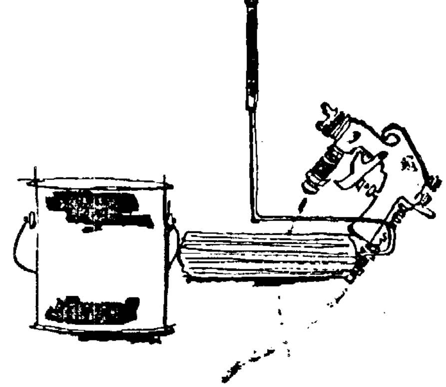
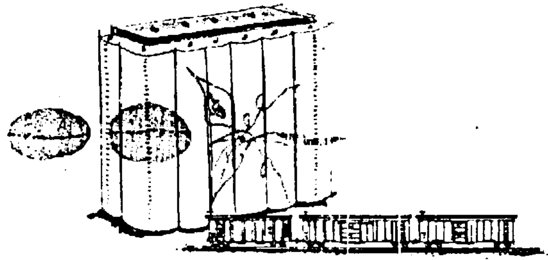
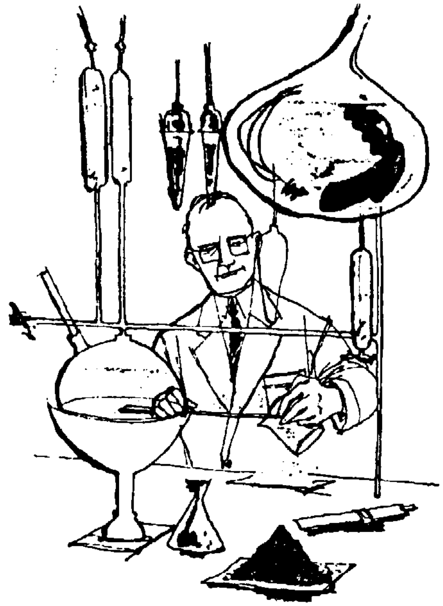
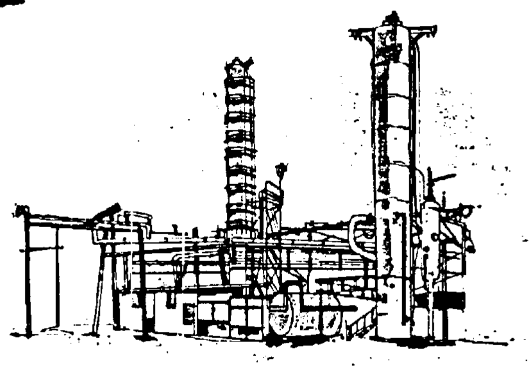






THE GLIDDEN COMPANY

annual report 1956



THE GLIDDEN COMPANY

39th Annual Report
fiscal year ended
August 31, 1956

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A FIVE-YEAR COMPARISON

	Twelve Months August 31 1956	Ten Months August 31 1955	Twelve Months October 31 1954	1953	1952
Net Sales	$226,290,387	$180,524,822	$209,083,579	$211,758,522	$205,113,304
Income before Taxes	16,450,737	14,324,567	14,235,043	14,834,272	14,203,805
Taxes on Income	8,304,000	7,212,000	7,142,000	7,725,000	7,255,000
Net Income after Taxes	8,146,737	7,112,567	7,093,043	7,109,272	6,948,805
Per Share	3.55	3.10	3.09	3.10	3.04
% to Shareholders' Equity	9.8%	8.9%	9.2%	9.6%	9.7%
Cash Dividends Declared on Common	4,591,435	4,588,588	4,581,860	4,578,538	5,134,246
Per Share	2.00	2.00	2.00	2.00	2.25
% of Net Income	56.4%	64.5%	64.6%	64.4%	73.9%
Earnings Reinvested	3,555,302	2,523,979	2,511,183	2,530,734	1,814,559
Shareholders' Equity	83,090,719	79,513,017	76,922,608	74,324,321	71,643,893
Per Share	36.19	34.64	33.54	32.44	31.36
Long Term Debt	7,500,000	9,000,000	10,500,000	7,000,000	8,500,000
Net Working Capital	35,695,848	47,155,983	51,225,674	46,004,697	46,474,504
Current Ratio	2.27	3.58	4.36	3.15	3.13
Plant and Equipment—Net	53,413,732	39,993,479	34,493,146	33,234,243	31,393,854
Total Assets	118,738,003	106,762,124	102,669,755	102,749,597	101,957,921
Depreciation	2,870,339	2,234,960	2,332,685	2,185,184	1,965,339
Gross Expenditures for Plant and Equipment	16,637,000	8,155,366	4,020,936	4,149,573	3,042,934
Shares Outstanding	2,295,990	2,295,350	2,293,455	2,290,794	2,284,739
Number of Shareholders	20,758	20,019	19,174	18,726	18,310
Number of Employees	6,387	6,397	6,198	6,218	6,152

GLD002660

the president's report to the shareholders

November 13, 1956

The year 1956 witnessed the accomplishment of a portion of our long range plans.

Late in the year our new terminal grain elevator in Chicago and the first unit of our new titanium dioxide plant in Baltimore were completed and put in operation. Twenty new paint branches were opened. Construction of additional terpene chemical facilities and of a new tall oil plant was started, and our edible oil operations were realigned for more efficient production. These are major elements of an over-all plan to obtain the maximum profit potential from the capital entrusted to us.

Net sales for the twelve months which ended August 31, 1956, were $226,290,387 and net profits were $8,146,737, or $3.55 per share on the 2,295,990 shares outstanding at the year-end. Start-up expenses on some of the expansion projects mentioned above were absorbed during the year and amounted to 13 cents per share.

Each of our five divisions operated profitably. A detailed review of their results and progress begins on page six of this report.

