THE GLIDDEN COMPANY

shareholder information
and dividend notice

Glidden

January, 1963

GLD002360

Summary of 45th Annual Meeting of Stockholders of

THE GLIDDEN COMPANY

The 45th Annual Meeting of Stockholders was called to order at 10 a.m., December 13, in the Euclid Ballroom of the Statler-Hilton Hotel in Cleveland, Ohio.

Mr. Dwight P. Joyce, Glidden Chairman and President, welcomed the stockholders and guests, and thanked them for their interest in the company. He also expressed appreciation to the stockholders not present who had returned their proxies. A total of 1,853,848 shares of common stock, or 80 per cent of the shares entitled to vote, were represented at the meeting, either in person or by proxy.

Election of Directors

After nominations were received from the floor, Mr. Joyce introduced the nominees proposed for election. Each of the following was elected to serve as a director until the next Annual Meeting of Stockholders and until his successor is elected and qualified:

Dwight P. Joyce	George M. Halsey
Alexander D. Duncan	George S. Warner
Beauford W. Maxey	William P. Smith
John H. Weeks	Paul W. Neidhardt
Robert D. Horner	Richard H. Turk
William G. Phillips	William A. Bittenbender

Designation of Auditors

The Board of Directors designated Ernst & Ernst as auditors. The vote was 1,838,055 shares in favor of this designation, and 12,061 shares against. Mr. Joyce announced that representatives of the company's auditors were present, and said they would be glad to answer questions from stockholders.

Retirement Plan Amendments

The amendments to the company's Retirement Plan for Salaried Employees, as outlined in the Proxy Statement, were approved by the stockholders. The vote was 1,698,640 in favor of the amendments, and 149,092 against.

Stock Option Resolution

The final item of business was a proposed resolution by two stockholders concerning any new stock option plan, or any extension of the company's present plan which might be presented for approval in the future. Following a discussion, a vote was taken, and the inspectors reported that the resolution had been rejected, with 133,184 shares being voted in favor of the resolution and 1,620,796 shares being voted against.

Report from Chairman and President

At our last annual meeting, I discussed with you some aspects of our Long Range Planning and pointed out the reasons for the importance of this effort. At this time, I'd like to bring you up to date on our progress and tell you about the approaches we are taking to achieve our long range objectives.

By way of introduction, I might tell you that there is no inexpensive or quick way to reach the objectives we have set for ourselves. This effort takes time, money and work. Even then, there is no ironclad, 100 per cent guarantee that we will be able to obtain the profitable growth we are seeking. It is entirely likely that we will fall short in some respects. This is why we are placing so much emphasis on orderly, *planned* growth, for only in this way can we take maximum advantage of growth opportunities and minimize the chances of failure.

The profit rewards for success today and in the future are greater than ever before, and the penalties of failure are more severe than ever before. This is because we live in a world in which the tempo of change and innovation is moving at a breath-taking pace. It might interest you to know that American industry today is spending money for research and development at the rate of $15 billion a year – five times the rate just twelve years ago. On the average, it takes five to seven years for a product to develop from an idea in a scientist's mind to a finished item or technique acceptable and ready for consumer use. This means that we, as a nation, are just now reaping the benefits of research efforts which were begun in the mid-1950's. At this rate, who knows what technological achievements will be presented to us in the 1970's and the 1980's.

Let me illustrate this accelerated tempo of change to you in this way. Let's compress the history of man into the span of a single year and assume that man first developed the alphabet and learned to write just one year ago today – at the time of our last annual meeting. On this condensed calendar, Christianity did not appear until last May, and the printing press was invented in the middle of October. Three weeks ago, Benjamin Franklin flew his famous kite, and just ten days ago the telephone was invented.

On our calendar, most of the material developments which make our world what it is today came within the past week. The Wright Brothers made their historic flight at Kitty Hawk a week ago today, on December 6, and the first flight of a jet airplane took place Monday evening. Just before noon last Tuesday, the first atomic bomb was dropped on Hiroshima. The first

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transcontinental television broadcast occurred just before 4 a.m. yesterday morning. As we were having dinner last night, the first satellite was put in orbit, and as we were getting up this morning, the Russians put the first man in orbit. Just a few minutes before we began this meeting, Mr. Walter Schirra made six orbits around the earth in his space capsule, Aurora 7.

