THE GLIDDEN COMPANY 41st annual report

fiscal year ended AUGUST 31, 1958

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FINANCIAL HIGHLIGHTS

	1958	1957	Percentage Increase *Decrease*
Net sales	$217,352,681	$225,537,291	*3.6*
Income from operations	14,224,874	15,668,621	*9.2*
Income before taxes on income	12,350,062	15,387,437	*19.7*
Taxes on income	6,287,000	8,123,000	*22.6*
Net income	6,063,062	7,264,437	*16.5*
Per common share	2.64	3.16	
Cash dividends declared	4,596,340	4,594,340	—
Per common share	2.00	2.00	—
% of net income	75.8%	63.2%	
Earnings reinvested	$ 1,466,722	$ 2,670,097	*45.1*
Depreciation and amortization	5,838,032	5,046,378	15.7
Per common share	2.54	2.20	
Expenditures for plant and equipment	9,214,395	12,465,415	*26.1*
Working capital	$ 52,572,371	$ 53,100,132	*1.0*
Current ratio	3.64	2.96	
Shareholders' equity	87,303,838	85,837,116	1.7
Per common share	37.99	37.35	
Shares outstanding	2,298,170	2,298,170	—
Number of shareholders	22,405	21,686	3.5
Number of employees	6,353	6,455	*1.6*
Wages, salaries and employee benefits	$ 37,278,752	$ 37,008,568	0.7
Per employee	5,868	5,733	2.4

the PRESIDENT'S report

November 11, 1958

To the Shareholders:

During the fiscal year which ended August 31, further steps were taken to make The Glidden Company a sounder and stronger organization.

Of these, a few stand out with particular significance — the disposition of the Chemurgy Division, the planning of new financing, the effect of major cost reduction programs, and the continual build-up of capable personnel throughout all functions of our business.

Both sales and net income for the 1958 fiscal year were lower than in the preceding year, reflecting the full impact of the general business recession which began last Fall. All of the decline, however, occurred during the first six months, and a substantial and rapid recovery was made in the second half of the year.

During the first half, sales were off 10% and income from operations 41% from the comparable period of the prior year. In sharp contrast, the second half resulted in a sales increase of 3% and an increase of 23% in income from operations, when compared to the like 1957 period. As this letter is being written, the favorable trend in operations continues.

Nearly all operations contributed to this improved performance, with the most important gains being made by consumer paint products and titanium pigments. The stable earning power of our Durkee Famous Foods Division was very helpful throughout the year and contributed greatly to the total results.

Much credit for the comeback in sales and income must go to our many sales and production people who, when the going got rough, were able to produce results. A detailed review of divisional operations begins on page 7 of this report.

SPECIAL CHARGES

In the second half, we closed down and abandoned our original titanium pigment plant at St. Helena, Maryland. This abandonment loss reduced net income by an amount equal to 25 cents per share. In addition, earnings absorbed another 33 cents a share because of non-recurring costs arising from the start-up of new plants and the relocation or discontinuance of certain other operations. In the previous year, all special charges of a similar nature were equal to 29 cents a share.

Capital expenditures during 1958 totalled $9,214,395. Most of this was spent on projects started before 1958, particularly the titanium dioxide plant and the modernization of paint production facilities. Other programs of a less essential nature were temporarily deferred. During the past five years we have spent a total of over $50,000,000 for new plant and equipment.

Our present estimates indicate capital expenditures of around $10,000,000 for 1959.

INTERNAL CHANGES CONTINUE

As you know, the company's management is devoted to getting the most from the capital entrusted to it. We have consistently eliminated those operations and product lines which were producing an unsatisfactory return on investment or did not fit into our long-range plans.

On September 1, 1958, we disposed of our soybean processing and grain merchandising business, operated as the Chemurgy Division, to the Central Soya Company, Inc. In recent years, we have not obtained an adequate return on our investment in this division. To achieve a satisfactory return would have required large sums of money for expansion in soybean products, feed and grain merchandising. Such expansion would have had to come at the expense of the growth of our other divisions. Being closely tied to agricultural economics and processing, the Chemurgy operations were basically foreign to our other activities. Our strength lies in the paint, food and chemical fields, and it was our decision to concentrate on developing them.

Under the terms of the Chemurgy agreements, Central Soya has purchased inventories and supplies amounting to approximately $3,760,000 and has collected for us accounts receivable of about $2,900,000. The production and grain storage facilities are being operated under a three-year lease, which provides for an annual rental of $2,175,000, plus property taxes and insurance. Our continuing depreciation and amortization expenses on these properties will be about $2,100,000 annually during the term of the lease. Central also has an option to purchase these properties on August 31, 1961 for $8,550,000, payable in cash. At that time, the properties will have an unamortized cost on our books of about $7,437,000.

Sales of the Chemurgy Division in 1958 were $31,973,079, and it contributed approximately $987,000 to 1958 net income. On pages 18 and 19 of this report we have shown the results of our other four divisions without the benefit of Chemurgy operations. While our remaining business must absorb this loss of income, we feel that this short-term sacrifice can soon be offset by the profitable reinvestment of the funds released.

In January, we abandoned our destructive distillation operations at Jacksonville, Florida, and in March, we disposed of our Scranton, Pennsylvania, white lead operations. Both of these activities had become relatively minor in nature.

With the completion of the above transactions, the program of major dispositions has been concluded, and all divisions now are established on a firm operating base from which we expect continued growth.

FINANCING

Earlier this month, the company issued $30,000,000 of Sinking Fund Debentures to replace our long-term bank borrowings and give us some additional funds. Bearing an interest coupon of 4¾%, these debentures mature on November 1, 1983 with sinking fund payments beginning in November, 1964. This change in our debt structure, together with the funds received from the Chemurgy disposition, put the company in the soundest financial condition it has enjoyed in years.

RESEARCH

As we move more strongly into the chemical industries, the results of research and development activities become more vital to our future success. Research expenditures were increased in 1958, and several specialized, long-range projects were begun in our own laboratories and those of outside research institutions.

The research facilities of our Organic Chemical Division were expanded during the year, and we are now in the process of constructing a new laboratory for the Chemicals-Pigments-Metals Division. With the sale of our soybean business, it was necessary that we disband the central organic laboratory, which was located adjacent to the Chicago soybean plant. Because of this, we have accelerated our plans for the establishment of a major new research facility to serve the entire company.