In 1955 we announced the formation of a wholly-owned subsidiary, Glidden International, C. A., to expand the licensing, distribution and production of Glidden products in countries other than the United States and Canada. During 1956 we started to build an organization staffed with specialists on overseas operations. To head this organization, Mr. Robert M. Kirk was recently appointed general manager of Glidden International. His 15 years of experience in the export and overseas fields will be of great value in developing this program.

It is intended that International's expansion will include subsidiary manufacturing operations and technological assistance agreements for which it may receive an equity interest in overseas concerns. This past year, Glidden International and W. R. Grace & Co. jointly established paint companies in Colombia and Ecuador. In return for technological assistance, International received an equity interest in Soya Glidden Argentina, S. A., a firm recently organized in Argentina to process soybeans and refine edible oils.

GLD002661

Our Cuban associate, Fabrica Nacional de Pinturas, S. A., has moved into a prominent position in the Cuban market and is now producing all the major items in the Glidden consumer paint line. Ishihara Sangyo Kaisha, Ltd., our Japanese associate, increased production of titanium dioxide and also began to manufacture Spred Satin for the Japanese market.

The Glidden Company, Ltd., with plants at Toronto and Montreal, registered a new high in sales. This subsidiary and Glidden International offer us an opportunity to participate in the economic growth of Canada and many overseas countries.

Research and development continue to receive major emphasis. Our current budget for these activities is about ten per cent higher than last year. Dr. William von Fischer, formerly head of the department of chemistry and chemical engineering at Case Institute of Technology, has recently joined us as coordinator of research. In this newly-created position, he will coordinate the decentralized research and development activities of all our operating divisions.

In addition to internal growth through research and market development, we are actively searching for products and companies which would complement or supplement our present organization. We are not interested in acquisitions which create sales or asset size alone. Adequate profit potential must exist. A new department has recently been established to devote full attention to this important program. During the year we thoroughly investigated a number of possibilities. Due to our highly selective approach no acquisitions resulted, but several are still under active consideration.

Gross capital expenditures amounted to $16,637,000, more than double that of any previous year, and the continuation of our current expansion program will require a similar level of spending during 1957. The greatest portion of this expansion has been financed through retained earnings and capital freed by the disposition and discontinuance of low profit portions of our business. Within the last several years this disposition program has released over $10,000,000 for use in more profitable ways. Additional financing will be necessary in the near future and, for the immediate period, will be in the form of increased debt.

Regular cash dividends of $2.00 were declared during the fiscal year and charged against retained earnings. This includes the 50 cent dividend paid October 1. Other dividends of 50 cents per share were paid January 2, April 2 and July 2. Dividends have been paid continuously since 1933.

Inventories of $38,492,240 were almost $5,000,000 higher than those at August 31, 1955, due to price increases on certain raw materials and additional inventory requirements of our new terminal elevator and titanium dioxide plant. Our policy of hedging

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all major commodity inventories, coupled with a LIFO reserve of $1,358,671 on certain of these commodities, provides protection against extreme market fluctuations.

Advertising expenses in 1956 were $4,585,776, or 2.0% of sales, compared with $3,769,639, or 2.1% of sales, for the 10 months in fiscal 1955.

Retirement funds for employees deposited with bank trustees now total $9,225,784. Our retirement plans are non-contributory, the company paying the entire cost.

Federal income tax returns for 1954, 1955 and 1956 have yet to be reviewed by the Internal Revenue Services. No major adjustments are anticipated.

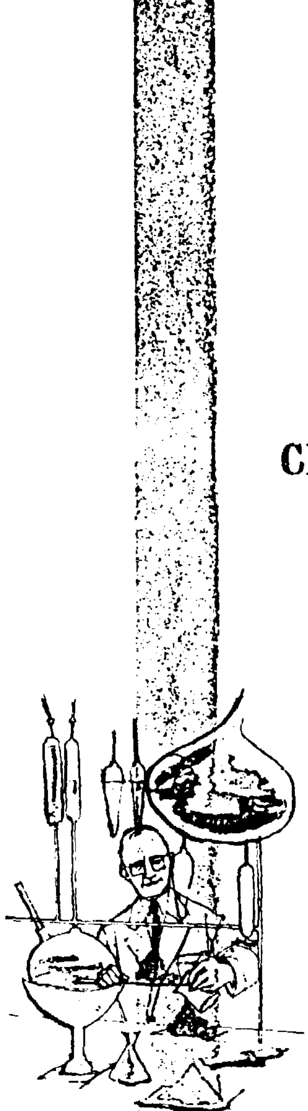
Company-wide, we are building a sound organization and are concentrating our resources on those activities which have the greatest earnings potential. Barring any unfavorable turn in the general economy, we expect further improvement in our operations for 1957.

Dwight P. Joyce

chairman and president

GLD002663

CHEMICALS·PIGMENTS·METALS DIVISION

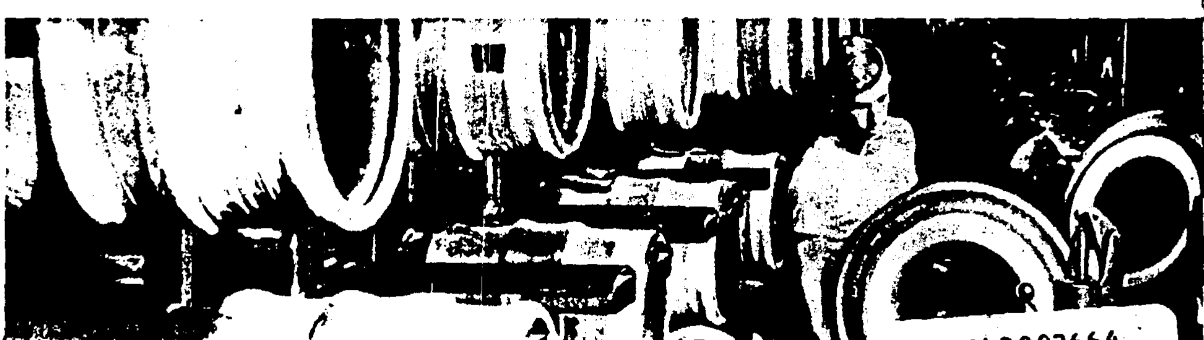


Sales of $18,428,612 represented an all-time high for the Chemicals-Pigments-Metals Division. Earnings were also at record levels and produced a new high in return on investment. This outstanding performance was due to capacity sales of titanium dioxide, continued strong demand for metal powders and improvements in operating efficiency.

