Board of Directors

Dwight P. Joyce
B. W. Maxey
John H. Weeks
Robert D. Horner
William G. Phillips
George M. Halsey
George S. Warner
William P. Smith
Paul W. Neidhardt
Richard H. Turk, Sr.
Raymond Q. Armington
Robert E. Dorfmeyer

Corporate Officers

Dwight P. Joyce,
Chairman of the Board and
Chief Executive Officer

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

William G. Phillips,
President

George M. Halsey,
Senior Vice President and
Vice President-Chemicals
Group

Robert D. Horner,
Vice President

John H. Weeks,
Vice President

George S. Warner,
Vice President-
Durkee Foods Group

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

Robert E. Dorfmeyer,
Vice President-Corporate
Development

John H. Lathe, Jr.,
Vice President-Corporate
Organization

Robert L. Lozon,
Vice President-Purchasing

Richard K. Dutton,
Secretary and General Counsel

Donald E. Erskine,
Controller

Richard W. Patterson,
Treasurer

G. Williams Reid,
Assistant Secretary

John P. White,
Assistant Secretary

M. William Peters,
Assistant Treasurer

G. Keith Brewin,
Assistant Treasurer

Charles P. Fitzgerald,
Assistant Controller

Corporate Data

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

Trustee-Sinking Fund Debentures
First National City Bank of New York
New York City

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

Auditors
Ernst & Ernst
Cleveland, Ohio

Transfer Agents — Common Stock
Chemical Bank New York Trust Company
New York City
The Cleveland Trust Company
Cleveland, Ohio

Registrars — Common Stock
The Chase Manhattan Bank
(National Association)
New York City
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 8, 1966, at 10:00 a.m., in the Euclid Ballroom of the Hotel Statler Hilton, Cleveland, Ohio.

Financial Highlights

Year ending	August 31, 1966	August 31, 1965	Change
Net sales	$351,888,467	$303,991,184	+16%
Income before income taxes	$ 24,191,605	$ 20,370,683	+19%
Net income	$ 12,410,605	$ 10,490,683	+18%
Per common share	$1.83	$1.63	+12%
Cash flow	$ 20,200,316	$ 18,127,823	+11%
Per common share	$3.01	$2.87	+ 5%
Dividends declared on common stock	$ 6,011,716	$ 5,073,315	
Per share	$ .94	$ .84	
Dividends declared on preferred stock	$ 433,610	$ 517,421	
Depreciation and depletion	$ 7,235,711	$ 6,753,140	
Expenditures for plant and equipment	$ 11,685,824	$ 9,866,067	+18%
Working capital	$ 91,752,324	$ 79,197,144	+16%
Current ratio	3.79 to 1	3.86 to 1	
Shareholders' equity	$122,787,308	$116,155,122	+ 6%
Per common share	$17.27	$17.26	
Number of shareholders			
Common	22,072	20,698	
Preferred	238	324	
Number of employees	9,860	8,492	+16%
Number of plants	46	41	

Contents

Dwight P. Joyce

William G. Phillips

Report from the Chairman and the President

Sales of The Glidden Company in fiscal 1966 were $351,888,467, compared with sales of $303,991,184 in fiscal 1965. These results represent the seventh consecutive year in which we have achieved sales increases and the fifth consecutive year in which new sales records have been established. Since 1961, sales have increased 70 per cent.

Net income for fiscal 1966 amounted to $12,410,605, compared with net income of $10,490,683 for fiscal 1965. This is equal to $1.83 per common share for fiscal 1966, compared with $1.63 per common share for the previous fiscal year. Excluding the non-recurring capital gain of 12 cents per share in 1961, net income per common share has increased 85 per cent in the past five years. On this basis, fiscal 1966 represents the fifth consecutive year in which net income per common share has increased 10 per cent or more compounded annually.

This improved earnings record has been reflected in increased dividends for the company's shareowners. In May, 1966, the Board of Directors voted an increase in the regular quarterly dividend on common stock, from 22 cents to 25 cents. This marks the second consecutive year dividends have been increased.

All three of the company's major operating groups achieved sales and profit increases in fiscal 1966.

The Durkee Foods Group achieved excellent sales and profit increases over fiscal 1965, with the Industrial Food Products and Food Service Divisions attaining particularly good results. Durkee's gains were due to many factors, including the introduction of new products, more aggressive marketing efforts, and contributions of acquisitions.

The Coatings and Resins Group also recorded sales and profit gains for fiscal 1966. Profits of the group were not as high as they would have been had we not had substantial costs in connection with the opening of new retail outlets, which at year's end had not reached the levels expected of them. We also absorbed the normal start-up costs of the new polymer processing plant at Huron, Ohio, which went on stream in the spring of 1966.

The Chemicals Group continues to make substantial sales and profit increases. Sales of the group made excellent gains over the previous year, and profits, while materially higher than the previous year, were dampened by a

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number of factors, including start-up costs of the new iron powder plant at Hammond, Indiana, and lower-than-expected profits from sales of certain organic chemicals products.

Capital expenditures for 1966 amounted to \$11,685,824, compared with \$9,866,067, for fiscal 1965. Capital programs included the new polymer plant at Huron, Ohio; a new food processing plant at Maplewood, New Jersey; a research laboratory addition and plant additions at Jacksonville, Florida; a major addition to the Chemicals Group research center at Baltimore, Maryland, and other programs to enable the company to produce new products and operate more efficiently. In line with the request from President Johnson and our business judgment, we are following a policy of careful review of all capital expenditure projects, with the view of deferring those which are not absolutely necessary to the growth and welfare of the company and the safety and well-being of our employees.

For many years, we have recognized that successful research and new product development are vital to the company's success. Research and development expenditures amounted to \$4.5 million in fiscal 1966, compared with \$4.3 million in fiscal 1965. In addition, expenses for technical service and similar day-to-day servicing of our customers amounted to \$3.3 million for 1966, compared with \$2.8 million for the previous fiscal year. Thus, our total technical expenditures amounted to \$7.8 million for fiscal 1966, compared with \$7.1 million for fiscal 1965. For fiscal 1967, we expect total technical expenditures to be about \$8.5 million.

In August, 1966, the Board of Directors decided on a course of action which will have a far-reaching impact on the company's research and new product development. It was announced that a new \$4 million research center will be constructed in Strongsville, Ohio, a suburb of Cleveland. This center will be named the Dwight P. Joyce Research Center, and will house the research activities of the Coatings and Resins Group and the Durkee Foods Group. Each group will have its own separate research, testing, and pilot plant facilities in a park-like setting, and will share common support facilities. The Board of Directors is convinced that this new research facility is vital to attract and hold competent research personnel, and to provide them with an environment most conducive to successful scientific investigation. Construction will begin in the summer of 1967, and completion is expected in the fall of 1968. Chemicals Group inorganic research will continue to be conducted in that group's new laboratory in Baltimore, and the group's organic research will continue in the new Jacksonville laboratory.

In the Annual Report last year, we commented on the steps we were taking to realign our international operations by assigning them to our major operating groups. We now have improved management organizations at our wholly owned plants in Milan, Italy, and Bruges, Belgium, and have made substantial progress but have not yet achieved the level of market penetration for either coatings products or porcelain enamel frits to enable us to operate profitably.

In May, 1966, John H. Lathe, Jr., was elected Vice President-Corporate Organization and is responsible for personnel and labor relations, personnel development, organizational planning, and public relations. He has 16 years of service with the company.

In summarizing our activities for this year, we wish to express sincere thanks to the men and women of the Glidden organization for their hard work and dedication to Glidden's growth objectives. Any company is only as good as its people. Our people are among the best.

