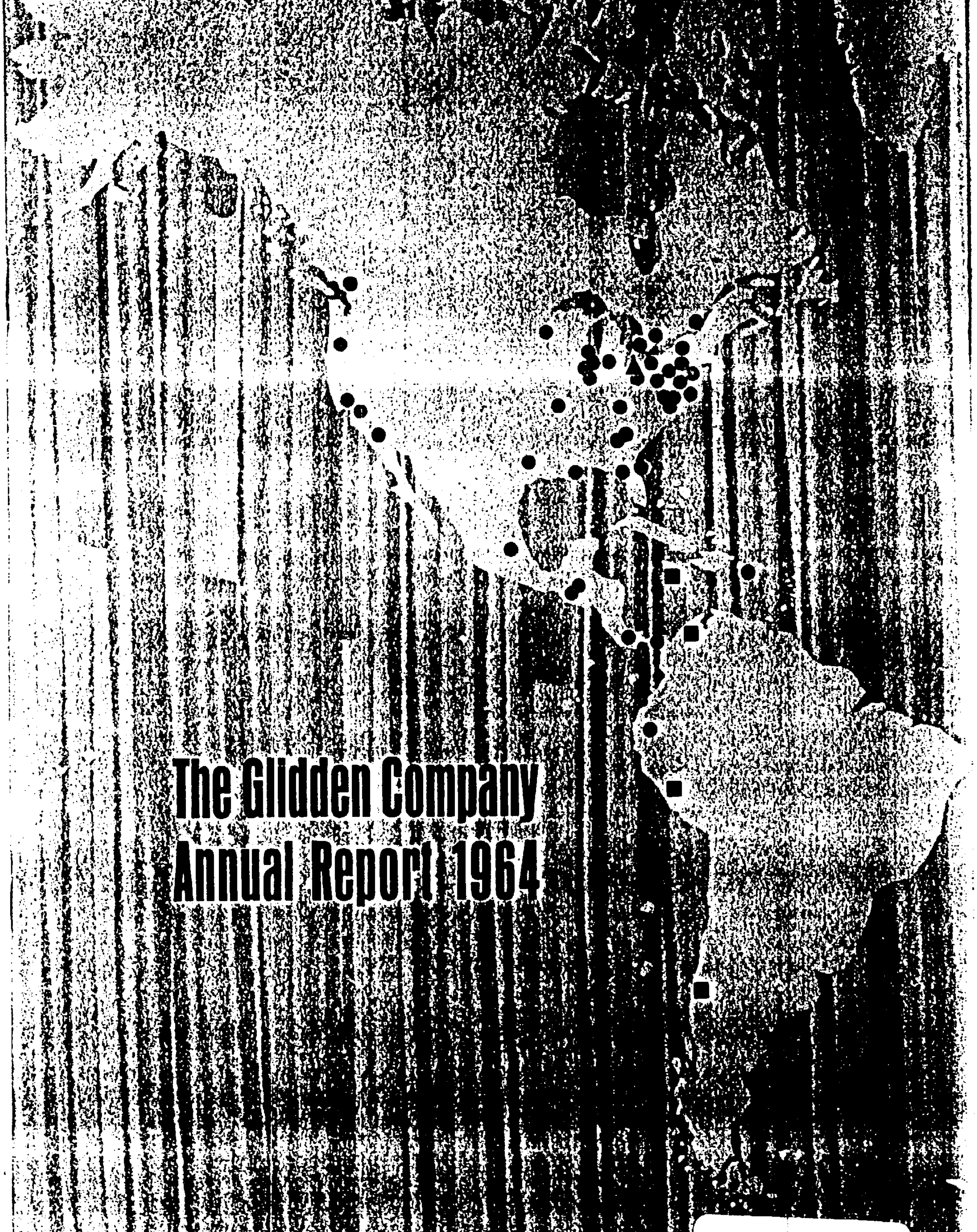

The Glidden Company Annual Report 1964

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Glidden Plants and Products Around th

Coatings & Resins Group

Plants:
- Atlanta, Ga.
- Carrollton, Tex.
- Chicago, Ill. (2)
- Cleveland, Ohio
- Los Angeles, Calif.
- Minneapolis, Minn.
- Montreal, Que.
- New Orleans, La.
- Portland, Ore.
- Reading, Pa.
- St. Louis, Mo.
- San Francisco, Calif.
- Toronto, Ont.
- Wickliffe, Ohio
- Wilmington, Del.