Prior years' increases in productive capacity at our St. Helena Works proved beneficial as titanium dioxide remained in very short supply throughout the year. Although the demand for this pigment dropped sharply in July to allow for inventory adjustments, we have been able to continue operating at capacity. Production at the St. Helena Works has never been curtailed since the end of World War II.

The first test batch of titanium dioxide was produced at the new Adrian Joyce Works early this summer. Operation of this unit should contribute to earnings in 1957. Initial results led to the decision to start immediate construction of additions which will quadruple the plant's present capacity. These additions, originally planned for completion in 1960, will now be completed late in 1958. The over-all cost of this entire project is estimated at $30,000,000.

Operations at our metal powder plant at Hammond, Indiana, were slightly below the 1955 level due to the slowdown in the automotive industry. However, 1956 was still the second best year on record. The entire metal powders field continues to grow as the knowledge of powder metallurgy increases. During the year we began producing tin powder and sales of this product to the automotive and appliance



GLD002664

pigments and metal powders . . .

industries far exceeded our expectations. We have been working on the development of a number of filter powders and progress to date has been encouraging. These powders are finding greater use in fluid systems to filter out impurities or make separations.

Lithopone has largely been replaced by titanium dioxide as a white pigment but there are still a number of applications where its properties are superior. A recent decision by one of our competitors to discontinue the manufacture of lithopone will be of benefit to us.

We are currently introducing a new series of red pigments, marketed under the trade name Mercadmolith. These pigments were developed to eliminate our dependence upon selenium, which is becoming more difficult to obtain, and will permit us to offer our customers a steady source for red pigments.

For a number of years we have conducted exploratory operations at our mining property in Shasta County, California, while negotiating with mining companies interested in operating this property. Since we were unable to negotiate a satisfactory arrangement for commercially mining the property, exploratory operations were discontinued last summer.

During 1956, the Chemicals-Pigments-Metals Division substantially increased its contribution to the over-all results of The Glidden Company and the future of this division is exceptionally promising.

VICE PRESIDENT
G. M. Halsey

PLANTS
Baltimore, Maryland (2)
Collinsville, Illinois
Hammond, Indiana
Scranton, Pennsylvania

PRODUCTS
Zopaque **Titanium Dioxide**
Cadmolith **Red Colors**
Mercadmolith **Red Colors**
Cadmolith **Yellow Colors**
Sunolith **Lithopone**
Titanated Lithopone
Euston **White Lead**
Lead in Oil
Cubond **Brazing Compound**
Copper Powder
Lead Powder
Tin Powder
Alloy Powders
Cuprous Oxide
Cupric Oxide
Copper Pigment

USES
Appliances
Automobiles
Bearings
Bronze Parts
Bushings
Carbon Brushes
Ceramics
Chemical Reagents
Coated Fabrics
Felt-Base Products
Floor Tile
Glass
Lead Greases
Leather
Metallic Packings
Paint
Paper
Pigments
Plastics
Porcelain Enamel
Printing Inks
Rubber
Synthetic Fibers
Wallboard
Wallpaper

markets for Glidden products include the rubber . . .

GLD002665

VICE PRESIDENT
Alexander D. Duncan

PLANTS
Atlanta, Georgia
Chicago, Illinois (2)
Cleveland, Ohio
Los Angeles, California
Minneapolis, Minnesota
New Orleans, Louisiana
Reading, Pennsylvania
St. Louis, Missouri
San Francisco, California
Montreal, Quebec, Canada
Toronto, Ontario, Canada

PRODUCTS
Spred Satin
Spred Glide-On
Spred Lustre
Endurance
Endurance Imperial
Speed-Wall
Japalac
Ripolin
Florenamel
Pli-Namel
Glid-Tone Stains
Glid-Tone Varnishes
Gliddenspar Varnish
Dramatone Colors
Spray-Day-Lite
Brush-Day-Lite
Industrial Finishes
Butoxy Resins
Gel-Kote Polyester Coatings
Glidpol Polyester Resins
Nubelite Primers and Enamels
Nubelon Enamels
Nu-Pon Primers and Enamels
Wood Finishes
Glidvar Wire Coating
Vinyl-Cote
Nu-Pon Cote

USES
Acoustical Tile
Agricultural Equipment
Air Conditioning
Automobiles
Aviation Equipment
Building Materials
Cabinets
Closures
Containers
Electrical Equipment
Exterior Surfaces
Furniture – Metal and Wood
Hardware
Heating and Ventilating
Home Appliances
Industrial Maintenance
Interior Surfaces
Lighting Fixtures
Machinery and Equipment
Marine Equipment
Office Equipment
Paper
Plumbing Supplies
Railroad Equipment
Rubber
Signs
Sporting Goods
Toys
Wire Coatings

PAINT DIVISION *quality finishes and*

Both sales and profits of the Paint Division exceeded those of any previous year. Sales rose to $74,977,744 of which approximately 60% was in consumer items. The balance came from industrial sales of product finishes, protective coatings and resins. Our sales increases in both the consumer and industrial categories continue to be greater than those reported by the paint industry as a whole.