November 8, 1966

Dwight P. Joyce

Chairman of the Board and Chief Executive Officer

William G. Phillips

President

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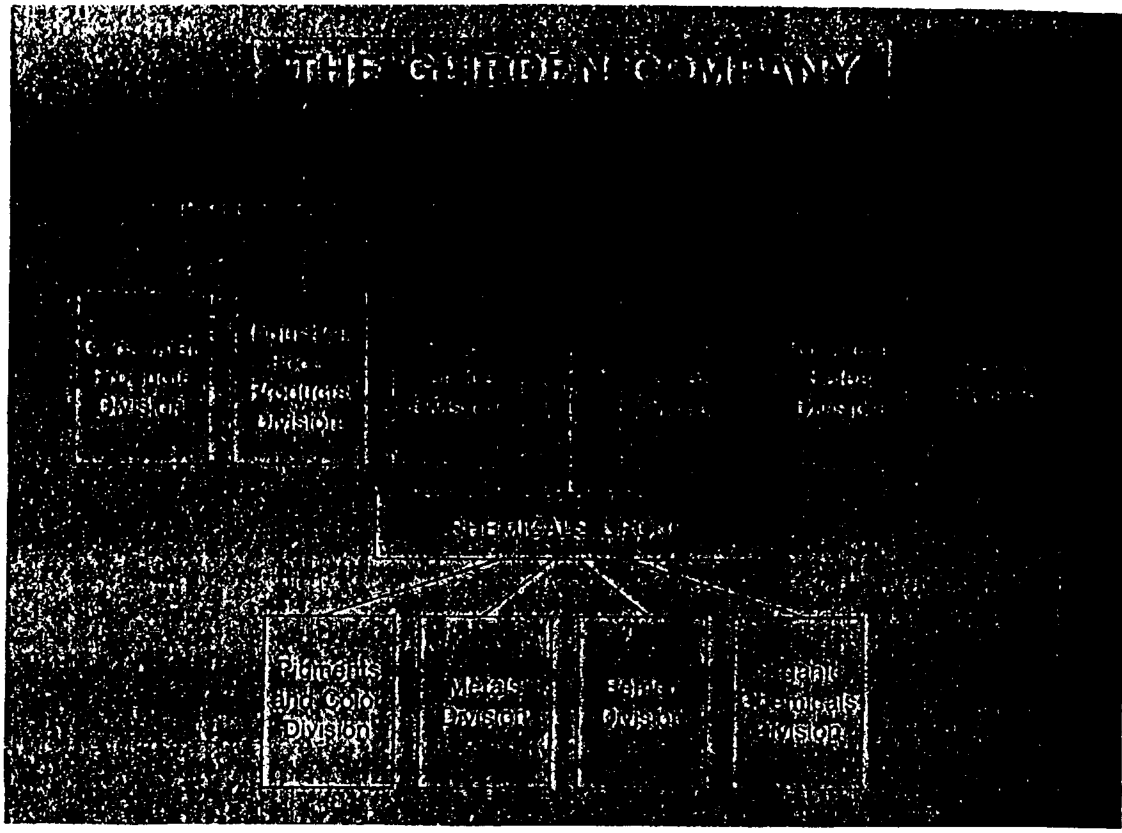

Introduction

The Glidden Company is often thought of primarily as a "paint company." This impression is quite natural because Glidden began as a paint company and today manufactures and markets top quality coatings products. On the other hand, as we look at Glidden today, we see a large diversified company with a substantial position in 10 major marketing areas, supplying a wide range of products directly or indirectly to practically all major groups of manufacturers and to the public. Glidden is:

- a major supplier to the food service industry.
- one of the larger edible oil processors in the country.
- one of the three largest spice processors and a major supplier of specialty grocery items.
- one of the four largest paint manufacturers in the United States supplying both complex industrial products and quality consumer paints.
- a major producer of metal powders.
- a major producer of fine and bulk terpene chemicals.
- a significant manufacturer of adhesives and similar materials.
- a major factor in the titanium dioxide (white pigment) business.
- a major factor in the porcelain enamel and ceramic frit industry.

In order to understand The Glidden Company's corporate structure and organization, it might be well to go back briefly to the company's founding. Glidden's history rather logically falls into four major categories:

1. 1917-1930 — This was the time of the

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founding and formation of the basic diversified corporate structure.

2. 1931-1950 — The period of consolidation and further growth through a depression and war.

3. 1951-1960 — Reassessment of the company's operations ... the divestment of segments of the company which did not fit into the main stream of operations and considerable new investment in modernizing and expanding retained operations.

4. 1961 to present — The current cycle of accelerated growth and expansion.

As pointed out earlier in this report, sales of the company have increased 70 per cent in the last five years, while net income per common share, excluding the non-recurring gain in 1961, has increased 85 per cent. As encouraging as this growth has been, we consider it only as a base on which to continue to build. The company's progress thus far has come through the development of long range growth plans and the timely and diligent execution of these plans. Through planning, we have effected many significant and fundamental changes in the company. These changes have involved new and improved manufacturing facilities, new research facilities, acquisitions, and every other aspect of the company's operations.

However, the most fundamental and basic changes have been and are being made in the personnel make-up of the company. Our largest single measure of progress thus far has been in expanding and developing our human resources. It has been Glidden people who have made the difference between where we were and where we are now, and these people will take us from where we are now to where we want to go.

About five years ago, Glidden's present top management team began emerging from the company's ranks. Many of these men had joined the company in the late '40's and early '50's, and to this nucleus of high potential people were added many from outside the company, particularly highly trained specialists. For example:

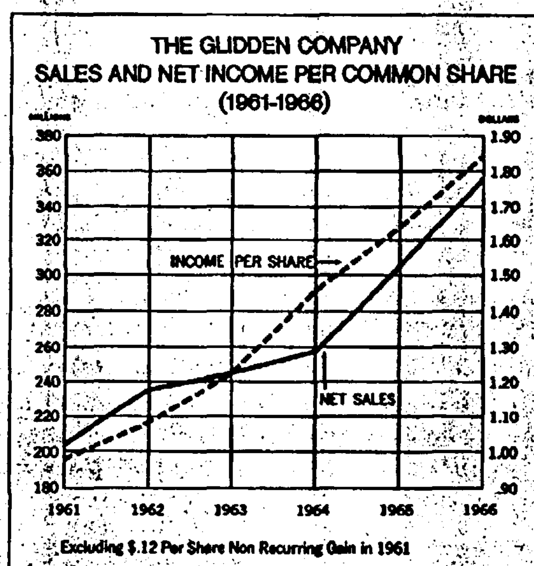
In the past five years, we have substantially expanded our technical research and product development staff. We have twice as many people with advance degrees, and our people have better laboratories and improved equipment with which to work. The Dwight P. Joyce Research Center mentioned earlier is the latest example of our effort to provide the best possible climate in which our people can work.

We have also increased our sales force and, through improved market planning, have redirected our sales effort toward greater efficiency. Extensive training and development programs, costing in excess of one-half million dollars annually, are being conducted.

We have created an effective market research organization at both the corporate and group levels, and we also use outside assistance to help us in our efforts to define the best areas for potential growth.

As the chart on this page indicates, the company's sales and earnings have been moving steadily upward, as the effect of these efforts makes itself felt in the organization. We will continue to develop and supplement our human resources and to attempt to provide our people with a climate that is conducive to creative work.

As we all know, good corporate performance reflects good individual, departmental, and divisional performances. All 10 of the company's marketing divisions — each serving a specific marketing area — have been making sales and profit contributions, and the following pages briefly highlight these activities.



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Durkee Foods Group

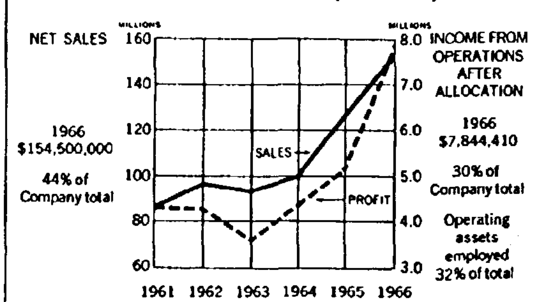
Sales of the Durkee Foods Group were $154,500,000 — 44 per cent of the company's sales — compared with $126,700,000 for fiscal 1965. Income from operations of this group, after allocating corporate items on the basis of assets employed, was $7,844,410, or 30 per cent of the company total. This compares with $5,129,630 in the previous fiscal year. This group employs 32 per cent of the company's operating assets.

As the chart on this page indicates, sales and profits of our Durkee Foods Group have increased substantially in recent years. We have been making acquisitions and investments in new manufacturing facilities, new research facilities, introducing new products, and expanding our technical and sales organizations.

The group has three divisions to serve three separate marketing areas — the individual consumer or retail customer, the industrial food manufacturer, and the away-from-home food service establishment. This group has 15 plants and 2,598 employees.

Underlying our entire food operation is the basic philosophy that we are committed to the development of a specialty and convenience food business. Directly or indirectly, Durkee supplies the kinds of food products which offer the greatest convenience to the consumer. It could be a new type of emulsifier to help a large food processor develop and successfully introduce a new convenience product such as a coffee whitener. It could be a portion-control main dish item to help the restaurant owner improve quality and reduce food handling costs. It could be a sauce mix to help the homemaker prepare more flavorful foods for her family. Durkee's many years of experience in the flavor field give us an advantage in providing more convenience with better flavor for major segments of the food industry.

DURKEE FOODS GROUP
SALES AND PROFITS (1961-1966)



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Consumer Products Division

Durkee's consumer products business accounts for about 23 per cent of our total food sales. We sell under a number of different trade names such as Durkee Famous Foods, O & C, Dailey, Wilshire, B. M. Reeves, and others. Durkee is one of the three major spice processors in the United States, with about 10 per cent of the spice business, and Durkee also has a substantial position in the packaged coconut market.