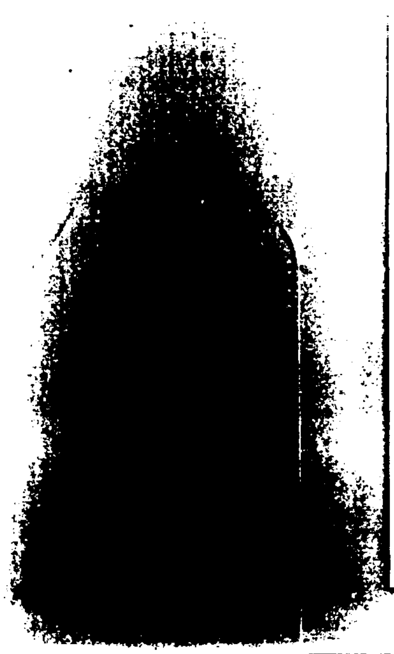
Arch. Products Pilot Plant:
- Atlanta, Ga.

Products:
- Interior House Paints
- Exterior House Paints
- Floor Paints
- Wood Stains
- Enamels
- Lacquers
- Varnishes
- Tinting Bases
- Masonry Filler-Sealer
- Polyurethane Coatings
- Maintenance Coatings
- Graphic Arts Paints
- Traffic Paint
- Industrial Coatings
- Industrial Resins
- Aircraft Finishes
- Paper Coatings
- Marine Finishes
- Industrial Adhesives
- Grout and Mortar
- Neoprene Coatings
- Hypalon Coatings
- Architectural Building Materials

Foods Group

Plants:
- Berkeley, Calif.
- Bethlehem, Pa.
- Chicago, Ill. (2)
- Jersey City, N. J.
- Louisville, Ky.
- Wolcott, N. Y.

Products:
- Sauce and Gravy Mixes
- Spices and Herbs
- Extracts and Flavorings
- Seasoning Blends
- Durkee's Famous Sauce
- Vegetable Flakes
- Food Colors
- Packaged and Bulk Coconut
- Dehydrated Onion Products
- O&C French Fried Onions
- O&C Boiled Onions
- O&C Potato Sticks
- O&C Potato Salad
- O&C Potato Pancakes
- Gretchen Grant Frozen Hors d'oeuvres
- Gretchen Grant Pastries
- Bulk Shortenings
- Bakers' Margarine
- Hard Butters
- Specialty Edible Oil Products
- Food Emulsifiers
- Margarine Oils
- Refined Vegetable Oils
- Salad Oils



Around the World

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Chemicals Group

Plants:

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

Products:

- Titanium Dioxide Pigments
- Inorganic Colors
- Metal Powders
- Copper, Lead, Tin, Iron, Nickel, Manganese, Silicon, Stainless Steel, Alloys
- Copper Oxide
- Copper Pigment
- Perfumery & Aromatic Chemicals
- Terpene Chemicals
- Distilled Tall Oil
- Tall Oil Rosin
- Tall Oil Fatty Acids
- Porcelain Enamel Frits
- Ceramic Frits

International Group

Affiliated Companies in:

- Belgium
- Costa Rica
- Ecuador
- Guatemala
- Italy
- Japan
- Mexico
- Panama
- Philippines
- Puerto Rico
- South Africa
- West Germany

Licensees in:

- Australia
- Chile
- Colombia
- Denmark
- Finland
- France
- Iceland
- The Netherlands
- New Zealand
- Norway
- Peru
- Philippines
- Spain
- Sweden
- United Kingdom
- West Indies