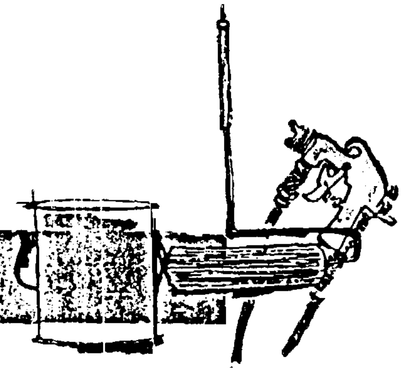
Spred Satin, Spred Glide-On and Endurance house paints remain the backbone of our consumer line. The Dramatone Color System, introduced in 1955, has given us more product flexibility and increased sales. During 1956 we brought out another "do-it-yourself" line — Glid-Tone stains and varnishes — designed for finishing wood furniture.

Several new consumer products and applications are planned for this year. Japalac, a 55-year old brand name in enamels, will appear in aerosol spray cans. Permitting easy touch-up work on toys, outdoor furniture and appliances, this item will be a valuable addition to our line. Early in the year we will introduce a series of colored wood stains utilizing the Dramatone Color System which will offer consumers a wide variation in finished wood interiors.

Spred Lustre, an alkyd enamel, will soon be introduced. A marketing companion to Spred Satin, it will permit matching colors where a semi-gloss sheen in kitchens or bathrooms is desired. This fall we began promoting the use of Spred Glide-On for asphalt roof shingles. Extensive tests indicate this finish not only reduces the amount of heat absorbed by the roof, but also increases the life of the shingles. This use also will enable us to offer complete exterior color styling.

Increased sales and earnings from consumer products have been primarily the result of wider distribution. Two years ago we had 43 branch warehouses throughout the United States and Canada. Today we have 73. Within two more years we will have 100 such branches. Designed to provide fast and efficient service to dealers, painters and other customers, these branches offer the key to future growth in the consumer field.

As a part of the branch expansion program, our consumer sales force has been increased 20% during the last two years. In that time, the industrial sales force has increased 15%. This larger sales organization will permit more intensive coverage of the markets for the division's products.



coatings . . .

During the year we established a new sales and laboratory group to direct and assist our salesmen in selling finishes for the original painting and upkeep of commercial and industrial buildings and equipment. This will better enable us to realize the full potential in this broad field.

Industrial markets continued strong throughout 1956. The increasing use of cans for packaging detergents and beverages has resulted in larger sales of can coatings. Sales of appliance finishes were excellent. We are gradually increasing our share of this important market through a superior line of products.

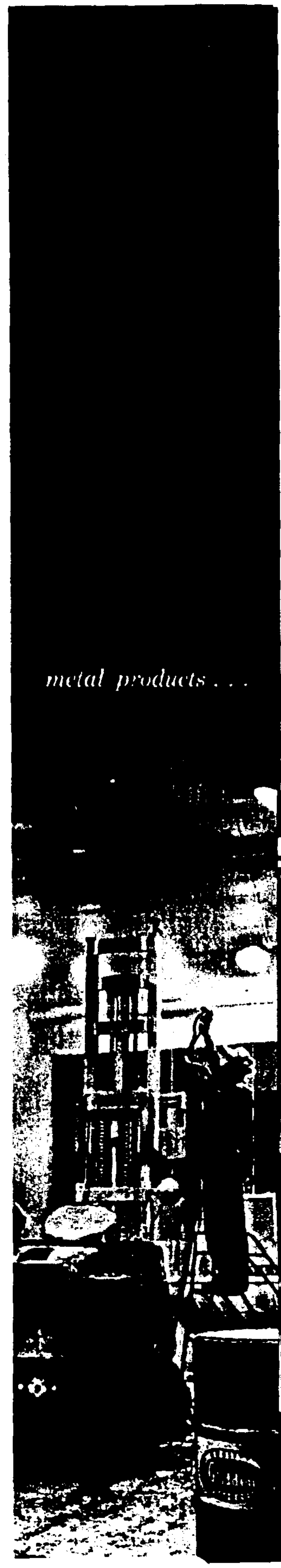
New industrial emulsions have permitted the development of finishes which will adhere to metals under conditions where adhesion was previously impossible. This has opened up a number of new markets. Sales of polyester resins and coatings continue to grow as new uses for these outstanding materials are developed. Market testing of Butoxy resins (C-Oil) shows considerable promise. Potential uses for this petroleum-based product include pipe coatings, can coatings, adhesives and binders.

In September we started construction of additions to provide a 15% increase in the capacity of our Reading, Pennsylvania, plant. This project should be completed early in 1957. Expansion of the Atlanta and Montreal plants was completed during the year and additional equipment for the production of synthetic resins was installed at Toronto and Reading and the Nubian industrial plant in Chicago. We are also planning a new laboratory at the Nubian plant.

In recent years, sales volume has approached the capacity of our production facilities. We have instituted a major study to determine what steps must be taken in future years to keep pace with the growing markets for our products.

Due to higher costs of labor and material, it was necessary in September, 1956, to increase prices of both consumer and industrial products.

Paint sales have risen steadily since 1946. With new products, increased distribution and additional manufacturing facilities, we expect this growth to continue at an average rate of five to ten per cent each year.