In line with the basic philosophy of providing convenience and flavor, we believe that Durkee's best growth possibilities for consumer products are in the development or acquisition of high quality convenience specialty foods. The sauce and gravy mix field, for example, continues to grow, and we estimate that the market now totals about $30 million annually. Our successful entry in this field is an example of products that have been created in our own laboratories—a direct outgrowth of our knowledge in edible oil and flavoring chemistry.

Within the past two years, in order to broaden our consumer product lines, we have acquired the Dailey Pickle Company of Saginaw, Michigan; Allied Foods, a pickle processor in Los Angeles, California; and Chris & Pitts, a leading barbecue sauce line in Los Angeles. Our most recent consumer product acquisition, B. M. Reeves, is a leading packer of olives, cocktail onions, and maraschino cherries, and also distributes a line of tinned and bottled specialty foods.

Through successful marketing of internally developed new products, supplemented by selected acquisitions, we will continue to develop our Consumer Products Division into a major factor in this marketing area.

Sauce and Gravy Mixes
Spices and Herbs
Extracts and Flavorings
Seasoning Blends
Durkee's Famous Sauce
Vegetable Flakes
Food Colors
Packaged Coconut
Instant Onion Products
O & C French Fried Onions
O & C Boiled Onions
O & C Potato Sticks
Reeves Olives
Pie Perfect Mix
Gretchen Grant Frozen Hors D'oeuvres
Dailey and Wilshire Pickles

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Industrial Food Products Division

Durkee's Industrial Food Products Division contributes 58 per cent of our total food sales. In industrial food markets, primarily in the vegetable oil field, Durkee Famous Foods has long had the reputation of being an innovator and extremely capable from a technical standpoint. Through our knowledge of oil chemistry, we are continuing to develop and upgrade our shortenings, emulsifiers, and other specialty products for prepared cake mixes; for industrial and wholesale bakeries; for the biscuit and cracker industry, and for confectionery uses.

As an example, we are a leading supplier of specialty oils and emulsifiers for coffee whiteners, whipped toppings, desserts, and confectionery coatings. There is excellent growth potential in the area of imitation dairy products, and we have a solid position in this growing market. The successful development of new improved oils and emulsifiers enables our industrial customers to offer a tasty, more convenient food product.

Shortenings
Bakers' Margarine
Hard Butters
Food Emulsifiers
Margarine Oils
Refined Vegetable Oils
Coconut
Spices and Herbs

GLD38548

Shortenings
Vegetable Oils
Margarine
Sauce and Gravy Bases
Whipped Topping Base
Icing Bases
Coconut
Potato, Tuna, and Macaroni Salads
Extracts and Flavorings
Spices and Herbs
Pickles
Olives
Portion-control Meats
Onion Products
Frozen Puff Pastry Dough
Barbecue Sauce
Durkee's Famous Sauce

Food Service Division

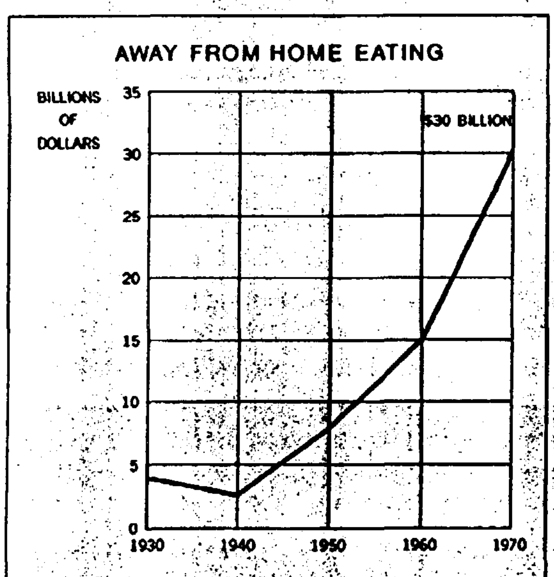
Durkee's Food Service Division was created two years ago as a separate marketing organization and now serves a network of over 1,200 distributors who operate in all major U. S. markets. It has been making excellent sales and profit growth and now accounts for 19 per cent of our food sales.

The fastest growing segment of the food industry is the food service business — commercial restaurants, drive-ins, vending machine operators, caterers, hospitals, in-plant cafeterias, in-transit feeders, schools, and government installations. The amount of money being spent annually on away-from-home eating is estimated at $21 billion and is expected to reach $30 billion by 1970. This dramatic increase is due to many factors:

- Greater population.
- Increased disposable income, which means more dining out.
- Greater patronage of drive-ins, especially by teenagers.
- Larger school population.
- Longer vacations and more travel.

Our Food Service Division is specifically geared to serve this rapidly growing market with a full line of Durkee products, including specialty shortenings for frying or baking; spices and extracts; sauce and gravy bases; pickles, olives, cocktail onions; whipped toppings; processed salads; frozen hors d'oeuvres, canapes, and frozen desserts. We are continually developing and adding new products. During the 1966 fiscal year, we acquired the Polarized Meat Company of Moosic, Pennsylvania, a prominent processor of portion-control entree items. This puts us into the heart of the mass feeder meal — the main course. Polarized buys meat products already trimmed, prepares and portions them into exact weights and servings, and then freezes them, giving the mass feeder a minimum of handling in his own establishment.

In October 1966, Glidden announced its intention to acquire Empire Chicken Industries, Inc., which processes and markets portion-control chicken pieces. This addition will broaden our entree product line.



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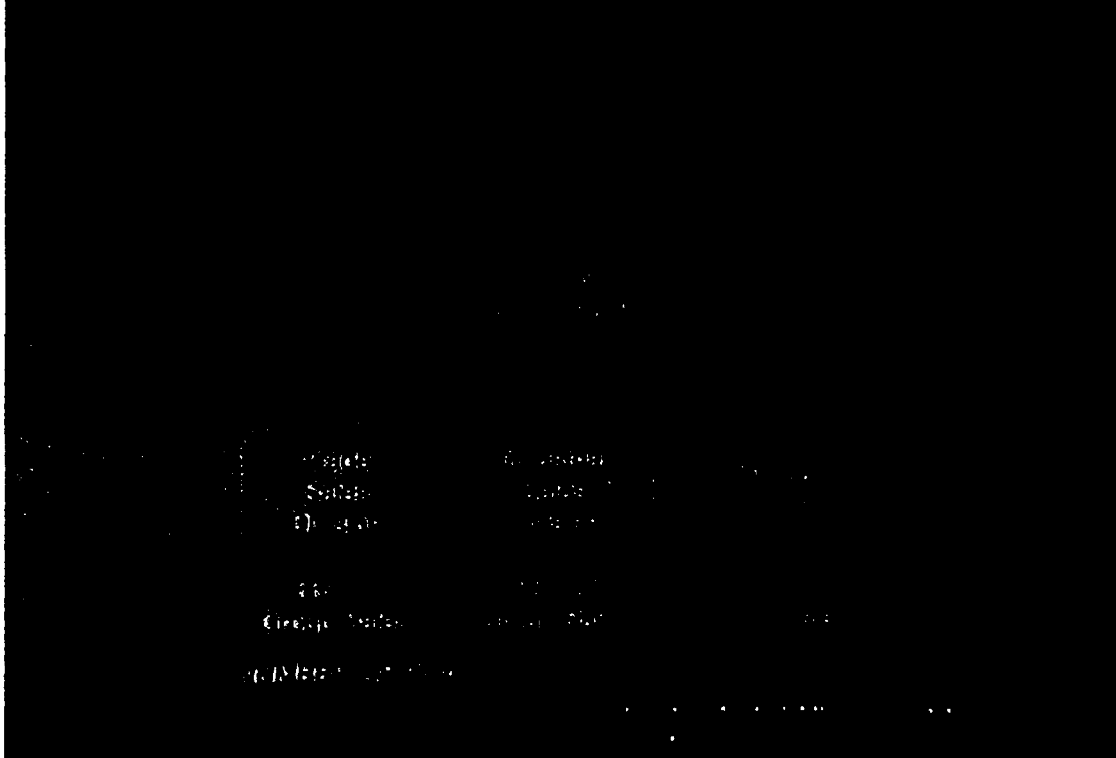
Coatings and Resins Group



Coatings and Resins Group

Sales of the Coatings and Resins Group were $137,300,000 in fiscal 1966, representing 39 per cent of the company's total sales, compared with $121,800,000 in fiscal 1965. Income from operations of this group, after allocating corporate items on the basis of assets employed, was $9,311,976, or 36 per cent of the company total, compared with $8,658,848 in fiscal 1965. The Coatings and Resins Group employs 40 per cent of the company's operating assets.