SUBSIDIARIES

We have continued to expand the activities of Glidden International, our unconsolidated overseas subsidiary. At the time of its organization several years ago, we were basically starting from scratch in the overseas field, and the full development of this business has been slow.

Sales of The Glidden Company, Ltd., our wholly-owned Canadian subsidiary, were slightly behind those of last year, primarily due to lower industrial paint sales. Profits, however, showed improvement, as a result of higher profit margins. While we have not yet taken any major steps toward the expansion of our Canadian activities, several possibilities are currently being studied.

PERSONNEL

Just as it is important to have a reserve of money available for expansion, it is important to have people who can step into newly-created responsibilities. Our goal is to build such a staff, both in quality and in depth. In 1958, two of our younger men were elevated to official positions — R. K. Dutton was elected assistant secretary, and D. E. Erskine, assistant controller. A number of others, in divisional management, were given broader responsibilities to develop them for the future.

Within the past five or six years the top management positions in the company have been filled by young but veteran executives having an average age of 49. They have acted aggressively to develop a sound, strong program designed to provide the future management, and the production and distribution facilities for accelerated growth.

The major costs of making these changes are now behind us, and we are confident that you, as shareholders, will obtain increasing benefits from this program.

Chairman and President

VICE-PRESIDENT

ALEXANDER D. DUNCAN

PLANTS

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

PRODUCTS

Spred Satin
Spred Glide-On
Spred Lustre
Endurance
Endurance Imperial
Endurance Velvet
Speed-Wall
Japalac
Ripolin
Florenamel
Pli-Namel
Glid-Tone Stains
Glid-Tone Varnishes
Dramatone Colors
Spray-Day-Lite
Brush-Day-Lite
Industrial Finishes
Glid-Tile
Glid-Rez Coatings and Resins
Gel-Kote Polyester Coatings
Glidpol Polyester Resins
Industrial *Speedenamel*
Nubelite Primers and Enamels
Nubelon S and HR Enamels
Nu-Pon Primers and Enamels
Wood Finishes
Glidvar Wire Coating
Vyn-Al
Vinyl-Cote
Nu-Pon Cote
VCM Primers and Enamels

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 and Foil
Plumbing Supplies
Protective Linings
Railroad Equipment
Reinforced Plastics
Rubber
Signs
Sporting Goods
Toys
Wire Coatings

PAINT DIVISION

The Paint Division's 1958 sales of $77,453,500 represented an all-time high, bettering by 1.4% the $76,357,447 sales for 1957. Operating profits were slightly better than in the previous year and also reached a new high.

The entire sales and profit improvement came from consumer products. Sparked by the introduction of our new Spred Satin latex-emulsion paint, together with the benefits of expanded distribution, consumer sales increased 6.1%. Improved gross margins, resulting from manufacturing efficiencies and marketing emphasis on more profitable products, offset higher selling expenses and produced a significant increase in profits.

Modern Drive-In Paint Centers, such as the one recently opened at Miami, Florida, have been the key to expanded consumer paint distribution.

Sales of industrial finishes and related items were 5.9% lower than in 1957. Since the major markets for these products are the durable goods industries, particularly household appliances and metal fabricating, sales are quickly affected by any reduction in industrial activity. Through an aggressive selling program, aimed at developing new and more specialized markets for our products, we were able to hold our sales decline to a rate less than that of industry in general.

In June, we acquired the domestic paint business of the General Paint Corporation, whose marketing areas are primarily on the West Coast and in the Rocky Mountain region. Involved in the acquisition were two small paint plants, at Tulsa, Oklahoma and Portland, Oregon, and 21 sales branches, as well as inventories. Costing about $835,000, the addition of General's paint operation has already strengthened our production and distribution in these areas. During the last three months of fiscal 1958, we obtained approximately $1,300,000 additional sales from this acquisition.

Four years ago, when we had 43 wholesale-retail branches, we initiated a program calling for 57 additional branches by 1959. This goal was reached last year with the completion of 15 more branches. There are now 104 in operation, in addition to the 21 branches obtained in the General Paint acquisition. The performance of new branches has further confirmed the merits of expanded distribution by this means. Through the customer service and market coverage offered by these operations, we have been able to expand our sales both to dealers and to painter-maintenance accounts. We have under way an intensified training program for salesmen and branch managers to provide qualified personnel for further accelerated expansion.

During the year we began more extensive marketing of industrial emulsion finishes and progress has been quite satisfactory. These finishes are being more widely used on automobile parts, and we now have cars, completely finished with emulsion coatings, on the road for testing purposes.

In 1959 we plan to bring out a new line of marine finishes for pleasure boats under the Ripolin label; Spred Tred latex-emulsion floor paint; and a new multi-purpose enamel for maintenance and industrial uses.

We have recently introduced, for limited marketing, a polyester resin coating for new construction which simulates ceramic tile at lower material and application cost. Among the other new products scheduled for test marketing this year are an emulsion house paint, metal decorating coatings and several new resins for industrial uses.

A separate unit for large volume production was completed at the Reading plant last year, and we expect to add capacity at Atlanta to meet the growing Southeastern market. Plans are being made for additional capital expenditures to reduce production costs and produce new resins developed through our research laboratories.

The continual development of new products, expanded distribution and specialized merchandising have been the key to the division's past successes. We plan to continue our aggressive expansion in the paint and coatings field and look for new records in sales and earnings to be set in 1959.