VICE PRESIDENT
Harvey L. Slaughter

PLANTS
Berkeley, California
Chicago, Illinois (2)
Elmhurst, L.I., New York
Louisville, Kentucky
Macon, Georgia
Norwalk, Ohio

PRODUCTS
Bulk Shortenings
Puff Pastry Shortenings
Baker's Margarine
Paramount Hard Butters
Specialty Edible Oil Products
Margarine Oils
Refined Vegetable Oils
A-P-O All Purpose Oil
Melvo Frying Shortening
Margarine
Stayfresh Coconut
Dixie Cut Coconut
Snowflake Coconut
Spices and Extracts
Meat Tenderizer
Seasoning Salts
Vegetable Flakes
Worcestershire Sauce
Mayonnaise
Whipped Salad Dressing
Sandwich Spread
French Dressing
Tossed Salad Dressing
Famous Sauce
Package Shortening
Salad Oils
Deep Frying Oil

USES
Bread
Cakes
Candy
Canned Foods
Chocolate Coatings
Cookies
Crackers
Danish Pastries
Doughnuts
French Pastries
Fried Foods
Frozen Desserts
Ice Cream
Margarine
Meat Products
Pickles
Pies
Popcorn
Potato Chips
Prepared Mixes
Pretzels
Salad Dressings
Salad Oils
Whipped Toppings

DURKEE FAMOUS FOODS DIVISION — *edible*

Durkee operations fell short of our expectations. For only the second time in the past ten years, Food Division profits (before taxes) were below the 3½-million dollar level. During part of the year unsettled marketing conditions in the edible oil industry prevented us from maintaining our normal dollar profit margins. This situation has improved in recent months.

Almost three fourths of our $88,927,483 sales in 1956 consisted of bulk products used by food processors, bakers and institutional kitchens. The balance represents spices, coconut, margarine, salad dressings and similar products distributed through retail channels under Durkee and other labels.

On the bulk side, physical volume was slightly below last year because of a substantial decline in government business. We continue to be a leading supplier of special shortenings for prepared mixes. Our recent development of several new ingredients for mixes should further strengthen our position in this rapidly expanding industry. Sales of specialty edible oil products for coatings and other confections held firm.

We have recently opened a complete new laboratory and technical service center at our Chicago refinery. This facility is not only equipped to handle general research on fats and oils, but also to simulate production processes in the baking, confectionery, ice cream and other industries served by our edible oil organization. At Louisville we have completed additions which substantially increase refining capacity and permit more efficient production.

Late in the year a decision was reached to discontinue all edible oil processing operations at our Elmhurst, Long Island, plant and relocate these operations and much of the equip-

l products . . .

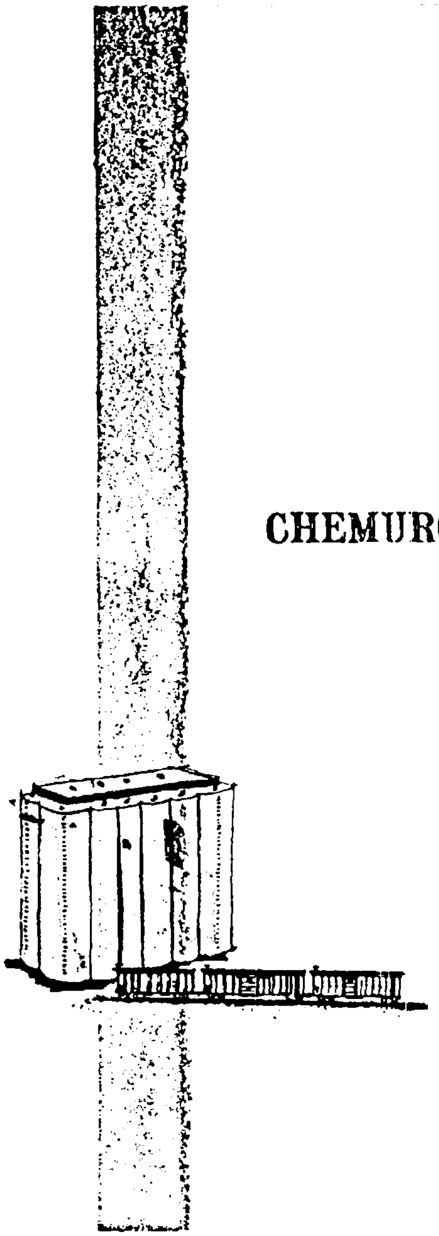
food . . .

ment at the Louisville, Chicago and Berkeley plants. Due to its location, we have experienced crude vegetable oil and finished product freight disadvantages on shipments to and from Elmhurst. Relocation of these refinery operations will not only produce higher earnings, but also will release approximately $2,000,000 in investment which has been tied up in a low profit location. Coconut and condiment operations will be continued at Elmhurst.

At the beginning of 1956 we reorganized our consumer products sales force to improve earnings through better supervision and lower distribution costs. Coconut and condiment operations continued strong and profitable throughout the year. However, consumer margarine and salad products were affected by the same factors as our edible oil operations and results were unsatisfactory.

This year we became the first coconut producer to utilize aluminum foil bags and foil labels for packaging. Also, a new gourmet line of spices and seasonings has been introduced in attractive new packages. The reception given these items has been excellent and we expect them to benefit sales, particularly in the self-service stores.

While over-all Food Division operations were profitable, they did not meet our performance standards. The return of normal profit margins, together with the elimination of our problems at the Elmhurst refinery, should provide improved results for 1957. However, we still continue to study thoroughly our basic position in the food industry, and we expect to take further action which should materially strengthen the division and permit us to concentrate on the development of those activities which have proven sound.



CHEMURGY DIVISION *soybean derivatives . . .*

Chemurgy Division profits were at their highest level since 1951. While soybean processing margins showed some improvement over those for the previous three years, they still leave much to be desired. Early in the year margins were good, but in April and May, a fear that there might be a shortage of soybeans at the end of the crop year advanced prices for soybeans out of proportion to the prices received for soybean meal and oil.

The price of soybeans is not determined by the demand for soybean products, but by demand for the beans themselves to fill the excess crushing capacity of processors. On the other hand, the prices received for meal and oil are governed by the total domestic and world supply and demand for protein meals and edible fats and oils. It is not yet possible to determine the full effect of the government loan program on the availability of soybeans during 1957. However, the 1956 crop of approximately 470 million bushels is far in excess of the 370 million bushel crop of 1955 and should bring the supply of beans more closely into balance with the demand of processors.