This group is composed of three divisions — Trade Sales, Industrial Sales, and Macco — each responsible for specific marketing areas. The group has 4,915 employees and operates 22 plants in the United States, Canada, Central America and Europe.

The coatings industry has an annual sales volume in excess of $2 billion in the United States. Glidden is one of the four largest coatings manufacturers in this country, with slightly more than five per cent of the U. S. market. The largest company has less than 15 per cent.

The coatings industry today is a chemical business which requires top quality research people with the latest manufacturing techniques and technically competent marketing specialists. Through increased technical ability and manufacturing know-how, we have developed new resin-making capabilities with the construction of a new plant in Huron, Ohio, and additional processing units at five of our coatings plants to manufacture resins, polymers, co-polymers, and specialty monomers, as well as our own latices. These additional units give us an in-house capability to provide not only our own basic materials used in coatings products but also enables us to beat competition to the marketplace with new and better products in the future.

The coatings business is good, and we con-

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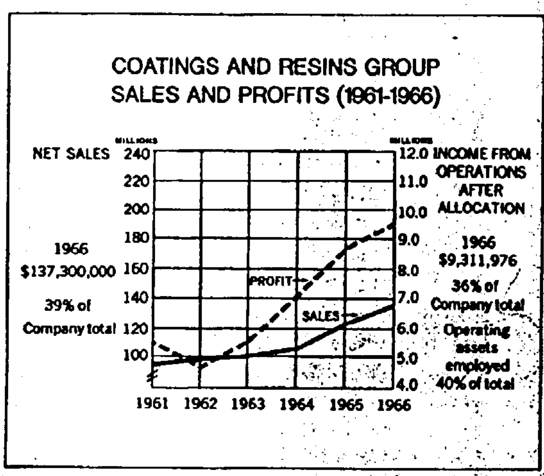
tinue to improve through better technical and market research, development of company-operated branches and leased departments, reductions in manufacturing and distribution costs, and more aggressive marketing effort.



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Trade Sales Division

Two-thirds of our coatings business is trade sales — that is, sales to individual homeowners through our own or independent retail outlets and to professional painters and painting contractors. The trade sales portion of our business is growing at a rate nearly double that of the industry. This growth rate represents a recovery from several years ago when our trade sales business was very much affected by the rise of the mass retailer of the early 1960's. Acknowledging the impact of this "retailing revolution" on our business, we took several steps:

1. We increased our advertising and merchandising.
2. We have become major distributors in the mass retailing market through leased departments and direct selling.
3. We introduced a limited second line to meet specific dealer needs.
4. We redirected the efforts of our sales organization toward larger accounts.
5. We introduced new quality products such as Spred House Paint and improved other products such as Spred Satin and Spred Lustre.

Another major program in our efforts to improve our position in the trade sales market is the opening of company-operated paint or home decorating centers in various parts of the country. We now have 316 such outlets.

Another area of growth in the trade sales business is painter-maintenance sales. This market includes the professional painter and plant maintenance. Important in selling to this market are specialized high performance coatings which resist corrosion, unusual wear, and adverse atmospheric conditions. Products are sold on the basis of performance, with price relatively a secondary factor.

We recently introduced a new system of water reducible maintenance coatings called "LifeMaster," which have found excellent reception in plant maintenance markets. This new coating system, which was developed at our Coatings and Resins research laboratories, has several advantages over the conventional solvent-thinned coatings. These include the ability to wash painting implements with water, and much greater ease of application. In addition, no fire hazard or air pollution results from use of this product because of the absence of solvent fumes. Other typical products for this market are Glid-Crete for application to concrete floors to make them acid and impact resistant and Glid-Tile for wall applications. Aggressive solicitation of this painter-maintenance market by trained specialists has resulted in excellent growth.

Interior House Paints
Exterior House Paints
Floor Paints
Wood Stains
Enamels
Lacquers
Varnishes
Masonry Coatings
Maintenance Coatings

GLD38552

Industrial Sales Division

The second major segment of our coatings business is industrial sales. These are sales to manufacturers who apply our coatings to their products. One-third of our coatings business falls in this category.

We have taken a number of significant actions to accelerate growth of this division:

First, we have intensified our research and development efforts. This has resulted in our undisputed leadership in the new field of electrocoating, wherein an organic coating is dip-applied to metal electrically. We have also developed new thermoplastic and thermosetting acrylic enamels, and specialty resins.

Second, we are identifying and concentrating in specific marketing areas such as metal decorating, automotive, appliance, mill-applied wood finishing, coil and strip coatings, paper coatings, and polyester resins.

Third, we have strengthened our management organization and have realigned our sales people to better serve large national accounts.

Further, we have broadened our product line and areas of marketing interest through the addition in 1964 of Gates Engineering Company, which serves coating markets we had not previously sold.

Industrial Finishes
Industrial Resins
Aircraft Finishes
Can Coatings
Paper Coatings
Coil Coatings
Marine Finishes
Elastomeric Sheetings, Linings and Coatings

Construction Adhesives
Grouts and Mortars
Mac's Household Glues
Industrial Resins

Macco Division

The acquisition in 1964 of Macco Chemical Company was a logical extension of Glidden's interest in building products. Macco adhesives, sealants, caulks, mortars, and grouts are well known and accepted in the construction industry. In addition, we have developed and added new adhesives for industrial and home uses. The new polymer plant at Huron, Ohio, has been assigned to the Macco Division because of its close technical and marketing compatibility.

GLD38553

Chemicals Group

Chemicals Group

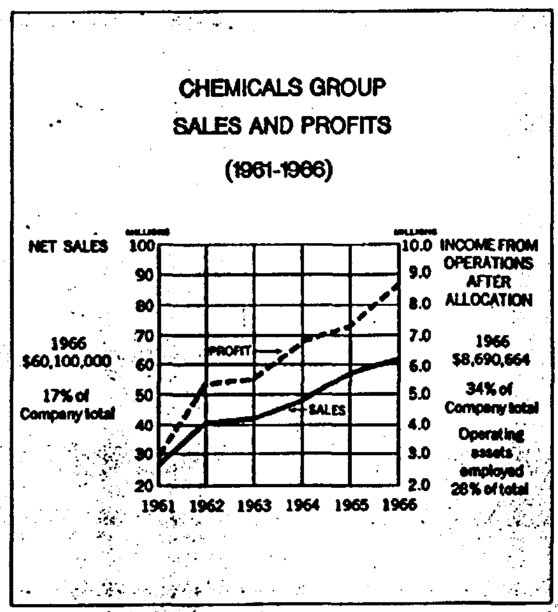
In fiscal 1966, the Chemicals Group contributed $60,100,000, or 17 per cent of the total company sales. This compares with $55,500,000 for fiscal 1965. Income from operations of this group, after allocating corporate items on the basis of assets employed, was $8,690,664, equal to 34 per cent of the company total, compared with $7,189,458 for fiscal 1965. The Chemicals Group operates nine plants, employs 1,663 people, and uses 28 per cent of the total company operating assets.

In the past five years, Chemicals Group sales have increased from $27 million to $60 million in 1966, and operating profit has increased more than 3 times from $2.8 million to $8.7 million in 1966.

We are optimistic about the future of the chemicals aspects of The Glidden Company's operations because of several factors:

1. We are in segments of the chemicals business which offer growth opportunities.
2. We have technical and manufacturing competence.
3. We have good marketing organizations in all of the group's divisions.

As the chart at the top of this page indicates, the Chemicals Group is composed of four divisions, and each of these four represents a balanced individual operation in a specific market segment. Following is a brief discussion of these four marketing areas.