VICE-PRESIDENT

HARVEY L. SLAUGHTER

PLANTS

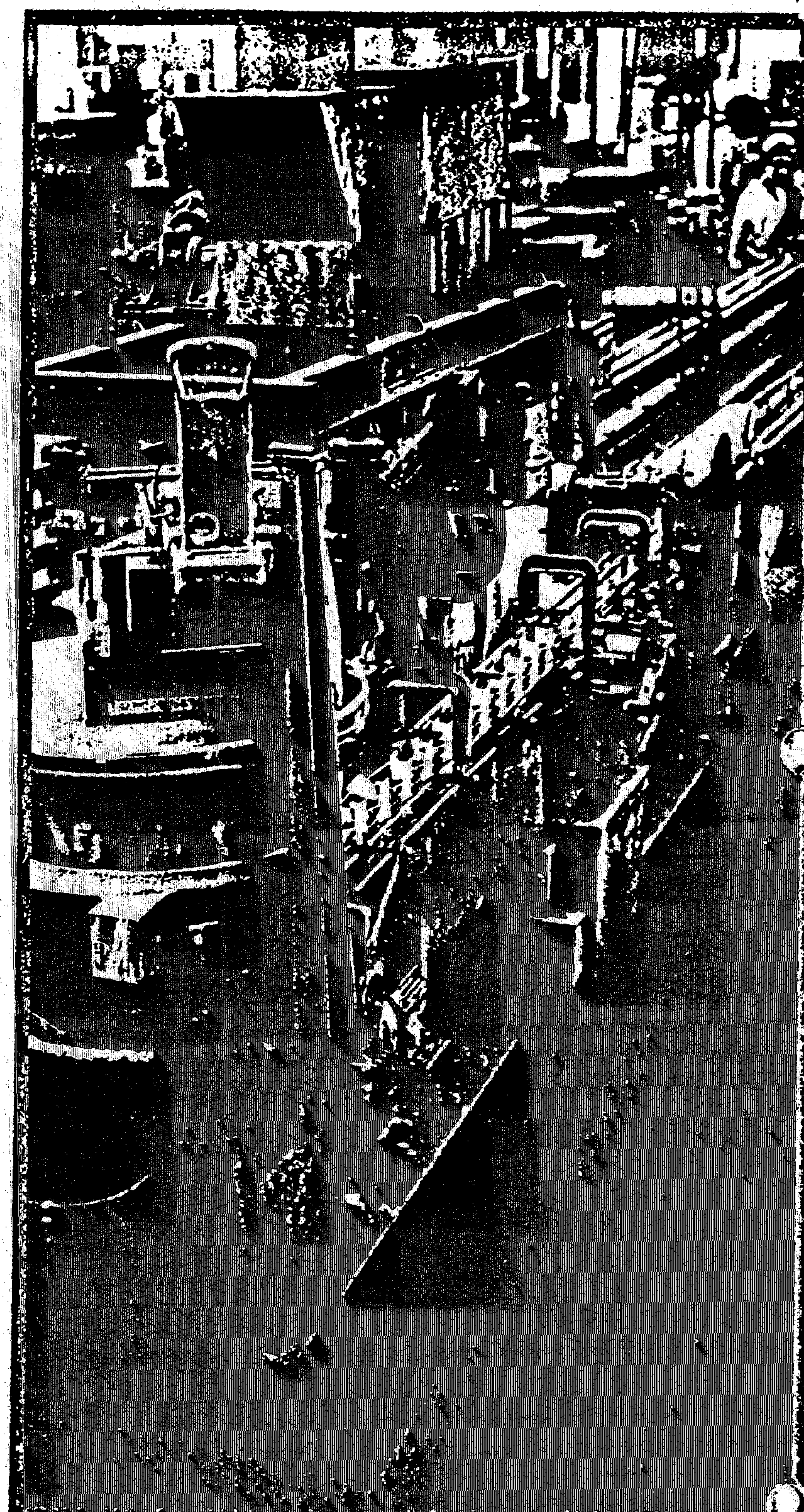
Berkeley, California
Bethlehem, Pennsylvania
Chicago, Illinois (2)
Louisville, Kentucky

PRODUCTS

Bulk Shortenings
Puff Pastry Shortenings
Baker's Margarine
Paramount Hard Butters
Specialty Edible Oil Products
Margarine Oils
Refined Vegetable Oils
Melvo Frying Shortening
Margarine
Stayfresh Coconut
Dixie Cut Coconut
Snowflake Coconut
Pepper
Cinnamon
Other Spices
Herbs
Poultry Seasonings
Pie Spice Blends
Gourmet Seasonings
Meat Tenderizer
Monosodium Glutamate
Seasoning Salts
Garlic Powder
Dehydrated Onion Products
Vegetable Flakes
Flavor Extracts
Food Colors
Gay-ette Cake Decorations
Famous Sauce
Mayonnaise and Salad Dressings
Package Shortening
Salad Oils

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

Divisional earnings, reflecting changes of recent years in the Durkee organization, surpassed the high levels of the previous year.

Sales for 1958 were $85,500,700 compared to sales of $88,779,546 in 1957. Physical volume for the year was considerably ahead of 1957, with the decline in dollar sales being primarily the result of lower raw material prices.

The last major step in the two-year reorganization of the division was completed with the opening of our new coconut and condiment plant in Bethlehem, Pennsylvania. Earnings from this operation were reduced by non-recurring costs incidental to setting up this plant. We fully expect that 1959 earnings will reflect the efficiencies obtained from the new plant layout and high-speed processing and packaging equipment.

Durkee's position as a basic supplier of ingredient materials to the food and allied industries was strengthened further during the year. We have been able to do this, despite highly competitive conditions within the edible oil industry, through our emphasis on the development of specialized products and markets.

A new emulsifier, developed by Durkee, is finding wide acceptance in the baking fields. Representing the most important baking emulsifier development within the past twenty years, this product has permitted many improvements to be made in shortenings for prepared mixes and bakery items. Patent licenses have been offered and granted to other shortening manufacturers. A number of other new edible oil products were introduced during the year, and production volume will be expanded as soon as new markets can be created.

Over 400 spice cartons are formed, filled, sealed and wrapped each minute by automatic packaging equipment at the new Bethlehem plant.

Shortly after the close of the fiscal year, we acquired R. C. Pauli & Sons, a small, but prominent, bulk spice processor on the West Coast. This will enable our Berkeley edible oil organization to distribute bulk spices more efficiently and in a similar manner to that which has been so successful in our Eastern operations.

In order to broaden consumer appeal for our coconut and condiment products, we have continued to redesign packages for these items. Last Spring, we introduced a new "cookbook" package for our "whole spice" line, with each carton containing suggestions and recipes for the use of its contents. The consumer reception received to date has been excellent. We have also put out a new jar for Famous Sauce to permit more convenient use.

During the year a number of new items were added to the popular gourmet seasoning line, and we have more fully developed our Gay-ette line of cake decorations. Among the new items scheduled for this year is a 3½-ounce carton of minced onion, which contains the equivalent of two pounds of fresh onions. We are constantly searching, through internal development or acquisition, for companion specialty items which can be marketed by our distribution organization. Several of these are now being studied.

In the space of two years, the steps taken to strengthen and integrate the Durkee Division have created a sound and more efficient organization to provide a solid base for future expansion. The stability and moderate growth potential provided by the division are important assets of the company.