Glidden

Financial Highlights

	1964	1963	Change
Net sales	$257,660,508	$240,954,776	+ 7%
Income before taxes	$ 18,015,735	$ 14,467,335	+25%
Net income	$ 9,064,735	$ 7,494,335	+21%
Per common share	$3.63	$3.03	+20%
Cash flow	$ 16,542,593	$ 15,640,718	+ 6%
Per common share	$6.82	$6.53	
Dividends on common stock	$ 4,682,506	$ 4,662,880	
Per share	$2.00	$2.00	
Dividends on preferred stock	$ 480,775	$ 420,066	
Depreciation and depletion	$ 6,735,858	$ 6,750,383	
Expenditures for plant and equipment	$ 6,904,347	$ 4,023,449	+72%
Working capital	$ 78,551,365	$ 73,359,202	+ 7%
Current ratio	3.98 to 1	4.51 to 1	
Shareholders' equity	$111,102,031	$105,390,441	+ 5%
Per common share	$42.19	$41.26	
Number of shareholders			
Preferred	492	135	
Common	20,417	20,809	
Number of employees	7,805	7,505	+ 4%

The Glidden Company Annual Report 1964

Contents

Dwight P. Joyce

Report from the Chairman

Fiscal 1964 was an excellent year – one of the best in our history. Sales of The Glidden Company reached an all-time high of $257,660,508, compared with sales of $240,954,776 in fiscal 1963. It should be noted that fiscal 1963 also set a new sales record, and thus we have had two consecutive record-breaking years. Net income for 1964 amounted to $9,064,735, compared with net income of $7,494,335 for the previous fiscal year. Net income per common share amounted to $3.63, compared with $3.03 per common share during fiscal 1963. Other highlights of the operating results are discussed in the Report from the President.

From the beginning, the fiscal year of 1964 had the earmarks of a good one. Excellent fall weather last year extended the outdoor painting season later than normal, which assisted sales of both our Coatings and Resins Group and our Chemicals Group, and we took advantage of the momentum of this start to achieve further sales gains throughout the year. Of far greater importance than the weather, however, is the fact that we are now beginning to reap the benefits of the considerable investments we have made in recent years to strengthen our management organization; improve our manufacturing techniques; broaden coverage of the markets we serve, and expand our research and product development efforts. This is not to say that we have all of this work behind us by any means, for in these vital areas, work is never finished. However, we are at this moment in the best position in our history to create and take advantage of further growth opportunities.

As Chief Executive Officer of the company, it has been my duty and pleasure to make sure that our company continues to build a strong management organization, both for the present and for the future. We have made fine progress in recent years, and it is highly gratifying to see a young, vigorous and imaginative team earning positions of increasing responsibility.

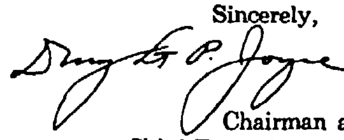
In March of 1964, William G. Phillips, age 44, was elected President of the company. Mr. Phillips came to The Glidden Company in 1948 and was elected Treasurer and a Director in 1953. In 1960, he assumed the additional duties of coordinating the company's long range planning program and was elected Administrative Vice President in 1963. As top operating officer, Mr. Phillips typifies the youthful group of executives who will direct the company's future growth.

Other important organizational changes also were made during the year. George M. Halsey, Vice President of the Chemicals Group, was elected Senior Vice President and continues to head our chemicals operations. George S. Warner, formerly Vice President-Operations of the Chemicals Group, was elected Vice President of the Foods Group. William L. Rodich was appointed Vice President-Operations of the Chemicals Group, replacing Mr. Warner. Walter C. Mitchell was appointed Vice President of the Pigments and Color Division of the Chemicals Group. Bernard R. Krashin and Roland C. Disney were appointed Vice Presidents of Macco Chemical and Gates Engineering Divisions, respectively, of the Coatings and Resins Group.

In February, 1964, Raymond Q. Armington, President of the Triax Company of Cleveland, was elected a member of the Glidden Board of Directors. Mr. Armington replaces A. D. Duncan, who resigned following retirement from active duty with the company.

This is the 32nd consecutive calendar year in which The Glidden Company has paid a dividend. We are proud of this record and are constantly reminded that all our efforts and planning for the future are directed toward one end – to protect and enhance your investment in the company.