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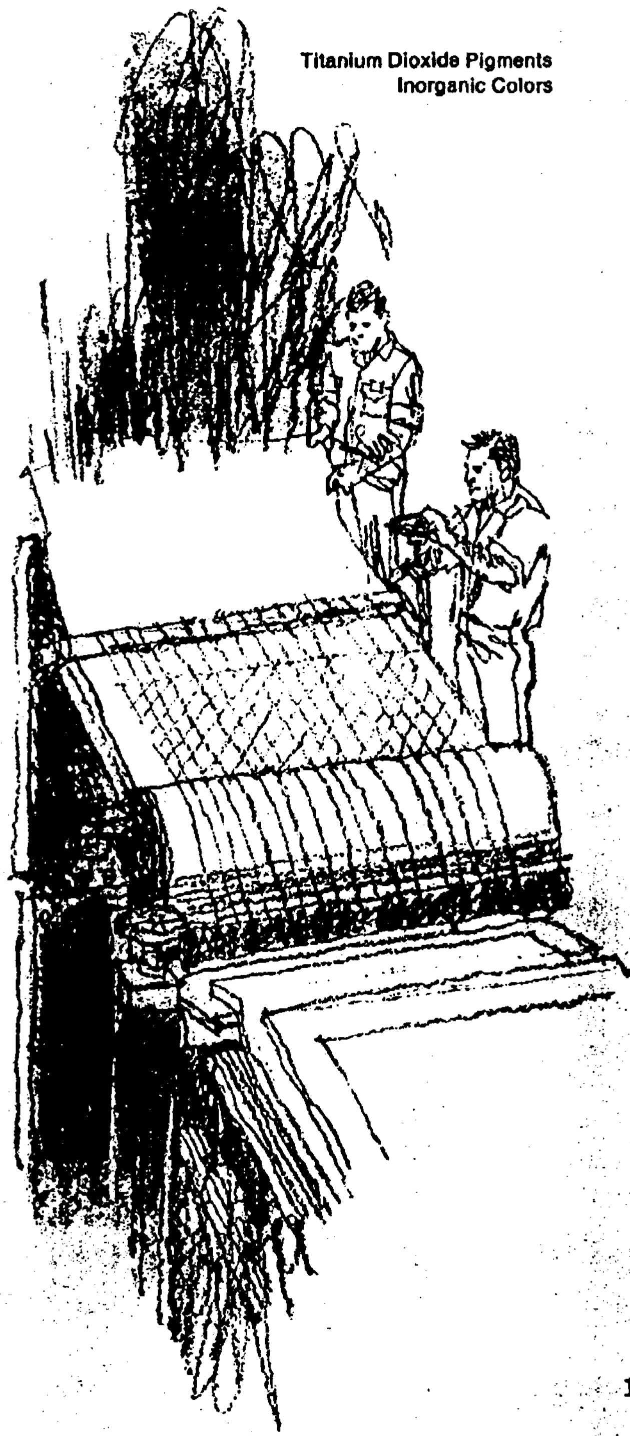


Titanium Dioxide Pigments
Inorganic Colors

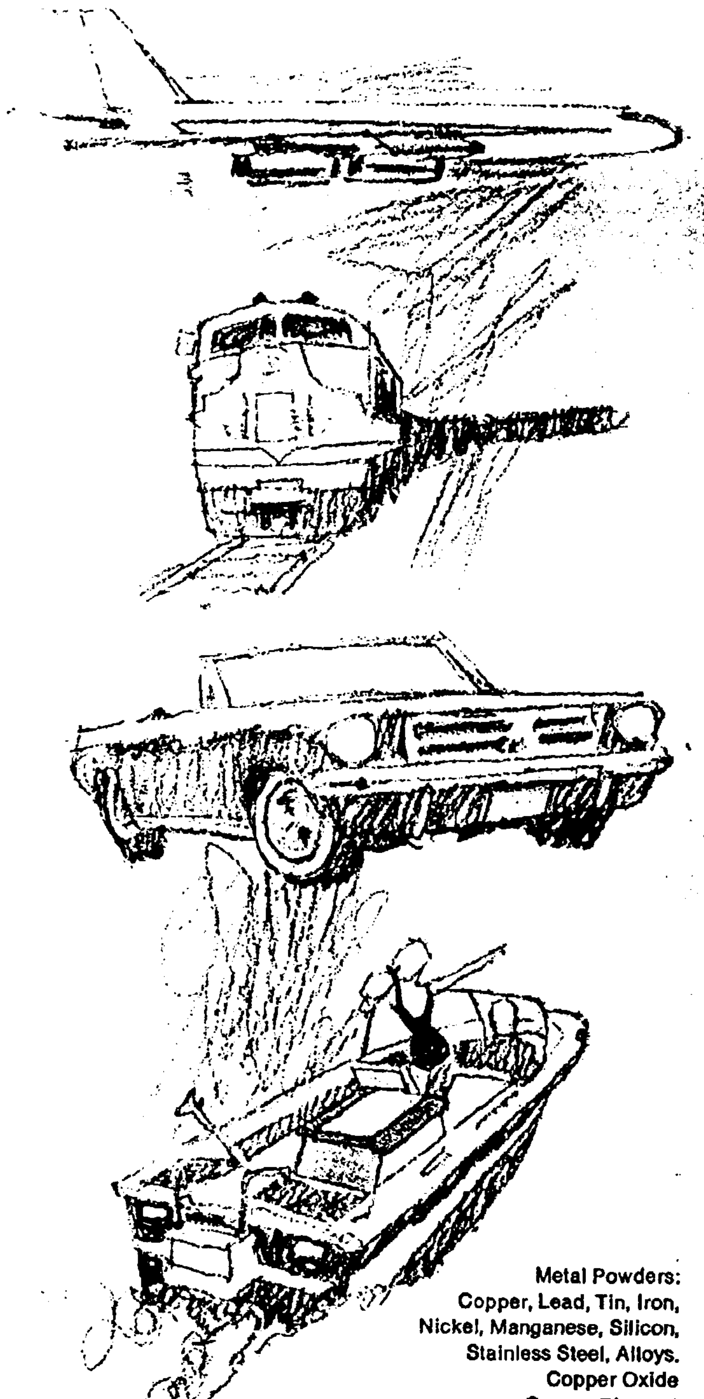
Pigments and Color Division

The Pigments and Color Division is the largest in the Chemicals Group and represents 34 per cent of the group's sales. The chief product is titanium dioxide, and Glidden sales approach 10 per cent of this market. We are one of the major U. S. producers of titanium dioxide and have the technical ability to meet the requirements of the coatings, paper, rubber, and plastics industries.

DISTRIBUTION OF TITANIUM DIOXIDE INDUSTRY SALES

PAINT	56%
PAPER	15%
FLOOR COVERINGS	5%
RUBBER	4%
OTHER	20%
TOTAL	100%

GLD38555



Metal Powders:
Copper, Lead, Tin, Iron,
Nickel, Manganese, Silicon,
Stainless Steel, Alloys.
Copper Oxide
Copper Pigment

Metals Division

The Metals Division of the Chemicals Group accounts for 21 per cent of the group's sales and manufactures one of the most complete lines of basic metal powders in the industry. We believe that the metal powder industry offers outstanding growth potential and will approximately double in the next 10 years. Currently, our growth rate is double that of the industry.

The biggest growth will come in the use of these products in the automotive, appliance, and business machine industries. For example, 1966 model cars used about 13 pounds of metal powder parts, and it is estimated that this consumption will grow to 25-30 pounds per car over the next five years. The compacting industry, which fabricates gears and bearings, is expanding. Fabricated metal parts have been greatly improved because new powders are available and larger presses are coming into use.

Glidden has a good position in the metal powder market — about 10 per cent. We have manufactured copper, tin, lead, and other nonferrous metal powders for a good many years, and in 1961, we entered the specialty ferrous and ferrous alloy powders business. Since then, we have added stainless steel and other high duty alloy powders. We have just completed additions to our metal powder plants in Hammond, Indiana, and Johnstown, Pennsylvania, to serve segments of the high volume iron powder business.