While earnings of this division can be materially affected by processing margins, it has been our policy to develop products from meal and oil which would eliminate total dependence upon primary processing margins as a source of income. This program is far from complete, but is proving its value in improving our earnings.

Sales of protein, flour, lecithin and fine chemicals now comprise about 20% of the division's sales of $35,807,498. Both sales and earnings from these products showed a sub-

stantial increase in 1956. Our work on the development of an edible protein is continuing. Its initial reception by the food industry has been promising, but extensive tests are still being conducted to obtain a proper evaluation.

During 1956, Alpha Protein gained industry-wide acceptance as a basic coating ingredient for fine printing papers. Our industrial applications laboratory is presently working on several new uses for Alpha Protein which appear to have considerable potential.

Our new $6,000,000 terminal elevator, on the Calumet River in Chicago, is in operation. With a capacity of 6,500,000 bushels, this elevator has already established itself as a very efficient, high handling-capacity grain operation. In addition, it is also proving of value to our commodity hedging activities. Two smaller elevators, with a capacity of 200,000 bushels each, have recently been completed at Lockport and Seneca on the Illinois River. They will serve as "feeders" to the terminal elevator in Chicago.

The operation of our flaxseed and soybean processing plant at Buena Park, California, was permanently discontinued this summer. At best a marginal operation, its shutdown has released some $2,500,000 working capital for more profitable investment elsewhere.

The past year has been one of progress for the Chemurgy Division. Its efforts have been concentrated upon those areas which have the greatest profit potential. On the basis of the present outlook, we anticipate continued improvement in division operations during 1957.

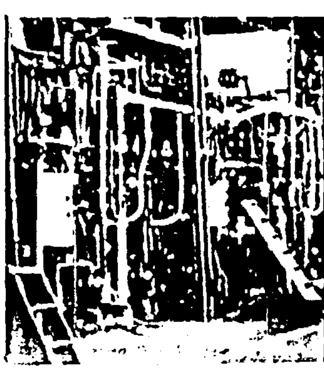
VICE PRESIDENT
Willard C. Lighter

PLANTS
Chicago, Illinois
Indianapolis, Indiana

GRAIN ELEVATORS
Chicago, Illinois (2)
Indianapolis, Indiana
Lockport, Illinois
Seneca, Illinois

PRODUCTS
Soybean Oil Meal
Soybean Oil
***Alpha* Protein**
***Beta* Protein**
***Promine* Edible Protein**
Edible Soybean Flours
***Prosein* Industrial Flours**
Industrial Lecithin
***RG* Lecithin**
Steroids
Grain Storage
Grain Merchandising

USES
Adhesives
Animal Feeds
Bakery Products
Candy
Cereals
Fire-Fighting Foam
Floor Coverings
Indoor Plywood
Industrial Drying Oils
Insulating Board
Leather
Margarine
Meat
Paint
Paper Coatings
Petroleum Products
Pharmaceuticals
Plastics
Prepared Cake Mixes
Prepared Roll Mixes
Rubber
Salad Oils
Shortening
Soup
Textile Sizes
Wallpaper



paper . . .

VICE PRESIDENT
Paul E. Sprague

PLANTS
Jacksonville, Florida
Port St. Joe, Florida
(under construction)
Valdosta, Georgia

PRODUCTS
Alloocimene
Alpha Pinene
Anethole
Beta Pinene
Camphene
Dipentene
dl Limonene
Methyl Chavicol
Myrcene
Nelio Gum Turpentine
Nelio Pine Oil (Synthetic)
Nelio Sulfate Turpentine
Nopol
Penetrell
Terpene Chemicals
Anti-Skinning Agents
Cordage Tar
DD Pine Oil
Pigmentar
Sunny South DD Turpentine
Wood Charcoals
Gloss Oils
Merez Metal Resinates
Nelio Gum Rosin
Rosin - Modified Resins
Rosin Oils
Alkyd Resins
Pure Phenolic Resins

USES
Adhesives
Chemical Intermediates
Cleansers
Cordage
Detergents
Disinfectants
Flavors
Floor Coverings
Mining
Paint
Paper Size
Perfumes
Petroleum Products
Pharmaceuticals
Plastics
Printing Inks
Rubber
Soap
Solvents
Synthetic Resins
Textile Processing
Varnish

SOUTHERN CHEMICAL DIVISION *terpene*

In spite of a number of handicaps, the performance of this division was highly satisfactory, thus substantiating the value of our policy of chemically upgrading naval stores products.

Division sales of $8,149,050 were derived from four separate and distinct operations — turpentine processing, rosin derivatives, wood distillation and gum naval stores.

Our leadership in the field of turpentine processing and terpene chemicals continues to add impetus to the changing character of the division's operations. Products in this group range from synthetic pine oil, a versatile material used in detergents, mining, paper and other products, to chemical dipentene, used as a chemical intermediate. During the year several new chemicals were added to our growing line.

Two construction projects are under way at our Jacksonville, Florida, plant. Our turpentine processing facilities are being expanded to round out production capacity for these products. This expansion is scheduled for completion in January, 1957. We are also constructing a new terpene fine chemical unit which will produce several new products as well as a number of products previously produced on a pilot plant basis. This project should be completed in April of 1957. The total cost of the Jacksonville expansion will be about $500,000.

In 1947 this division began to direct a portion of its research efforts toward the synthesis of several important materials used in the flavoring and aromatic fields. This research has now progressed to the design and engineering stage and construction should be started late in 1957.