VICE-PRESIDENT

G. M. Halsey

PLANTS

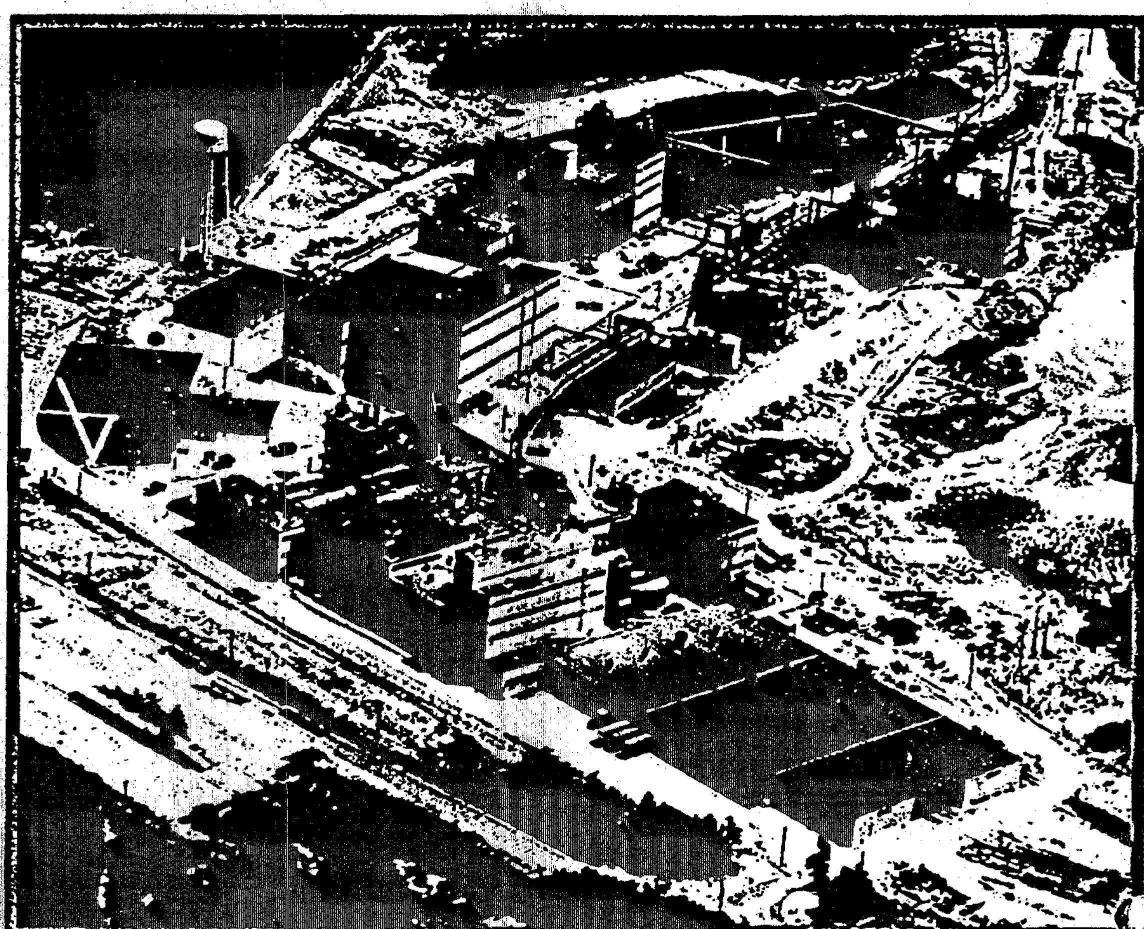
Baltimore, Maryland
Collinsville, Illinois
Hammond, Indiana

PRODUCTS

Zopaque Titanium Dioxide
Cadmolith Red Colors
Mercadmolith Red Colors
Cadmolith Yellow Colors
Sunolith Lithopone
Titanated Lithopone
Cubond Brazing Compound
Copper Powder
Brass 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



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CHEMICALS-PIGMENTS-METALS DIVISION

Sales in fiscal 1958 were $14,068,264, compared to sales of $16,965,447 in 1957. The largest portion of this 17% sales decline occurred in metal powders. Also, sales for the last five months do not include white lead and related products, which business was sold in March.

Division earnings were substantially below those for 1957, due both to the lower metal powder sales and to expenses connected with the relocation and expansion of our titanium pigment operations.

Both dollar and tonnage sales of titanium pigments were equal to those of the previous year, as a strong comeback in sales volume for the last six months offset a much lower sales level earlier in the year.

During the period the Adrian Joyce Works was under construction, we began to expand our sales organization, and we have now doubled the total manpower in both sales and technical service. In 1958, we brought out an improved type of titanium pigment for industrial finishes. Other new grades are now being produced as our new production facilities have provided access to markets which were not previously available. These factors, coupled with improved business conditions, contributed to the sales increase during the latter part of the year.

In July, we entered into a long-term contract to manufacture titanium pigments, under private label, for the R. T. Vanderbilt Co., a large, independent manufacturer and wholesaler of chemical products, which has had extensive experience in marketing pigments. This new arrangement had little effect upon last year's business, but should be very beneficial in the future.

The second and third units of the Adrian Joyce Works were completed in July and successfully put into production. The total productive capacity of this new plant is about double that of the old St. Helena Works which was abandoned last March. While it may take a year or more to develop full demand for the available capacity, we are now operating at a satisfactory production and sales rate.

Sprawling over a large part of a 170 acre tract, the company's $24 million titanium dioxide plant was brought into full production in July, 1958.

We have not yet obtained an adequate domestic source for titanium-bearing ores. Because of legal implications and certain economic conditions, we withdrew from our lease for ore deposits on Cumberland Island. Our mining department is actively engaged in evaluating other property on which we hold an option. In the meantime, we will continue to obtain ore requirements from overseas sources.

The decline in metal powder sales was the result of lower production levels in the automotive and appliance industries, the two major markets for these products. We look for considerable improvement in these operations during 1959. We are now working on several new metal powder products, and one or more of these may be marketed in 1959.

Both sales and earnings on lithopone and color pigments were substantially lower, reflecting an over-all decline in industrial buying.