SIZE OF THE MARKET
FOR METAL POWDERS

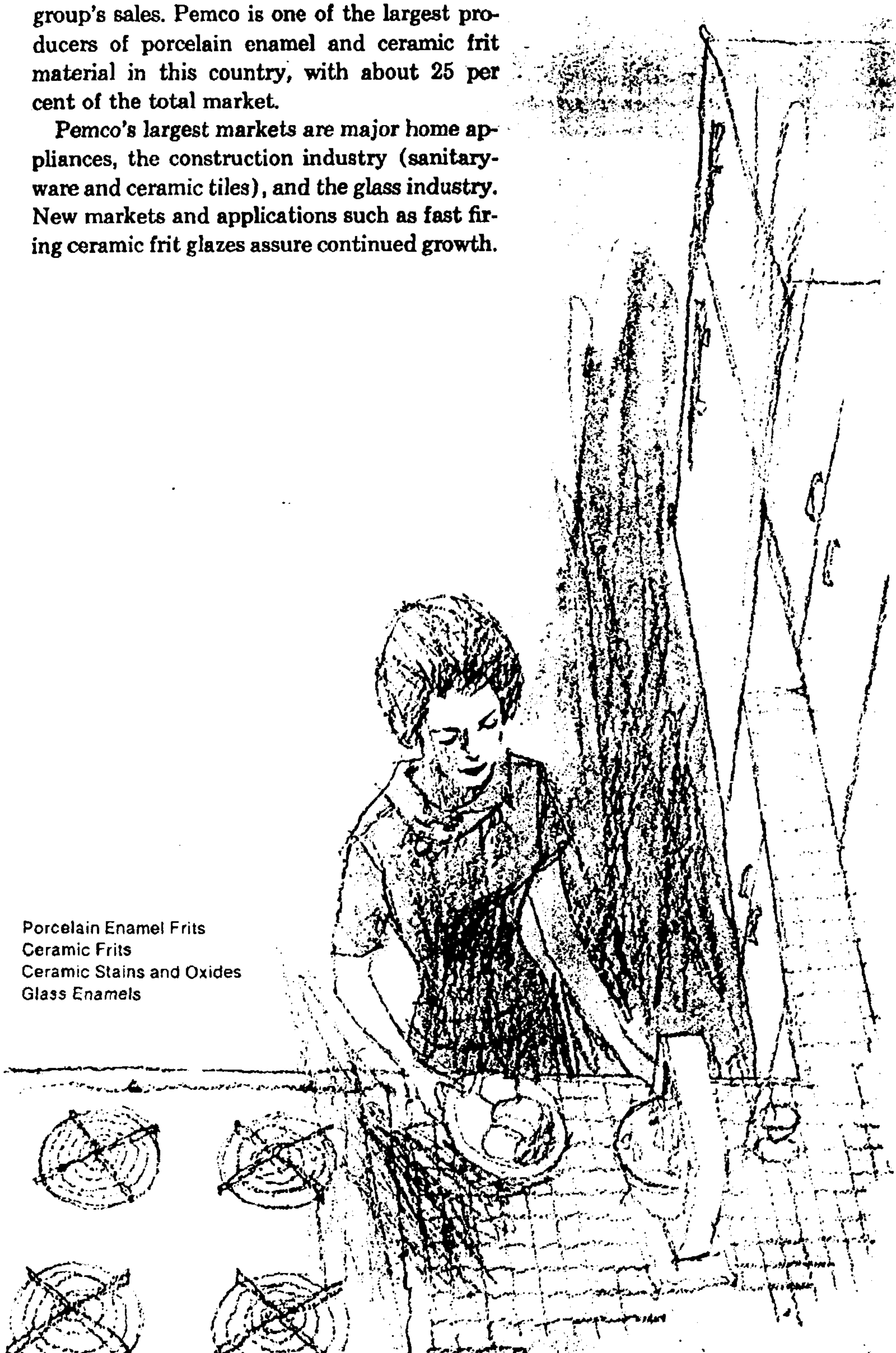
	1965	1970	1975
MILLIONS of DOLLARS	110	145	195
MILLIONS of POUNDS	345	525	765

GLD38556

Pemco Division

Another division of the Chemicals Group is Pemco, which accounts for 20 per cent of the group's sales. Pemco is one of the largest producers of porcelain enamel and ceramic frit material in this country, with about 25 per cent of the total market.

Pemco's largest markets are major home appliances, the construction industry (sanitaryware and ceramic tiles), and the glass industry. New markets and applications such as fast firing ceramic frit glazes assure continued growth.



Porcelain Enamel Frits
Ceramic Frits
Ceramic Stains and Oxides
Glass Enamels

GLD38557

The Glidden Company's Organic Chemicals Division contributes 25 per cent of the Chemicals Group's sales and has essentially three product lines:

1. Basic terpene chemicals such as lucine, camphene, dipentene, pine oil, and beta pinene.
2. Tall oil products such as rosin, fatty acid, and distilled tall oil.
3. Fine terpene chemicals.

The Glidden Company has excellent market positions in both basic terpene and in tall oil products, and these two lines are both profitable and growing. However, we believe the most significant growth potential is in the fine chemicals area.

In the early 1960's, research work on the composition of turpentine began to bear fruit, and we developed a line of perfumery and flavor chemicals. Our products include citronella oil, lemongrass oil and bois de rose, along with numerous other products which are derived from these. Our products offer such advantages as consistent quality, domestic source of supply, and freedom from insecticide residues. Markets are in the soap, cosmetic, soft drink, confectionery, and pharmaceutical industries.

The fine chemicals area is one in which we are devoting a significant research effort because of its outstanding growth potential. We are competing in a segment of the flavors and fragrances market which has been estimated at $300 million annually.

Perfumery Chemicals
Flavor Chemicals
Terpene Chemicals
Distilled Tall Oils
Tall Oil Rosins
Tall Oil Fatty Acids

GLD38558

Glidden Plants:

Coatings and Resins Group

Atlanta, Ga. (2)
Carrollton, Tex.
Chicago, Ill. (2)
Cleveland, Ohio
Huron, Ohio
Los Angeles, Calif.
Mexico City, Mexico
Milan, Italy
Minneapolis, Minn.
Montreal, Que.
New Orleans, La.
Panama City, Panama
Portland, Ore.
Reading, Pa.
St. Louis, Mo.
San Francisco, Calif.
Toronto, Ont.
Vancouver, B. C.
Wickliffe, Ohio
Wilmington, Del.

Durkee Foods Group

Berkeley, Calif.
Bethlehem, Pa.
Brooklyn, N. Y.
Brussels, Belgium
Chicago, Ill. (3)
Jersey City, N. J.
Los Angeles, Calif. (2)
Louisville, Ky.
Maplewood, N. J.
Moosic, Pa.
Saginaw, Mich.
Wolcott, N. Y.

Chemicals Group

Baltimore, Md. (3)
Bruges, Belgium
Hammond, Ind.
Jacksonville, Fla.
Johnstown, Pa.
Lakehurst, N. J.
Port St. Joe, Fla.

Affiliated Companies and Licensees:

Affiliated Companies

Costa Rica
Ecuador
Guatemala
Japan
Philippines
South Africa
West Germany
Spain

Licensees

Australia
Colombia
Finland
France
Iceland
New Zealand
Norway
Peru
Philippines
Spain
Sweden
United Kingdom
West Indies

GLD38559

Sales

Consolidated sales of The Glidden Company were $351,888,467 in fiscal 1966, compared with $303,991,184 in 1965. Sales by operating groups were:

	1966 (000)	1965 (000)	Change
Durkee Foods	$154,500	$126,700	+22%
Coatings & Resins	137,300	121,800	+13%
Chemicals	60,100	55,500	+ 8%
	$351,900	$304,000	

Gross Profit

Gross profit in fiscal 1966 was $100,162,374, and gross profit margin to sales was 28 per cent. Comparable figures for the 1965 fiscal year were $85,722,462 and 28 per cent. Income from operations was $25,847,050 in 1966, compared with $20,977,936 in the previous fiscal year.

Sales and Profits

Following is the amount and percentage of income from operations after allocating corporate items on the basis of assets employed, along with the percentage of sales and total assets of each operating group in 1966.

	Profit	Profit %	Sales %	Assets %
Durkee Foods	$ 7,844,410	30	44	32
Coatings & Resins	9,311,976	36	39	40
Chemicals	8,690,664	34	17	28
Income from Operations	$25,847,050	100%	100%	100%

Consolidated net income after all taxes and charges was $12,410,605 in 1966, compared with $10,490,683 in the previous fiscal year. After preferred dividends, consolidated net income was equal to $1.83 per common share in fiscal 1966. This compared with $1.63 per common share for the previous fiscal year. On a comparative quarterly basis, net income per common share was:

Quarter Ended	1966 Amount (000)	1966 Per Common Share	1965 Amount (000)	1965 Per Common Share
Nov. 30	$2,660	$ .41	$2,178	$ .35
Feb. 28	1,660	.25	1,478	.22
May 31	3,344	.51	3,113	.47
Aug. 31	4,747	.66	3,722	.59

Dividends

Dividends declared on common stock totaled $6,011,716. For the year, 50 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 $433,610 for the year.

During the 1966 calendar year, the following quarterly dividend payments per share were made on common stock:

Record Date	Date Paid	Amount Per Share
Dec. 8, 1965	Jan. 3, 1966	$ .22
Mar. 8, 1966	April 1, 1966	.22
June 8, 1966	July 1, 1966	.25
Sept. 8, 1966	Oct. 1, 1966	.25

Working capital at year-end was $91,752,-324, and the ratio of current assets to current liabilities was 3.79 to 1. In August, 1966, we entered a $20 million credit agreement with a group of our line banks. This can be utilized as needed to replace seasonal short-term borrowing and provides working capital for future expansion.

GLD38560

Capital Expenditures

Capital expenditures in fiscal 1966 amounted to $11,685,824, compared with $9,866,067 for the previous fiscal year. Here is how capital was invested in the operating groups during the year:

Durkee Foods	30%
Coatings and Resins	47%
Chemicals	23%

Inventories

At August 31, 1966, inventories were $73,-359,673, compared with $55,214,815 at the end of the 1965 fiscal year. This significant increase is the result of inventories necessary to support substantially higher sales, as well as the inventories of companies acquired during the year.