Ladies and gentlemen, change is all around us, and those managers who do not recognize this fact are dooming their companies to extinction. We must change with changing conditions or else we will be left far behind. This is one of the fundamental laws of nature. History is full of examples of nations, biological species, cultures, businesses and other groups which flourished for a time because they had certain attributes particularly suited to the prevailing environment. But, as the environment changed, the attribute was no longer an advantage and, unless the groups changed and developed different attributes more suited to the new environment, they passed from existence. There is nothing special about The Glidden Company which would enable us to defy this law of nature. We have no choice. We must change, grow and continually improve, or we face extinction in the long run.

A moment ago I used the expression, "orderly, *planned* growth." I call this to your attention again because it sums up our entire philosophy toward long range planning. The approach we are taking is to first evaluate where we are now; second, to set certain corporate growth objectives; and, third, to plan the various methods of achieving those objectives. A great deal of this initial evaluating and planning has been done, and we are now at the point where we are beginning to put our plans in effect. Please don't misunderstand me; we have just barely begun . . . but we have made a good start.

Our acquisition program, as one method of reaching our objectives, is moving along well, though not as rapidly as we would like. In the past two years, we have acquired companies or operations which have established or improved our position in a number of markets. And each time we make an acquisition, we do so with some very definite objectives in mind. For example, Glidden for many years has had an excellent position in the nonferrous metal powders industry. Since many of our customers require powders other than nonferrous, we had been doing research work on iron powders and planned to enter this allied field by 1964. However, we had the opportunity in 1961 to acquire a plant at Johnstown, Pennsylvania, which produces metal powders of various kinds, including iron. This purchase got us into the iron powders business three years earlier than we had otherwise planned, and also enabled us to obtain personnel and facilities to manufacture iron, nickel, silicon, manganese and similar types of powders. Later in 1961, we acquired a company at Johnsonburg, Pennsylvania, which produces magnetic powders for use in cores of radio, television, sonar, radar and other types of electronic equipment. Then, during the past fiscal year, we acquired assets and knowledge to enable us to manufacture stainless steel powders. But more than that, we obtained valuable technical information which can potentially be of great use in our other metal powders manufacturing operations. Thus, through a series of acquisitions, we have been able to put a much broader line of powders through the same distribution channels, and have also gained other technical knowledge.

We have, as one of our long range objectives, a grocery products business with an annual sales volume of $50 million in the next five years. Why do we wish to expand this segment of our business? One of the reasons, of course, is obvious. A larger volume in the food business would enable us to achieve substantial advertising, marketing, manufacturing and distribution economies. Another reason is that a broader range of products strengthens the Durkee image and gives us additional entries to important segments of the market.

As one step in this direction we acquired last summer the assets and business of Olney & Carpenter, Inc., a specialty grocery products manufacturer which processes French fried onions, canned potato sticks, canned boiled onions and other canned and frozen foods. O & C is making an excellent contribution to the Grocery Products Division, and we are looking for other acquisition possibilities in the food field to expand this division's operations. This is not easy, for other major food companies are aggressively seeking to broaden their product lines through new product development and through acquisition of smaller food processors.

As you are aware, the merger into Glidden last year of Pemco Corporation gave us an important position in the field of inorganic coatings, but there are other important advantages which we considered carefully. In our long range planning, we have selected a number of new product and market areas. Among these are building materials and supplies, ceramic materials and coatings, and the manufacture of these and other products outside the United States. The Pemco acquisition offers us excellent opportunities in these areas.

There is an ever-increasing demand for coatings with greater resistance to temperature change and corrosive elements. We are

convinced that Pemco's technology can be combined with our knowledge to develop high temperature coatings, ceramic-metal combinations, and the broader use of ceramics in industrial and electronic applications.