With the near completion of the Adrian Joyce Works, divisional capital expenditures for 1959 will be the lowest in recent years. We are making certain additions to the new plant so that it can process different types of titanium ore. Because of the shut-down and abandonment of the St. Helena Works, it will be necessary to relocate the divisional research laboratory and the production facilities for color pigments, both of which are located on the old plant site.

Operations this past year absorbed unusually heavy expenses created by the start-up of the new plant and the shutdown of the old. Very few of these expenses will be repeated in the current year. Given favorable economic conditions, we have every reason to expect a major improvement in divisional operating results.

VICE-PRESIDENT

W. D. STALLCUP

PLANTS

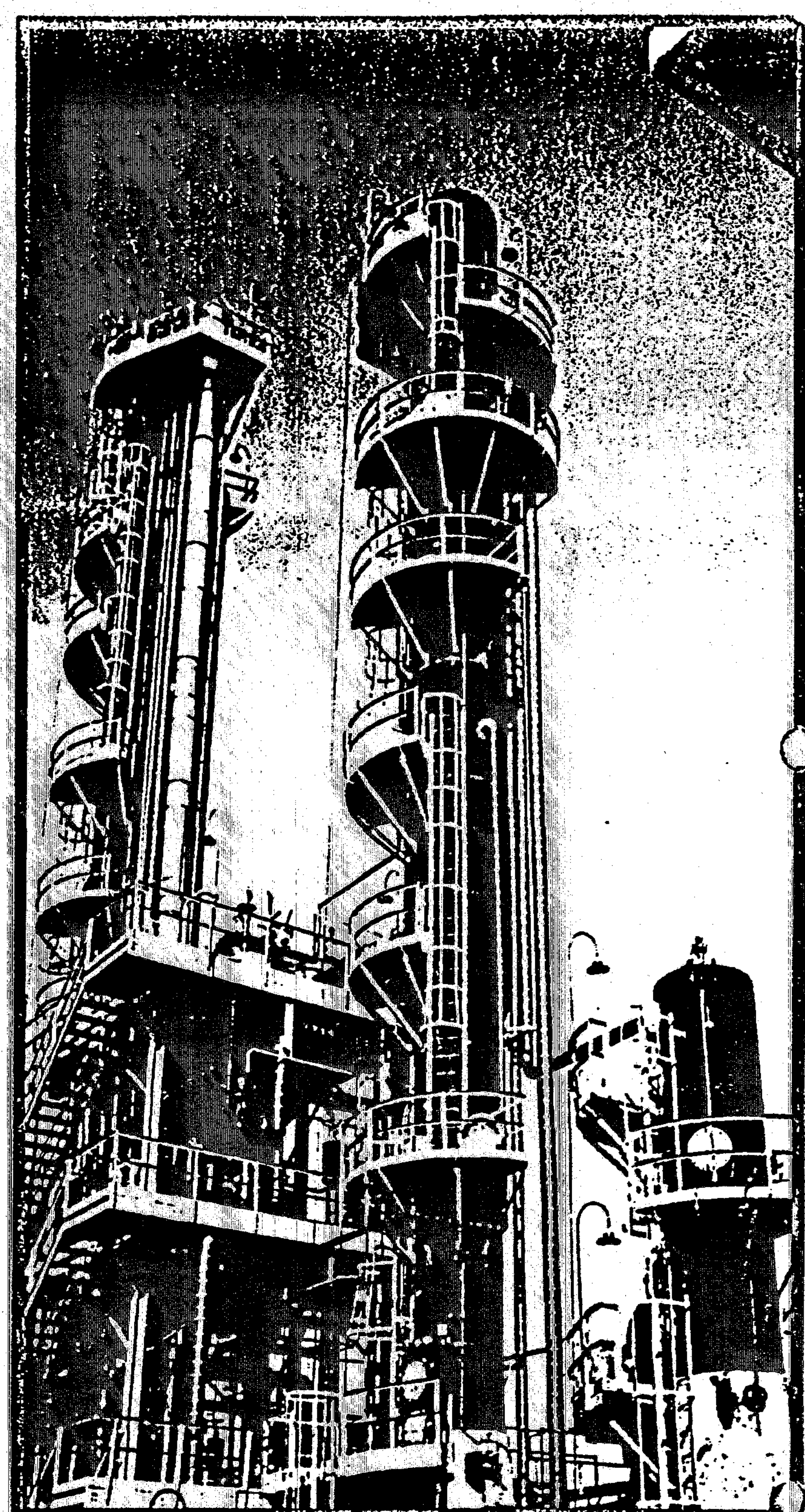
Jacksonville, Florida
Port St. Joe, Florida
Valdosta, Georgia

PRODUCTS

Alloocimene
Alpha Pinene
Alpha Terpineol
Anethole
Beta Pinene
Camphene
Dipentene
dl Limonene
Geraniol
Linalool
Methyl Chavicol
Myrcene
Para Cymene
Nelio Gum Turpentine
Nelio Pine Oil (Synthetic)
Nelio Sulfate Turpentine
Nopol
Penetrell
Distilled Tall Oil
Tall Oil Fatty Acids
Tall Oil Rosin
Tall Oil Pitch
Anti-Skinning Agents
Burgundy Pitch
DD Pine Oil
Sunny South DD Turpentine
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



ORGANIC CHEMICAL DIVISION

Divisional sales for 1958 were $8,357,138, showing a slight increase over the $8,321,106 sales reported for the previous year. Earnings, however, were substantially lower as the result of heavy start-up and experimental expenses in connection with new tall oil and terpene chemical production units.

Sales volume was not noticeably affected by the 1957-58 business recession. Volume losses on products discontinued during the year were offset by the gradual introduction of tall oil and other new products during the latter part of fiscal 1958.

The recent change in name from the Southern Chemical to the Organic Chemical Division was made to describe its operations more accurately. This is in keeping with the division's continued growth and development in the field of synthetic organic chemicals.

Important strides were made toward the expansion of our terpene aromatic lines, and we have increased our research and patent work in this field. During the year, we successfully introduced synthetic geraniol and linalool to the essential oil trade. These products, along with other synthetic terpenes produced by the division, have relatively large volume markets as ingredient materials for soaps and detergents, cosmetics and toiletries, and industrial odorants. Through a technological assistance and cross-licensing agreement, we have become associated in the British Commonwealth with A. Boake Roberts & Co., a leading British manufacturer of aromatic and flavor materials.