Depreciation

Charges against income for depreciation and depletion amounted to $7,235,711 for 1966, compared with $6,753,140 for 1965. Under the Internal Revenue Service guideline lives, additional depreciation of $1,153,966 will be claimed for 1966 federal tax purposes. In 1965, this additional depreciation amounted to $1,815,739.

Taxes

Income taxes amounted to $11,781,000, or $1.80 per common share. This is an effective tax rate of 48.7 per cent on income. Of this amount, $11,227,000 represents taxes which are payable currently, and $554,000 represents taxes for which payment has been deferred to future years due to the use of guideline depreciation rates. This deferment of taxes provides an additional cash flow amounting to eight cents per common share. The provision for income taxes was reduced by $594,000 for the seven per cent investment tax credit, which increased earnings per share by nine cents, compared with six cents per share in the previous fiscal year. Real estate, personal property, franchise, and other miscellaneous taxes amounted to $2,261,388 for fiscal 1966.

Wages and Salaries

Wages, salaries, and employee benefits amounted to $67,693,033 for fiscal 1966 which was 19 per cent of sales. For fiscal 1965, these figures were $61,532,357, or 20 per cent of sales.

Advertising

Advertising expenditures for the company amounted to $9,280,268 in fiscal 1966; company advertising expenditures the previous year were $7,595,897.

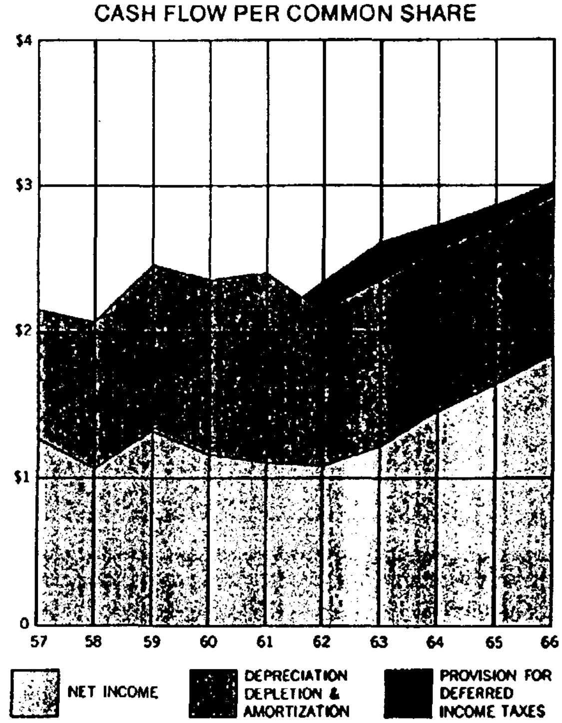
Litigation

There is no major litigation at this time. The only current litigation is of a routine nature arising out of the ordinary course of business operations. In the opinion of counsel, any potential liability in existing cases has been fully covered by established reserves.

Cash Flow

Cash flow was equal to $3.01 per common share in fiscal 1966, compared with cash flow of $2.87 per common share in the previous fiscal year.

CASH FLOW PER COMMON SHARE



GLD38561

FISCAL YEARS	1966	1965	1964
INCOME			
Net sales	$ 351,888	$ 303,991	$ 257,661
Cost of products sold	251,726	218,269	180,784
Selling and administrative expenses	74,315	64,744	58,674
Income from operations	25,847	20,978	18,202
Income before taxes	24,192	20,371	18,016
Taxes on income	11,781	9,880	8,951
Net income	12,411	10,491	9,065
Dividends declared on preferred shares	433	518	481
Dividends declared on common shares	6,012	5,073	4,683
Earnings reinvested	5,966	4,900	3,901
Depreciation, depletion and amortization	7,236	6,753	6,736
Provision for deferred income taxes	554	884	742
FINANCIAL POSITION			
Working capital	$ 91,752	$ 79,197	$ 78,551
Property, plant and equipment — net	68,629	63,164	59,326
Total assets	198,734	174,844	169,295
Long-term debt	38,270	26,784	28,500
Shareholders' equity	122,787	116,155	111,102
PER COMMON SHARE(1)			
Net income	$ 1.83	$ 1.63	$ 1.45
Depreciation, depletion and amortization	1.10	1.10	1.15
Provision for deferred income taxes	.08	.14	.13
Total funds from operations	3.01	2.87	2.73
Dividends declared	.94	.84	.80
Shareholders' equity	17.27	17.26	16.88
Price of Glidden common shares(2) — High	28.25	25.05	21.75
— Low	18.88	19.60	17.05
OTHER STATISTICS			
Expenditures for property, plant and equipment	$ 11,686	$ 9,866	$ 6,904
% net income to shareholders' equity	10.1%	9.0%	8.2%
% common dividends to net income available for common	50.2%	50.9%	54.9%
Ratio of current assets to current liabilities	3.79	3.86	3.98
Preferred shares outstanding	195,593	212,982	254,083
Common shares outstanding(1)	6,559,458	6,130,166	5,868,930
Number of shareholders — Preferred	238	324	492
— Common	22,072	20,698	20,417
Number of employees	9,860	8,492	7,805
PRO FORMA *(excluding operations of Chemurgy Division for the fiscal years 1957-1958)*			
Net sales	$ 351,888	$ 303,991	$ 257,661
Income from operations	25,847	20,978	18,202
Income before taxes	24,192	20,371	18,016
Net income	12,411	10,491	9,065

(1) Adjusted for 2½-for-1 stock split of July 22, 1965
(2) Calendar years, except 1966 which is to October 1, 1966
(3) Includes $.12 capital gain

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

GLD38562

1963	1962	1961	1960	1959	1958	1957
240,955	$ 237,882	$ 206,702	$ 197,491	$ 195,764	$ 217,353	$ 225,537
171,260	172,819	150,173	142,809	142,535	168,979	176,874
54,959	50,877	43,850	40,616	36,803	34,149	32,995
14,736	14,187	12,548	14,066	16,426	14,225	15,668
14,467	14,025	12,607	13,638	15,926	12,350	15,387
6,973	7,335	6,190	6,948	8,292	6,287	8,123
7,494	6,690	6,417	6,690	7,634	6,063	7,264
420	318	—	—	—	—	—
4,663	4,650	4,622	4,621	4,610	4,596	4,594
2,411	1,722	1,795	2,069	3,024	1,467	2,670
6,750	6,099	7,441	6,960	6,579	5,838	5,046
1,396	1,217	—	—	—	—	—
73,359	$ 67,970	$ 68,061	$ 59,722	$ 58,248	$ 52,572	$ 53,100
59,658	61,261	54,691	62,106	60,907	59,992	59,517
158,891	151,840	140,039	138,034	137,552	133,240	140,370
30,000	30,000	30,000	30,000	30,000	26,000	27,500
105,390	102,961	94,666	92,847	90,679	87,304	85,837
1.21	$ 1.09	$ 1.11[3]	$ 1.16	$ 1.32	$ 1.06	$ 1.26
1.16	1.05	1.29	1.20	1.14	1.01	.88
.24	.20	—	—	—	—	—
2.61	2.34	2.40	2.36	2.46	2.07	2.14
.80	.80	.80	.80	.80	.80	.80
16.50	16.12	16.38	16.07	15.72	15.20	14.94
17.85	18.20	18.80	18.25	20.10	18.80	15.00
14.45	13.10	14.30	13.80	16.75	11.20	11.80
4,024	$ 11,755	$ 7,823	$ 8,764	$ 7,607	$ 9,214	$ 12,465
7.1%	6.5%	6.8%	7.2%	8.4%	6.9%	8.5%
65.9%	73.4%	72.0%	69.1%	60.4%	75.8%	63.2%
4.51	4.60	5.43	4.93	4.45	3.64	2.96
197,270	198,900	—	—	—	—	—
831,213	5,824,680	5,778,113	5,776,475	5,769,625	5,745,425	5,745,425
135	121	—	—	—	—	—
20,809	21,043	20,873	20,969	20,993	22,405	21,686
7,505	7,115	6,372	6,151	6,023	6,353	6,455
240,955	$ 237,882	$ 206,702	$ 197,491	$ 195,764	$ 185,380	$ 190,424
14,736	14,187	12,548	14,066	16,426	11,923	13,590
14,467	14,025	12,607	13,638	15,926	10,294	13,590
7,494	6,690	6,417	6,690	7,634	5,076	6,402