Construction of our new tall oil plant at Port St. Joe, Florida, has been proceeding on schedule up to this point. However, it now appears that delays due to labor stoppages and the difficulty of securing nickel-bearing alloys will prevent us from meeting the original April, 1957, completion date. Expected to cost about $3,400,000, this plant will pro-

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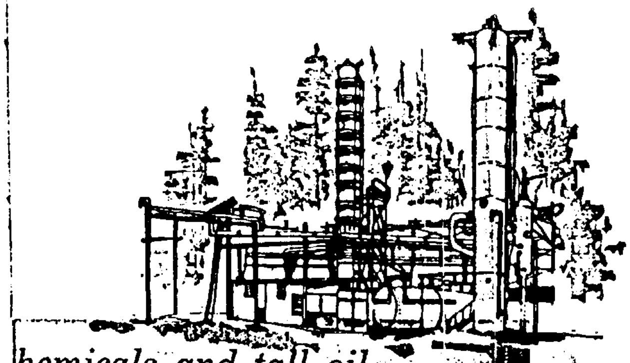


hemicals and tall oil . . .

duce crude and distilled tall oil, tall oil fatty acids and a premium grade tall oil rosin. Crude tall oil is a low-cost mixture of resin and fatty acids usable as such, but preferably as the source of the separated and purified rosin and fatty acid constituents. Tall oil fatty acids are used in such products as rubber, paints, detergents, plastics and soaps. The rosin to be produced at this new plant is expected to be substantially superior in quality to any tall oil rosin currently available and should meet the requirements of a wider domestic and export market.

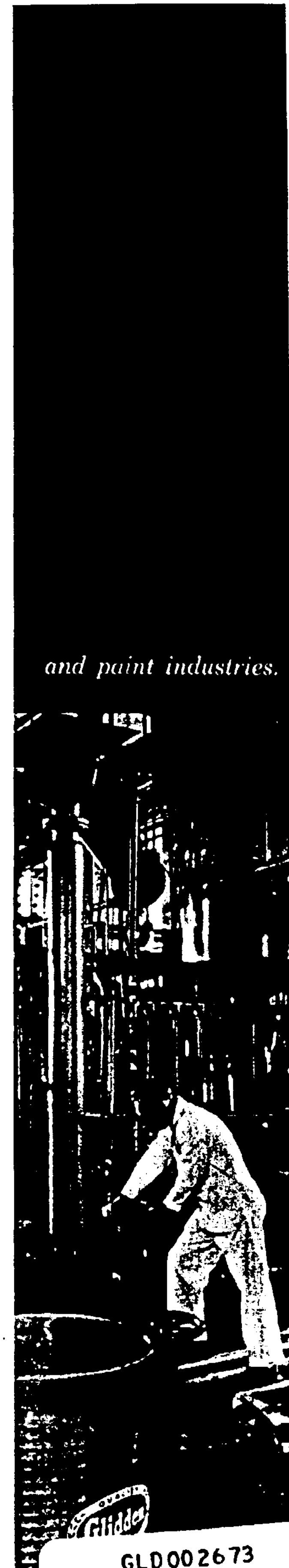
Although production of rosin-based derivatives was retarded by a fire in that department at Jacksonville, profits from this activity showed improvement over previous years.

Our wood distillation business, principal products of which are charcoal and pine tar, was also able to show a profit improvement despite reduced demand from the rubber industry. This business is relatively static and is not a sizable profit producer.

Although crude gum production was substantially lower than that of the previous year, we were able to maintain our volume on gum rosin and turpentine. The cyclic gum naval stores business was on one of the down cycles during the year so profits were small.

This summer we dissolved E. W. Colledge, G. S. A., Inc., a wholly-owned subsidiary, which handled the sales activities of this division. The Colledge organization has been consolidated with that of the division.

While the contributions of the Southern Chemical Division are presently small in relation to the total company, they are nonetheless important. Completion of the tall oil and Jacksonville expansion projects will be reflected in operations beginning in 1957 and increasing through 1958. For some time to come, continued research on naval stores derivatives may be expected to develop new products for commercialization.



CONSOLIDATED BALANCE SHEETS

The Glidden Company and Subsidiary
August 31, 1956 and August 31, 1955

assets

	1956	1955
CURRENT ASSETS		
Cash	$ 5,512,638	$ 13,233,718
Trade accounts receivable, less allowances for doubtful accounts of $477,131 (1955 - $400,244).	18,244,642	17,080,926
Inventories — raw materials, in process, and finished goods Priced at the lower of cost (accumulated average) or replacement market except for certain basic materials stated at cost (last-in, first-out method) which did not exceed replacement market	38,492,240	33,701,460
Other current notes and accounts receivable, advances and investments	1,593,612	1,388,986
TOTAL CURRENT ASSETS	$ 63,843,132	$ 65,405,090
OTHER ASSETS		
Prepaid insurance and expense	$ 863,216	$ 652,563
Miscellaneous notes and accounts receivable, advances and investments	617,923	710,992
TOTAL OTHER ASSETS	$ 1,481,139	$ 1,363,555
PROPERTY, PLANT AND EQUIPMENT		
Land, at cost	$ 3,888,059	$ 3,606,158
Buildings, at cost	28,219,303	23,689,062
Machinery and equipment, at cost	47,732,654	37,126,162
	$ 79,840,016	$ 64,421,382
Less accumulated depreciation, depletion and amortization	26,426,284	24,427,903
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$ 53,413,732	$ 39,993,479
	$118,738,003	$106,762,124

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liabilities and shareholders' equity