Last year we reported near completion of development work on a plant to produce synthetic laevo-menthol. While construction of this plant was temporarily postponed as part of an over-all cut-back in capital expenditures, we have now scheduled it for 1959. These facilities, which will represent an investment of approximately $2,000,000, should be completed and in operation by early 1960. Used in proprietary drug, confection and tobacco products, laevo-menthol will broaden our position in the flavoring field.

Fractionating columns of the new tall oil plant at Port St. Joe loom high against the Florida sky.

Our new $3,400,000 tall oil plant at Port St. Joe, Florida, was completed and put on stream during the middle of the year. Because several new processes were being employed for the first time on a large-scale basis, we have experienced difficulty in getting this plant into operation. This, in turn, has adversely affected divisional earnings and temporarily delayed prospects for increased earnings. We have solved most of the operating problems, and with stepped-up development activities on the upgrading and application of fatty acids and rosin, we look for gradual improvement during the year.

Our work on synthetic resins has begun to assume a more important place in divisional operations. With the availability of our own tall oil rosin, we expect the improvement shown in 1958 to continue at a somewhat higher rate.

Early in the year, we discontinued our wood distillation operations, one of the few remaining segments of our original naval stores operations. Government loan programs, together with competition from other products, have made our gum naval stores operations highly marginal, and there is no reason to expect any change in this situation in the foreseeable future. As was the case with wood distillation, gum naval stores have become a relatively minor part of the division's business.

Within the past several years we have more than doubled the division's investment in both research and production facilities. While we have not yet obtained the benefits from this increased investment, the long-term future of the division is very promising.

FINANCIAL REVIEW

SALES

Sales for fiscal 1958 were $217,352,681, a decline of 3.6% from the previous year. Industrial paints, metal powders, edible oil and soybean products were the operations showing major sales declines.

The source of 1958 sales by divisions was:

	Amount (000)	Per Cent of Total
Paint	$77,454	35.6%
Durkee Famous Foods	85,501	39.3
Chemicals – Pigments – Metals	14,068	6.5
Organic Chemical	8,357	3.9
Chemurgy	31,973	14.7

GROSS PROFIT

Gross profit in 1958 was $48,373,341, down only $289,931 or 0.6% from the $48,663,272 gross profit for 1957. As a per cent to sales, 1958 gross profit was 22.3%, compared to 21.6% in 1957.

INCOME FROM OPERATIONS

Income from operations in 1958 was $14,224,874, declining $1,443,747 or 9.2% from fiscal 1957. While the slight decrease in gross profit dollars contributed to this decline, increases in selling and administrative salaries of $780,000, and research and technical service costs of $340,000 were the major factors. These increases were the result of intensified marketing efforts to provide a broad and more profitable sales base for the future. Advertising expenses were $250,000 lower, due to the elimination of certain margarine and salad products operations during the preceding year.

NET INCOME

Net income after all taxes and charges was $6,063,062 equal to $2.64, compared to $7,264,437 or $3.16 for 1957. On a comparative quarterly basis net income was:

	1958		1957	
Quarter Ended:	Amount (000)	Per Share	Amount (000)	Per Share
Nov. 30	$1,190	$ .52	$1,995	$ .87
Feb. 28	916	.40	1,486	.65
May 31	1,682	.73	1,907	.82
Aug. 31	2,275	.99	1,876	.82

Net income for the third and fourth quarters of 1958 includes charges of 12 cents and 13 cents per share, respectively, to cover the loss taken on abandonment of the St. Helena titanium dioxide plant. Each of the company's five divisions operated profitably during 1958.

DEPRECIATION

Depreciation, depletion and amortization charges against income amounted to $5,838,032, an increase of 15.7% over 1957 charges of $5,046,378. Depreciation rates have been applied by the straight-line method to properties acquired prior to January 1, 1954, and by the sum-of-the-years-digits method to other properties acquired on or after that date, except for grain-storage facilities (pertaining to the Chemurgy Division) which are being amortized equally over a period of five years. It is estimated that 1959 depreciation charges, including those on the Chemurgy Division properties being leased, will be approximately $6,800,000.

CASH FLOW

Cash flow generated from operations showed a 6.5% increase in spite of the decline in net income. This was due to higher depreciation and the abandonment loss, both of which represent non-cash charges against income. Total cash flow in 1958 was $13,116,333 equal to $5.71 per share compared to $12,310,815 or $5.36 a share in 1957.

DIVIDENDS

Dividend payments totalled $4,596,340 based upon the regular $2.00 annual rate. During the 1958 calendar year, the following quarterly dividend payments were made:

Record Date	Date Paid	Amount Per Share
December 6	January 2	$ .50
March 7	April 1	.50
June 6	July 1	.50
September 8	October 1	.50

In fiscal 1958, 75.8% of net income was distributed to shareholders as dividends.

CAPITAL EXPENDITURES

Capital expenditures amounted to $9,214,395, as compared with $12,465,415 for 1958. The percentage of the 1958 total invested in each division follows:

Paint	24.1%
Durkee Famous Foods	10.9
Chemicals – Pigments – Metals	49.8
Organic Chemical	7.4
Chemurgy	7.8

INVENTORIES

Inventories of the four continuing divisions totalled $36,771,649 at August 31, 1958, down sharply from the comparable figure of $42,125,263 at the 1957 fiscal year-end. The major reduction was made in raw materials and work in process inventories, primarily titanium ores and edible oils. Chemurgy Division inventories, which were sold on September 1, 1958, to the Central Soya Company, Inc., amounted to $3,756,249 at market value.

Inventories are valued at the lower of cost or market, using the average cost method on the major portion and the last-in, first-out method on certain edible oils and other commodities. At August 31, 1958, inventories carried on a LIFO basis amounted to $1,608,940, which was approximately $675,000 less than replacement market.

WORKING CAPITAL

Working capital at the year-end was $52,572,371. The ratio of current assets to current liabilities was 3.64.

LONG-TERM DEBT

Long-term debt, at the fiscal year-end, amounted to $26,000,000, consisting of $6,000,000 3¼% and $20,000,000 4¼% notes payable to banks. Included in current liabilities was $1,500,000 of 3¼% notes payable due September 1, 1958, and $4,000,000 of short-term indebtedness to banks. During September and October of 1958 the current notes payable installment, the short-term indebtedness, and $5,000,000 of the 4¼% notes payable were repaid out of proceeds received from the liquidation of Chemurgy Division working capital and out of other company funds.