GLD38563

Consolidated Balance Sheets

THE GLIDDEN COMPANY AND SUBSIDIARIES AUGUST 31, 1966, AND AUGUST 31, 1965

Assets	1966	1965
CURRENT ASSETS		
Cash	$ 7,764,588	$ 10,240,490
Marketable securities — at cost	1,062,856	5,399,219
Accounts receivable, less allowances of $729,630 (1965 — $704,069)	39,800,103	33,816,169
Inventories — generally at the lower of average cost or replacement market:		
Raw materials and work in process	$ 35,905,577	$ 23,438,195
Finished products	37,454,096	31,776,620
	$ 73,359,673	$ 55,214,815
Other current accounts and prepaid expenses	2,648,367	2,192,643
TOTAL CURRENT ASSETS	$124,635,587	$106,863,336
PROPERTY, PLANT, AND EQUIPMENT — at cost		
Land and mineral deposits	$ 7,876,287	$ 7,517,528
Buildings	37,943,993	33,630,273
Machinery and other equipment	87,039,492	79,562,155
	$132,859,772	$120,709,956
Less accumulated depreciation and depletion	64,230,911	57,545,999
TOTAL PROPERTY, PLANT, AND EQUIPMENT — NET	$ 68,628,861	$ 63,163,957
OTHER ASSETS	5,469,248	4,817,021
	$198,733,696	$174,844,314

GL038564

Liabilities and Shareholders' Equity	1966	1965
CURRENT LIABILITIES		
Accounts payable	$ 18,344,377	$ 15,953,682
Accrued taxes, interest, and other expenses	3,496,933	2,916,888
Notes payable to banks	2,000,000	1,200,000
Dividend payable	1,641,611	1,350,046
Income taxes	7,400,342	6,245,576
TOTAL CURRENT LIABILITIES	$ 32,883,263	$ 27,666,192
LONG-TERM DEBT — Note B		
4¾% sinking fund debentures	$ 25,500,000	$ 26,784,000
Notes payable to banks	12,000,000	—0—
Other	770,125	—0—
TOTAL LONG TERM DEBT	$ 38,270,125	$ 26,784,000
DEFERRED FEDERAL INCOME TAXES	4,793,000	4,239,000
SHAREHOLDERS' EQUITY — Notes B, C, and D		
Capital Stock:		
Preferred — cumulative, no par value	$ 4,889,825	$ 5,324,550
Common — $4 par value	26,237,832	24,938,864
Additional paid in capital	9,186,851	13,508,197
Retained earnings	82,472,800	74,821,217
	$122,787,308	$118,592,828
Less Common Stock in treasury — at cost	—0—	2,437,706
TOTAL SHAREHOLDERS' EQUITY	$122,787,308	$116,155,122
	$198,733,696	$174,844,314

See notes to financial statements.

GLD38565

Consolidated Statements of Income and Shareholders' Equity

THE GLIDDEN COMPANY AND SUBSIDIARIES — Years ended August 31, 1966, and August 31, 1965

INCOME	1966	1965
Net sales	$351,888,467	$303,991,184
Operating costs:		
Cost of products sold	$251,726,093	$218,268,722
Selling and administrative expenses	74,315,324	64,744,526
	$326,041,417	$283,013,248
INCOME FROM OPERATIONS	$ 25,847,050	$ 20,977,936
Other expenses (income):		
Interest expense	$ 1,983,649	$ 1,649,128
Other — net	(328,204)	(1,041,875)
	$ 1,655,445	$ 607,253
INCOME BEFORE INCOME TAXES	$ 24,191,605	$ 20,370,683
Provision for income taxes:		
Current year	$ 11,227,000	$ 8,996,000
Deferred	554,000	884,000
	$ 11,781,000	$ 9,880,000
NET INCOME	$ 12,410,605	$ 10,490,683

Provision for depreciation and depletion was $7,235,711 (1965 — $6,753,140)

SHAREHOLDERS' EQUITY

	Cumulative Preferred Stock	Common Stock
Balance at September 1, 1965	$ 5,324,550	$24,938,864
Net changes resulting from poolings of interest		1,567,140
Net income		
Dividends		
Purchase of common shares for treasury		
Retirement of treasury shares		(622,544)
Sale of common stock under option plans		158,868
Conversion of preferred stock to common stock	(434,725)	195,504
Balance at August 31, 1966	$ 4,889,825	$26,237,832

See notes to financial statements.

GLD38566

Consolidated Statement of Source and Application of Funds

THE GLIDDEN COMPANY AND SUBSIDIARIES — Years ended August 31, 1966, and August 31, 1965

	1966	1965
SOURCE OF FUNDS		
From operations:		
Net income	$12,410,605	$10,490,683
Charges which did not involve current expenditures:		
Provision for depreciation and depletion	7,235,711	6,753,140
Provision for deferred income taxes	554,000	884,000
TOTAL FROM OPERATIONS	$20,200,316	$18,127,823
Borrowing under credit agreement	12,000,000	—0—
Net current assets of businesses acquired for Common Stock	736,515	1,429,517
Sale of Common Stock under option plans	625,930	750,570
	$33,562,761	$20,307,910
APPLICATION OF FUNDS		
Dividends declared	$ 6,445,326	$ 5,590,736
Expenditures for property, plant, and equipment	11,685,824	9,866,067
Purchase of Common Stock for treasury (used in 1966 for acquisitions)	1,166,799	2,437,706
Retirement of sinking fund debentures	1,284,000	1,716,000
Redemption of Cumulative Preferred Stock	—0—	166,245
Other applications—net	425,632	(114,623)
Increase in working capital	12,555,180	645,779
	$33,562,761	$20,307,910

Additional Paid in Capital	Common Stock in Treasury	Retained Earnings	Total Shareholders' Equity
$13,508,197	$(2,437,706)	$74,821,217	$116,155,122
(2,044,947)		1,686,304	1,208,497
		12,410,605	12,410,605
		(6,445,326)	(6,445,326)
	(1,166,799)		(1,166,799)
(2,981,961)	3,604,505		—0—
467,062			625,930
238,500			(721)
$ 9,186,851	—0—	$82,472,800	$122,787,308

GLD38567

Notes To Financial Statements

Note A — Consolidation — The consolidated financial statements include the accounts of all wholly-owned operating subsidiaries. The accounts of the consolidated foreign subsidiaries have been translated at rates of exchange prevailing during the year, except for the property, plant, and equipment accounts, which are included on a historical cost basis.

During the year, the Company acquired the net assets of four corporations in exchange for 391,785 shares of Common Stock and purchased two corporations. The businesses acquired with stock were accounted for as poolings of interest and accordingly, the consolidated financial statements for the year ended August 31, 1966, include the operations of these businesses for the entire year. The businesses purchased have been included since the respective dates of purchase. The consolidated financial statements for the year ended August 31, 1965, are presented herewith as previously published and do not include the accounts of the businesses acquired and treated as poolings of interest, as their net sales and net income for that year were not significant.

Note B — Long-Term Debt — The indenture relating to the 4¾% sinking fund debentures requires redemption of $1,500,000 on November 1 of each year to 1983 (the requirement of November 1, 1966, was met by the purchase and retirement of debentures prior to August 31, 1966). Under the terms of a credit agreement with several banks dated August 25, 1966, the Company may borrow up to $20,000,000 on Promissory Notes to August 25, 1969, at variable interest rates (current rate 6%), payable in ten substantially equal semi-annual installments commencing in 1970.

The indenture and credit agreement, which include certain restrictive covenants, permit the declaration of dividends of $35,300,000 at August 31, 1966, plus consolidated net income earned after that date.

Note C — Capital Stock — At August 31, 1966, the authorized capital stock consisted of 10,000,000 shares of Common Stock and 500,000 shares of Cumulative Preferred Stock of which 258,340 shares were designated at $2.125 series, stated value $25 a share. There were 195,593 shares of Cumulative Preferred Stock and 6,559,458 shares of Common Stock outstanding and 1,035,042 common shares reserved for conversions and options. The Preferred Stock is convertible at any time into Common Stock at an exchange rate of 2.8125 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, 1966, there were 550,105 common shares reserved for conversion.

Note D — Stock Options — At the beginning of the year, options were outstanding for 277,154 shares of Common Stock pursuant to stock option plans for key personnel. During the year, options for 42,750 shares were granted, options for 39,717 shares were exercised, and options for 2,500 shares were cancelled. At August 31, 1966, options for 277,687 shares were outstanding and 207,250 shares were reserved for future grants.

Note E — Pension Plans — Non-contributory employee retirement plans 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, 1966, the unfunded liability for past service cost under the plans was estimated to be $6,068,000 and the annual current service cost (which does not include funding of the past service cost) was estimated to be $1,954,000.

Accountants' Report

Shareholders and Board
of Directors
The Glidden Company

We have examined the consolidated financial statements of The Glidden Company and its subsidiaries for the year ended August 31, 1966. 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 and statements of income, shareholders' equity, and source and application of funds present fairly the consolidated financial position of The Glidden Company and its subsidiaries at August 31, 1966, and the consolidated results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst + Ernst

Cleveland, Ohio
October 7, 1966

GL038568