shares of Pemco common stock. The new preferred stock may be converted at any time into a total of 224,820 shares of Glidden common stock at a conversion ratio of 1.125 shares of common stock for each share of preferred stock.

Pemco is a leading producer of porcelain enamel frits, ceramic frits and inorganic colors. Porcelain enamel is widely used as a coating on appliances, steel and aluminum architectural panels and automotive parts. Ceramic frits are used as glazes for structural tile and brick and dinnerware. Inorganic colors are used principally for coatings on glass, pottery and metal. Current emphasis is being placed on the development of high temperature coatings and the use of ceramic materials in electronics.

Pemco earned $486,000 on sales of $8.3 million in the twelve months ended August 31, 1961. It will be operated as a division of the Company within the Chemicals Group.

Glidden is interested in the development of products for the ceramics industry and in research relating to ceramic materials, compounds and coatings. The merger with Pemco is expected to extend this part of its business by enlarging its technical and productive capacity.

## Research and Product Development

The Coatings and Resins Group conducts research at a central laboratory in Cleveland and at laboratories at manufacturing plants on the development of new chemical structures for use in organic coatings, particularly resins and emulsions. Work is also conducted on developing new coatings and applications for paper, wood and metal, offering greater resistance to temperature changes and corrosive elements.

The Chemicals Group conducts research principally at laboratories in Baltimore, Maryland, and Jacksonville, Florida. Its research includes the application of metal powders to develop high temperature and chemically stable alloys, the development of new electrolytic iron powders, pigments and colors for use in ceramic materials, and ceramic-like metal compounds for use in electronic and industrial applications. Glidden is trying to diversify its metal powders business and is conducting research for this purpose at Hammond, Indiana.

Research efforts have been expanded to open a means of entry into the paper, adhesives and plastics industries. The Company introduced a new cost-saving grade of titanium dioxide pigment for paper coating which is expected to strengthen its position as a major supplier to this industry, permitting greater flexibility in producing the various grades necessary to meet changing requirements.

The Foods Group conducts its research at a laboratory in Chicago, Illinois, emphasizing the development of new processes for refining fats and oils, new combinations of fats and oil products, new food products for household and institutional use, and new applications for edible fats, oils and shortenings. It is developing new specialty products and services.

Management is placing greater emphasis on research and product development to strengthen the Company's future potential and permit it to enter new fields. Over the past two years, research and development expenses have been increased $700,000.

## Financial Position - Capital Expenditures

Elimination of the Chemurgy Division marked the end of Glidden's seven-year program of withdrawal from low-profit activities. Glidden sold its Chemurgy business to Central Soya Company, Inc., for $3,760,000 on September 1, 1958, and leased its Chemurgy properties to Central Soya for three years from that date. Central Soya exercised its option to buy the properties for $8,550,000 on August 31, 1961. This sale resulted in a non recurring capital gain of $716,000 ($0.31 per share). These funds will permit Glidden to expand and strengthen its major divisions, notably the Chemical Division which appears to offer the best immediate potential for improved earnings.

The Company has allocated more than half of its capital expenditures in recent years towards improving operations of the Chemical Division and is modernizing production facilities to reduce costs and improve quality. It has completed new facilities for synthesizing menthol and other terpene chemicals at Jacksonville. Management hopes to acquire other specialty chemicals to complement existing operations.

Glidden significantly improved its position in the metal powders field by acquiring the metal powders business of the Crane Company, which produces various kinds of ferrous powders-iron, manganese, silicon and ferro-alloys. The purchase includes a plant at Johnstown, Pennsylvania and permits Glidden to offer a broader line of ferrous and non-ferrous metal powders to customers in the metallurgical, fabricating and chemical industries.

Glidden is expanding its Chicago edible oils plant, using completely new methods for processing vegetable oils. This work will be completed in 1962. Industry capacity is growing in edible fats and oils, partly reflecting invasion of this field by soybean processors attempting to improve their profit margins. Glidden is working to develop improved processing methods and more profitable specialty products to offset this added competition.

Capital expenditures are expected to be between $8 and $10 million in fiscal 1962, about the same as in recent years. Expenditures for advertising and promotion will probably be close to $6 million. Financial position is good with current assets of $84 million to meet current liabilities of $15 million. We expect the Company to maintain the $2.00 annual dividend.

## Long Term Development

The extremely competitive Paint Industry includes more than 1,200 local, regional and national producers. Industry sales are close to $2 billion annually compared with $1.3 billion in 1950. Total production of titanium dioxide pigments rose from 314,000 tons in 1950 to over 500,000 tons in 1960.

Management has undertaken major changes in the Company's operating and distribution program to meet fundamental changes in the industry including competition from low-priced, low-quality paints. These include changes in the pattern of retailing and distribution and the increasing use in building and structural applications of supplies and materials which do not require paint.

Until recently the conventional hardware store provided the principal retail sales outlet for consumer paint products. Now, however, there is an increasing trend toward stores specializing in paint and related decorating items, owned and operated by the paint manufacturer or an independent, franchised dealer.

In anticipation of this trend, the Paint Division began a branch expansion program in 1954, at which time Glidden had only 43 branches. The prime objective of this program, which is being accelerated, is to supplement and support existing distribution. Glidden now has about 200 branches and plans to open more during coming years. This expansion will involve additional costs because it takes two or three years for a branch to become profitable.