In November, 1958, the remaining long-term notes payable to banks were repaid from the net proceeds of the issuance of $30,000,000 4¾% Sinking Fund Debentures, due November 1, 1983. The Indenture, under which these debentu

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were issued, provides for minimum annual sinking fund payments of $1,500,000 commencing November 1, 1964. The Indenture also restricts the payment of dividends to consolidated net income earned subsequent to August 31, 1958, plus $10,000,000.

COMMON STOCK

Common stock outstanding at August 31, 1958, consisted of 2,298,170 shares, there being no change during the fiscal year. The company has in effect a Restricted Stock Option Plan for key management employees, which was approved by shareholders in 1952. At the beginning of the 1958 fiscal year there were outstanding options for 89,390 shares of stock. During the year options for 3,770 shares were granted and options for 5,650 shares terminated. At the close of the year options were outstanding for 87,510 shares. Option prices in all cases are not less than 95% of the market value of the shares at the time such options were granted. Unoptioned shares available for granting of options totalled 3,770 shares at the beginning and 5,650 shares at the close of the year.

WAGES AND SALARIES

Wages, salaries and employee benefits totalled $37,278,752 for 1958 and were 17.2% of sales. These expenses were $37,008,568 in 1957. Retirement funds for employees deposited with bank trustees now total $11,712,422. The retirement plans are non-contributory, the company paying the entire cost. At August 31, 1958, the unfunded liability for past service costs under the plans was estimated to be $4,000,000 and the annual current service cost (which does not include funding of the past service cost) was estimated to be $840,000. During the year, the company made its required contribution to the retirement funds.

TAXES

Taxes on income were $6,287,000, equal to $2.74 per share. Taxes other than on income totalled $1,944,432, compared with $1,843,283 in 1957. Federal income tax returns for the years 1954 through 1957 have recently been reviewed by the Internal Revenue Service. While a final agreement has not yet been reached, no major adjustments are anticipated.

A TEN-YEAR COMPARISON

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

	12 Months — August 31			10 Months August 31	12 Months —		
	1958	1957	1956	1955	1954	1953	1952
INCOME							
Net sales	$217,353	$225,537	$226,290	$180,525	$209,084	$211,758	$205,113
Cost of products sold	168,979	176,874	177,538	142,047	167,845	170,492	164,890
Selling, administrative and general expenses	34,149	32,995	31,974	24,047	27,701	26,739	26,238
Income from operations	14,225	15,668	16,778	14,431	13,538	14,527	13,965
Income before taxes on income	12,350	15,387	16,451	14,325	14,235	14,834	14,204
Taxes on income	6,287	8,123	8,304	7,212	7,142	7,725	7,256
Net income	6,063	7,264	8,147	7,113	7,093	7,109	6,949
Dividends on common shares	4,596	4,594	4,592	4,589	4,582	4,578	5,134
Dividends on preferred shares	—	—	—	—	—	—	—
Earnings reinvested	1,467	2,670	3,555	2,524	2,511	2,531	1,815
Depreciation, depletion and amortization	5,838	5,046	2,870	2,235	2,333	2,185	1,965
FINANCIAL POSITION							
Working capital	$ 52,572	$ 53,100	$ 35,696	$ 47,156	$ 51,226	$ 46,005	$ 46,475
Property, plant and equipment — at cost	89,963	89,177	79,840	64,421	57,207	55,528	52,924
Property, plant and equipment — net	59,992	59,517	53,414	39,993	34,493	33,234	31,394
Total assets	133,240	140,370	118,738	106,762	102,670	102,750	101,958
Long-term debt	26,000	27,500	[illegible]	9,000	10,500	7,000	8,500
Shareholders' equity	87,304	85,837	83,091	79,513	76,923	74,324	71,644
PER COMMON SHARE							
Net sales	$ 94.58	$ 98.14	$ 98.56	$ 78.65	$ 91.16	$ 92.44	$ 89.78
Net income	2.64	3.16	3.55	3.10	3.09	3.10	3.04
Depreciation, depletion and amortization	2.54	2.20	1.25	.97	1.02	.95	.86
Dividends declared on common shares	2.00	2.00	2.00	2.00	2.00	2.00	2.25
Shareholders' equity	37.99	37.35	36.19	34.64	33.54	32.44	31.36
Price of Glidden common shares [2] — High	38.75	37.50	41.12	44.50	42.50	38.12	42.62
— Low	28.00	29.50	34.50	36.12	28.75	27.88	32.88
OTHER STATISTICS							
Expenditures for property, plant and equipment	$ 9,214	$ 12,465	$ 16,637	$ 8,155	$ 4,021	$ 4,150	$ 3,043
% net income to shareholders' equity	6.9%	8.5%	9.8%	8.9%	9.2%	9.6%	9.7%
% dividends to net income	75.8%	63.2%	56.4%	64.5%	64.6%	64.4%	73.9%
Ratio of current assets to current liabilities	3.64	2.96	2.27	3.58	4.36	3.15	3.13
Common shares outstanding	2,298,170	2,298,170	2,295,990	2,295,350	2,293,455	2,290,794	2,284,739
Preferred shares outstanding	—	—	—	—	—	—	—
Number of shareholders	22,405	21,686	20,758	20,019	19,174	18,726	18,310
Number of employees	6,353	6,455	6,387	6,397	6,198	6,120	6,127
PRO FORMA *(excluding operations of Chemurgy Division)*							
Net sales	$185,380	$190,424	$190,483	$151,752	$169,823	$170,717	$164,283
Income before taxes on income	10,294	13,590	14,252	13,102	12,271	12,907	12,249
Net income	5,076	6,402	7,091	6,526	6,150	6,184	6,010

[1] Plus 2% stock dividend.
[2] Calendar years, except 1958 which is to October 1, 1958.