Another factor we considered in the Pemco merger was the expansion of this division's activities in world markets. As I have mentioned to you previously, we are actively seeking additional entries into overseas markets, particularly in Western Europe, and Pemco is offering us one opportunity to do so. We have just recently taken the first step in this direction. You may have read in the newspapers that we have purchased buildings on a ten-acre tract of land at Bruges, Belgium, which will house equipment for the manufacture of inorganic coating materials to supply the European Common Market. We hope to have this plant in operation by the end of next year, and we believe it will make an excellent contribution to our international operations.

We are also exploring other phases of the construction industry. Our own studies and those of outside consultants indicate that selected segments of this market offer excellent growth potential. In addition to our market position through the sales of paints and other organic coatings, and Pemco's participation in inorganic coatings, we may enter the market in other ways. As a method of "monitoring" the market, we are experimenting with two small pilot plants—one at Marietta, Georgia, and the other at Sarasota, Florida. These plants manufacture fiber glass building products, mainly fiber glass panels and glazing panes. We may find after a period of time that the products we are currently making in these small plants do not offer us the best method of additional market entries. If so, we can withdraw at minimum expense, and we will have gained valuable market information. We may determine, on the other hand, that there is a sizable market for these or similar products and, if so, we can expand quickly beyond the pilot plant stage.

We have chosen the pilot plant route because it enables us to keep an eye on developments in the construction industry, to develop our own products, and to maintain a maximum degree of flexibility, while at the same time keeping the company's financial commitments to a minimum.

Along with our acquisition program, we are placing increasing emphasis on research, new product development and technical service as methods of achieving our long range objectives. In the past four years, we have doubled expenditures for these purposes. In fiscal 1962, they amounted to $5.1 million, an increase of $1.3 million over the previous fiscal year. This increase is equal to 27 cents a share, and we believe it is an excellent investment in the future profitability of the company.

About two years ago, we completed a critical audit of our research and development capabilities, which indicated that change was necessary. The audit pointed up the fact that, while we were very strong on technical service to customers in all three operating groups, we were weak in long range research on new products and new markets. Our first move to correct this deficiency was to bring in new leadership in all our research and development activities. Every research director in the company is now new in his assignment, and many are new to the company. Each man has brought in strength through an excellent scientific background and administrative ability. In the past 18 months, 60 technically trained people have been added to the research and development staffs.

We have also taken other steps to improve research and development. We have remodeled and enlarged laboratories, purchased new equipment, provided necessary support to research projects, and have introduced project accounting in the laboratory groups. We are also making use of consultants and independent research organizations, where necessary, to supplement our own research efforts.

I might call your attention to the new and improved products listed in this year's annual report, many of which are shown in the displays at the rear of the room. Some of these are minor and some have significant potential. But they are all examples of how research and new product development help maintain and improve the company's competitive position.

I can assure you that we are going to continue to invest considerable sums of money in this effort. It is not only desirable from the standpoint of improved profitability, but is necessary for corporate survival. I cannot tell you when we can start getting substantial returns from this investment, but we are convinced that they will come.

In summary, the point I would like to leave you with is this: Progress comes in small pieces. We cannot, to use a line from a play, "r'ar back and pass a miracle." Fruitful research takes time, and acquisition efforts take time. For example, we made our first contacts with Pemco in 1958, and the merger was not completed until the last fiscal year. What we can do is plan well, use good judgment and work as hard as we know how to see that our plans become reality. You have the right to expect the very best from us, and we have the obligation to deliver the best we know how. I can assure you that we, your management, are pledged to do exactly that.

Questions and Comments

Lewis D. Gilbert (Stockholder): There has been an instance recently in the news where a major U. S. company extended more than $5 million in credit to a privately owned company, despite the fact that the private company's financial statements had not been audited by a certified public accountant. I think that, in those cases where we do volume business with privately owned companies, we should obtain a certificate from an independent auditor.

Dwight P. Joyce (Chairman and President): I assure you that we follow that practice.

Stockholder: I have no quarrel with the proposed pension changes. I would like assurance that you will continue to inform the stockholders of any material changes in cost or benefits.