The increasing use of metals, plastics and ceramics for building and structural purposes often eliminates the need for conventional paints as decorative or protective coatings. The Company is trying to diversify its activities through research and marketing efforts to meet this problem and to establish itself in the over-all coatings business rather than just in the paint industry. Its technology is based upon the adhesion of coatings to many surfaces and materials.

Management's objective is to increase Glidden's long term profit potential and market position by developing and merchandising high-quality consumer products and specialty materials for industrial use. It intends to expand abroad and to enter into new ventures which offer above-average growth potential. It is engaged in cooperative development projects with companies in the paper, plastics, and metal decorating industries. Glidden has introduced new acrylic enamels to the appliance industry and other fabricators of metal. It improved water-reducible finishes for automotive and general industrial use and developed a line of resins and coatings for lumber-mill application on cedar siding, plywood, hardboard and particle board.

Glidden introduced nationally "Spred House Paint" in 1960. This is a new quality latex-emulsion paint for exterior wood siding and other surfaces, which is reported to resolve blistering problems because the structure of the film allows moisture vapor to escape from inside the house. It is fast-drying and can be applied over damp surfaces. It uses some 25 different chemicals derived from coal, petroleum, agricultural products and minerals.

Glidden recently entered into an agreement with Pacific Vegetable Oil Corporation to develop and market a new margarine oil made from safflower oil. PVO eventually will provide 40 to 50 million pounds of safflower oil annually to the Foods Group which will produce and market the margarine oil to manufacturers of margarine. Safflower oil is made from seeds of the safflower plant and is highly polyunsaturated. Some scientific studies indicate that, when polyunsaturated fats are substituted for saturated fats without increasing calories, blood cholesterol decreases. Some medical authorities believe that there is a correlation between the amount of cholesterol in the blood and the incidence of coronary artery disease.

Glidden recently entered the building products field by acquiring the McPhran Corporation, a manufacturer of reinforced fiber glass paneling in Marietta, Georgia. Management believes that this is a natural acquisition for Glidden, providing an additional outlet for polyester resins. The plant is primarily an experimental and pilot operation. Glidden recently acquired Magnetic Powders, Inc., a small Pennsylvania manufacturer of iron powders used in the production of magnetic cores for various kinds of electronic equipment. This acquisition strengthens and broadens the Company's position in the metal powders field. Glidden began to produce metal powders in 1924 and is a leading producer of these powders.

Glidden's operating earnings were $2.47 per share on sales of $206 million in the fiscal year ended August 31, 1961, down from $2.90 per share on sales of $196 million in fiscal 1960. Consumer paint business was affected by unfavorable weather conditions during key retail selling months and competition from cheaper paints. Industrial business suffered from the effects of the recession and lower production of durable goods, particularly appliances.

The Company reports that sales of industrial coatings improved during the third quarter of fiscal 1961, and the near-term outlook appears more favorable. Glidden usually reports two-thirds of its earnings during the second half of the fiscal year because of seasonal factors in the paint industry. Over the longer term the Company's expansion and diversification program should result in improved profit margins, earnings and market prices of its shares. The current yield from the $2.00 annual dividend is attractive.

SMITH, BARNEY & CO.

HGL:mf

GLD010287

The Glidden Company and Canadian Subsidiary
Ten Year Summary of Consolidated Sales and Earnings
(Figures in Thousands)

| Fiscal Year Ended August 31 | Net Sales (000) | Income Before Taxes (000) | Pretax Profit Margin % | Income Taxes (000) | Income Tax Rate % | Net Income (000) | PER SHARE DATA Earnings | Dividends | Price Range# High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 1961 | $206,702 | $12,738 | 6.16% | $6,321 | 49.62% | $6,417 | $2.78* | $2.00 | 45 3/4 | 35 3/4 |
| 1960 | 197,491 | 13,638 | 6.91 | 6,948 | 50.95 | 6,690 | 2.90 | 2.00 | 45 5/8 | 34 3/4 |
| 1959 | 195,764 | 15,926 | 8.14 | 8,292 | 52.07 | 7,634 | 3.31 | 2.00 | 50 1/4 | 41 7/8 |
| 1958 | 217,353 | 12,350 | 5.68 | 6,287 | 50.91 | 6,063 | 2.64 | 2.00 | 47 | 28 |
| 1957 | 225,537 | 15,387 | 6.82 | 8,123 | 52.79 | 7,264 | 3.16 | 2.00 | 37 1/2 | 29 1/2 |
| 1956 | 226,290 | 16,451 | 7.27 | 8,304 | 50.48 | 8,147 | 3.55 | 2.00 | 41 1/8 | 34 1/2 |
| 1955(10 Mos.)** | 180,525 | 14,325 | 7.94 | 7,212 | 50.35 | 7,113 | 3.10 | 2.00 | 44 1/2 | 36 1/8 |
| 1954 | 209,084 | 14,235 | 6.81 | 7,142 | 50.17 | 7,093 | 3.09 | 2.00 | 42 1/2 | 28 3/4 |
| 1953 | 211,758 | 14,834 | 7.01 | 7,725 | 52.08 | 7,109 | 3.10 | 2.00 | 38 1/8 | 27 7/8 |
| 1952 | 205,113 | 14,204 | 6.92 | 7,255 | 51.08 | 6,949 | 3.04 | 2.25 | 42 5/8 | 32 7/8 |

* Includes non-recurring income of $0.31 per share.
** Company changed its fiscal year from October 31 to August 31 in 1955. Figures for 1955 are for the ten months ended August 31st.
\# Calendar Year.