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CONSOLIDATED BALANCE SHEETS

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY

August 31, 1958, and August 31, 1957

ASSETS

	1958	1957
CURRENT ASSETS		
Cash	$ 9,295,760	$ 9,581,466
Trade accounts receivable, less allowances of $529,395 (1957 — $505,621)	20,175,792	18,343,022
Inventories of Chemurgy Division — at amount realized from sale thereof on September 1, 1958 (1957 — at lower of cost or market)	3,756,249	5,262,342
Inventories of continuing operations — generally at the lower of accumulated-average cost or replacement market:		
Raw materials and work in process	$ 18,152,557	$ 22,784,382
Finished goods	18,619,092	19,340,881
	$ 36,771,649	$ 42,125,263
Other current accounts, advances and investments	1,900,305	4,022,319
Prepaid insurance and other expenses	608,840	798,459
Total Current Assets	$ 72,508,595	$ 80,132,871
PROPERTY, PLANT AND EQUIPMENT		
Land — at cost	$ 4,062,042	$ 4,084,821
Buildings — at cost	32,638,636	31,460,224
Machinery and equipment and other facilities — at cost	53,262,491	53,631,577
	$ 89,963,169	$ 89,176,622
Less accumulated depreciation, depletion and amortization	29,971,238	29,659,661
Total Property, Plant and Equipment — Net	$ 59,991,931	$ 59,516,961
OTHER ASSETS	739,536	720,023
	$133,240,062	$140,369,855

LIABILITIES AND SHAREHOLDERS' EQUITY

	1958	1957
CURRENT LIABILITIES		
Notes payable to banks:		
Short term	$ 4,000,000	$ 9,000,000
Long-term notes maturing within one year	1,500,000	—0—
Accounts payable	6,467,609	8,002,714
Accrued taxes, insurance, royalties and interest	1,439,805	1,639,224
Dividend payable	1,149,085	1,149,085
Taxes on income — estimated	5,379,725	7,241,716
Total Current Liabilities	$ 19,936,224	$ 27,032,739
LONG-TERM DEBT		
3¼% notes payable to banks, due $1,500,000 annually 1959 — 1962	$ 6,000,000	$ 7,500,000
4¼% notes payable to banks, due October 1, 1960	20,000,000	20,000,000
Total Long-term Debt	$ 26,000,000	$ 27,500,000
SHAREHOLDERS' EQUITY		
Common Stock, par value $10 per share:		
Authorized — 3,000,000 shares		
Reserved for sale under options to key management employees at not less than 95% of fair value at date options are granted — 93,160 shares		
Outstanding — 2,298,170 shares	$ 22,981,700	$ 22,981,700
Additional amount paid in	9,861,772	9,861,772
Earnings retained for use in the business, including retained earnings of Canadian subsidiary $4,673,967 (1957—$5,530,754)	54,460,366	52,993,644
Total Shareholders' Equity	$ 87,303,838	$ 85,837,116
	$133,240,062	$140,369,855

See earlier sections of this report for information regarding disposition of the Chemurgy Division, dividend restrictions and retirement plans.

CONSOLIDATED INCOME
and earnings retained for use in the business

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY

Years ended August 31, 1958, and August 31, 1957

INCOME	1958	1957
Net sales	$217,352,681	$225,537,291
Operating costs:		
Cost of products sold	$168,979,340	$176,874,019
Selling, administrative and general expenses	34,148,467	32,994,651
	$203,127,807	$209,868,670
Income from Operations	$ 14,224,874	$ 15,668,621
Other income and (deductions):		
Interest expense	$ (1,562,025)	$ (1,277,776)
Abandonment of St. Helena plant	(1,215,239)	—0—
Royalties and other income — net	902,452	996,592
	$ (1,874,812)	$ (281,184)
Income Before Taxes on Income	$ 12,350,062	$ 15,387,437
Taxes on income — estimated:		
Federal	$ 5,818,000	$ 7,620,000
Dominion and state	469,000	503,000
	$ 6,287,000	$ 8,123,000
Net Income	$ 6,063,062	$ 7,264,437

Provision for depreciation, depletion and amortization included above: 1958 — $5,838,032; 1957 — $5,046,378

EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$ 52,993,644	$ 50,323,547
Net income	6,063,062	7,264,437
	$ 59,056,706	$ 57,587,984
Cash dividends declared — $2.00 per share	4,596,340	4,594,340
Balance at end of year	$ 54,460,366	$ 52,993,644

SUMMARY OF SOURCE AND DISPOSITION OF FUNDS

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY

Years ended August 31, 1958, and August 31, 1957

SOURCE OF FUNDS	1958	1957
Net income	$ 6,063,062	$ 7,264,437
Charges to income which did not involve current expenditures:		
Depreciation, depletion and amortization	5,838,032	5,046,378
Abandonment of St. Helena plant	1,215,239	—0—
Total from Operations	$ 13,116,333	$ 12,310,815
Long-term borrowings (payment)	(1,500,000)	20,000,000
Other sources	1,666,641	2,153,224
	$ 13,282,974	$ 34,464,039
DISPOSITION OF FUNDS		
Dividends declared	$ 4,596,340	$ 4,594,340
Expenditures for property, plant and equipment	9,214,395	12,465,415
Increase (decrease) in working capital	(527,761)	17,404,284
	$ 13,282,974	$ 34,464,039

ACCOUNTANTS' REPORT

Shareholders and Board of Directors
The Glidden Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Glidden Company and its Canadian subsidiary for the year ended August 31, 1958. 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 of the preceding year.

In our opinion, the accompanying balance sheet, statements of income and earnings retained for use in the business, and summary of source and disposition of funds present fairly the consolidated financial position of The Glidden Company and Canadian subsidiary at August 31, 1958, 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 1, 1958

BOARD OF DIRECTORS

DWIGHT P. JOYCE
ALEXANDER D. DUNCAN
B. W. MAXEY
JOHN H. WEEKS
R. D. HORNER
W. G. PHILLIPS
WILLARD C. LIGHTER
HARVEY L. SLAUGHTER
G. M. HALSEY
W. D. STALLCUP
G. S. WARNER

OFFICERS

DWIGHT P. JOYCE, *Chairman of the Board and President*
WILLARD C. LIGHTER, *Executive Vice-President*
B. W. MAXEY, *Vice-President — Finance*
ALEXANDER D. DUNCAN, *Vice-President*
HARVEY L. SLAUGHTER, *Vice-President*
JOHN H. WEEKS, *Vice-President — Personnel*
G. M. HALSEY, *Vice-President*
W. D. STALLCUP, *Vice-President*
R. D. HORNER, *Secretary and General Counsel*
W. G. PHILLIPS, *Treasurer*
G. S. WARNER, *Controller*
R. K. DUTTON, *Assistant Secretary*
D. E. ERSKINE, *Assistant Controller*

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 St[illegible] Exchange and has trading privileges on other major stock exchanges.

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