	1956	1955
CURRENT LIABILITIES		
Notes payable to banks:		
Short term	$ 9,500,000	$ —0—
Serial notes maturing within one year	1,500,000	1,500,000
Accounts payable	6,824,354	6,346,925
Accrued taxes, insurance, royalties and interest	1,429,106	1,307,975
Dividend payable	1,147,995	1,147,675
Federal, dominion, and state taxes on income, estimated	7,745,829	7,946,532
TOTAL CURRENT LIABILITIES	$ 28,147,284	$ 18,249,107
LONG-TERM DEBT		
Serial notes, payable $1,500,000 annually, interest 3% to 3¼%	7,500,000	9,000,000
SHAREHOLDERS' EQUITY		
Capital:		
Common stock par value $10 per share:		
Authorized 3,000,000 shares; reserved for sale to key employees, 95,340 shares (1955 — 95,980 shares)		
Oustanding 2,295,990 shares (1955—2,295,350 shares)	$ 22,959,900	$ 22,953,500
Additional amount paid in	9,807,272	9,791,272
Earnings retained for use in the business including retained earnings of Canadian subsidiary $5,135,989 (1955 — $4,766,533)	50,323,547	46,768,245
TOTAL SHAREHOLDERS' EQUITY	$ 83,090,719	$ 79,513,017
	$118,738,003	$106,762,124

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CONSOLIDATED INCOME

and earnings retained for use in the business

The Glidden Company and Subsidiary

Twelve months ended August 31, 1956,
and ten months ended August 31, 1955

income

	1956	1955
Net sales	$226,290,387	$180,524,822
Other income	673,148	480,287
	$226,963,535	$181,005,109
Cost of goods sold	$174,894,035	$140,008,434
Selling, administrative and general expenses	31,947,320	24,144,648
Provision for depreciation, depletion and amortization	2,870,339	2,234,960
Interest expense	801,104	292,500
	$210,512,798	$166,680,542
INCOME BEFORE TAXES ON INCOME	$ 16,450,737	$ 14,324,567
Taxes on income, estimated:		
Federal normal tax and surtax	$ 7,834,000	$ 6,865,000
Dominion and state taxes	470,000	347,000
	$ 8,304,000	$ 7,212,000
NET INCOME	$ 8,146,737	$ 7,112,567

earnings retained for use in the business

	1956	1955
Balance at beginning of period	$ 46,768,245	$ 44,244,266
Net income	8,146,737	7,112,567
	$ 54,914,982	$ 51,356,833
Deduct cash dividends — $2 per share	4,591,435	4,588,588
BALANCE AT END OF PERIOD	$ 50,323,547	$ 46,768,245

ACCOUNTANTS' REPORT

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

We have examined the consolidated financial statements of The Glidden Company and subsidiary for the year ended August 31, 1956. 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.

In our opinion, the accompanying balance sheet and statements of income and earnings retained for use in the business present fairly the consolidated financial position of The Glidden Company and subsidiary at August 31, 1956, and the consolidated results of their operations 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

Certified Public Accountants

Cleveland, Ohio
October 15, 1956

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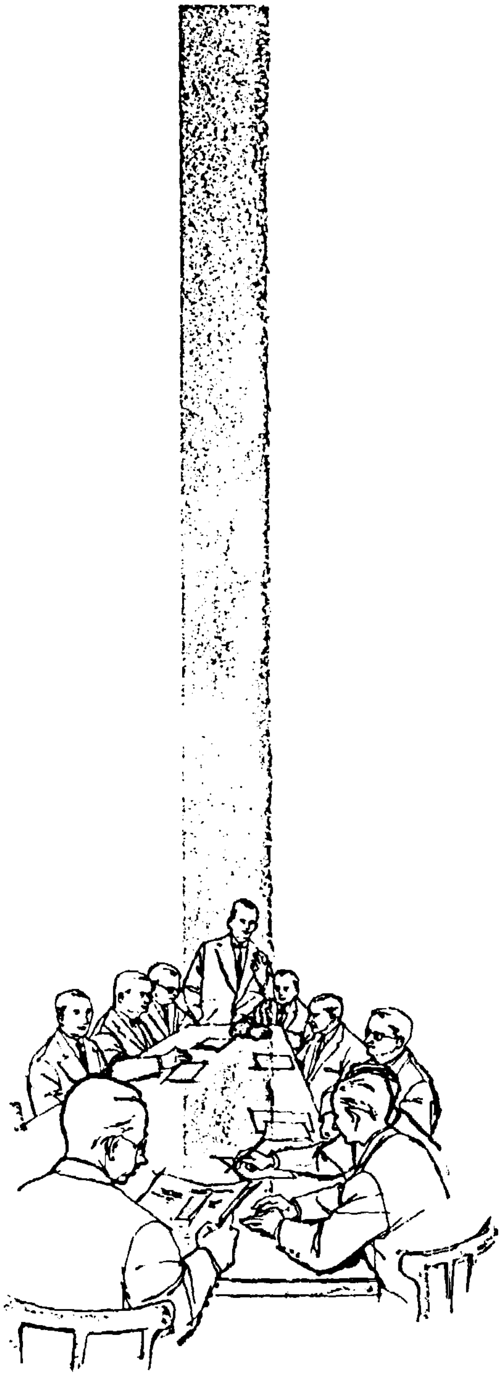

BOARD OF DIRECTORS

Dwight P. Joyce
Paul E. Sprague
John P. Ruth
Alexander D. Duncan
B. W. Maxey
John H. Weeks
R. D. Horner
W. G. Phillips
Willard C. Lighter
Harvey L. Slaughter

OFFICERS

Dwight P. Joyce,
Chairman of the Board and President
Paul E. Sprague, Vice President
B. W. Maxey, Vice President, Finance
Willard C. Lighter, Vice President
Alexander D. Duncan, Vice President
Harvey L. Slaughter, Vice President
John H. Weeks,
Vice President, Personnel
G. M. Halsey, Vice President
R. D. Horner, Secretary
W. G. Phillips, Treasurer
G. S. Warner, Controller
W. P. Stetzelberger,
Assistant Secretary

CORPORATE DATA

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

Transfer Agents
The New York Trust Company
New York City
The Cleveland Trust Company
Cleveland, Ohio

Registrars
The Chase Manhattan Bank
New York City
Central National Bank of Cleveland
Cleveland, Ohio

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

Printed in U. S. A.

The Glidden Company

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