Mr. B. W. Maxey (Vice Chairman and Vice President—Finance): We will continue, as we did in this particular case, to keep our shareholders informed of changes in our Retirement Plan for Salaried Employees if the monetary cost involved is substantial.

Stockholder: I think we might give some consideration to supplementing the cash dividend in good years with a small stock dividend.

Mr. Joyce. As you know, our Directors have in the past declared stock dividends; not in recent years, but it has been done. I assure you that our Directors will continue to review the matter carefully. As I mentioned earlier, we are continuing to invest considerable sums of money in research and development and in more efficient productive facilities. We are pursuing the policy of foregoing a dollar's worth of profit today if that dollar can be well spent to lead to greater profits in the future.

Stockholder: You mentioned in the annual report that the company has acquired a 25 per cent interest in a Japanese paint firm. Was there much money involved, and would you care to comment further on that?

Mr. Maxey: We have furnished, under license agreement, technical information to the Japanese company. For this information, we received certain payments and part of the money was used to purchase the 25 per cent interest.

Stockholder: What was the cost of the Olney & Carpenter acquisition, and what contribution do you expect it to make?

Mr. Maxey: The cost was several million dollars. The last full year of Olney & Carpenter's operation would have contributed between 10 cents and 15 cents per share to present Glidden stockholders. As you know, we acquired the company last summer, and we have every reason to believe that we can not only do as well but that we will improve the operation as we use our distribution facilities for O & C products. We believe that the return on the dollars invested will exceed 20 per cent before taxes.

Stockholder: I have no other questions. You have the best annual report in the United States when it comes to providing information, and you should be congratulated on the work you are doing.

Election of Officers

At the meeting of the Board of Directors immediately following the annual meeting, three officers of the company were elected to new executive positions and a new officer was elected.

Mr. William G. Phillips was elected to the newly created position of Administrative Vice President and Treasurer; Mr. Robert D. Horner was elected Vice President, Secretary and General Counsel; and Mr. R. E. Dorfmeyer was elected Vice President—Corporate Development, a new position. Mr. G. K. Brewin was elected Assistant Treasurer, and all other officers were re-elected or reappointed to their present positions.

As a result of Federal legislation, all taxpayers are required to obtain identifying numbers for their tax returns to the Internal Revenue Service and to furnish these numbers to persons and companies making taxable payments to them. Glidden must include the identifying numbers in the reports which we are required to make.

On the back of the enclosed dividend check there is space for writing your Social Security number. If you do not have such a number, the enclosed Form 3435 (Part II) may be used to apply for a number. Instructions are on the back of this form.

Listed below is a record of dividends paid by the company to common shareholders during calendar 1962:

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

As required by law, the company has reported these payments to the Internal Revenue Service. They are ordinarily subject to income tax and will qualify for the dividend exclusion and tax credit provisions under the Internal Revenue Code. We suggest that you put this information with your income tax records as it may be helpful to you in preparing your tax returns.

December 31, 1962

To the Shareholders:

At the regular monthly meeting held November 27, 1962, the Board of Directors declared a regular cash dividend of 50 cents a share on common stock, payable January 2, 1963, to shareholders of record at the close of business December 7, 1962.

Net sales for the three months ended November 30, 1962, were $58,516,658 compared with sales of $56,063,495 for the similar three months in the previous fiscal year. Net income for the first quarter of the fiscal year was $1,413,941 compared with $1,398,337 last year. In the first quarter of fiscal 1963, the company provided for three months of preferred dividends, while the 1962 first quarter included provision for only one month of preferred dividends. This, plus a slight increase in the number of common shares outstanding, resulted in lower earnings per common share. All figures for last year have been restated to include our International Group so that accurate comparisons with the current year may be made.

Chairman and President

SUMMARY OF CONSOLIDATED INCOME STATEMENT

	Three Months Ended Nov. 30, 1962	Three Months Ended Nov. 30, 1961
Net Sales	$58,516,658	$56,063,495
Income before Income Taxes	2,801,941	2,925,337
Net Income	1,413,941	1,398,337
Per Common Share	$ .56	$ .59

This is an unaudited interim statement.

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