Sincerely,



Chairman and
Chief Executive Officer

November 9, 1964

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Report from the President

William G. Phillips

All three domestic operating groups — Coatings and Resins, Foods, and Chemicals—contributed to the excellent sales increase of seven per cent during fiscal 1964. In these three groups, the rate of profit improvement was even greater than the rate of sales increase because we improved our manufacturing efficiency in many areas and we are concentrating more of our efforts on merchandising those products which have higher profit margins. The International Group also had a good sales increase and expanded its operating activities, but profits were reduced by start-up and relocation expenses in several places.

The Coatings and Resins Group contributed a 10 per cent increase in sales over fiscal 1963, with all regions of the group achieving increases. The newly acquired Macco Chemical and Gates Engineering Divisions, whose results are included for the first time this year in the group totals, are also doing well.

The Durkee Famous Foods Group improved sales in all three divisions—Institutional, Industrial, and Grocery Products and increased profits by a substantial margin.

The Chemicals Group increased sales by nearly seven per cent with an excellent increase in profit. The ilmenite mine at Lakehurst, N. J., was brought into full production.

Capital expenditures amounted to $6,904,347 in fiscal 1964. Major outlays were for acquisitions made during the year, and for new plants or major plant additions in Belgium, Panama, Mexico, and Chicago, Ill.

At this time, we anticipate capital expenditures for 1965 of over $9 million, to be used for manufacturing facilities to produce new products and, where necessary, to operate more efficiently. For example, we will start construction of a new plant at Huron, Ohio, to make new types of resins and will make major additions to the organic chemicals plant at Jacksonville, Fla., for refining terpene chemicals. We also plan to expand iron powder production facilities at Johnstown, Pa., and will begin production of iron powders at Hammond, Ind.

We are continuing to invest in research and new product development. Expenditures for this purpose amounted to $3.8 million in 1964, and expenses for technical services amounted to $2.7 million. Thus, our total research and technical services expenditures were $6.5 million, an increase of $600,000 over the previous fiscal year. Nearly all of this increase was for research and new product development.

Our achievements in 1964, our carefully planned long range growth program, and the fact that we have a capable and devoted organization present a promising outlook for the future of the company.

Sincerely,

William G. Phillips

President

November 9, 1964

Coatings and Resins

Paul W. Neidhardt, Vice President
George S. Forbes,
Vice President-Operations

Regional Vice Presidents
Thomas N. Armel,
Chicago, Ill.
James L. Beauchamp,
Atlanta, Ga.
John H. Lathe, Jr.,
San Francisco, Calif.
Robert B. Simpson,
Cleveland, O.
Richard H. Stephens,
Carrollton, Tex.
Herman F. Winger,
Reading, Pa.

George J. Seith, Regional Director, St. Louis, Mo.

James W. Fowler, Vice President, The Glidden Company, Ltd., Toronto, Ont.

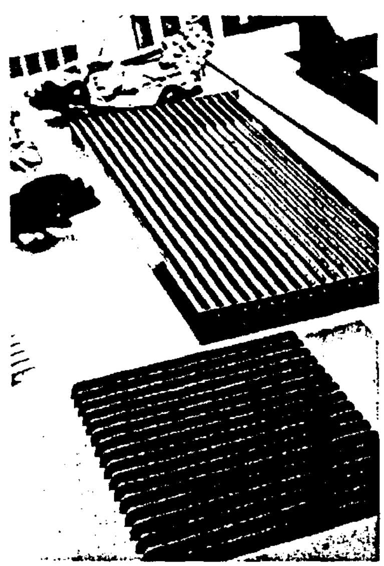
Division Vice Presidents
Roland C. Disney, Gates Engineering, Wilmington, Del.
Bernard R. Krashin, Macco Chemical, Wickliffe, O.

Sales of the Coatings and Resins Group were $105,700,000 in fiscal 1964, compared with $96,300,000 in 1963. This is the first year in the company's history in which the sales of this group exceeded $100 million.

A major factor in achieving this excellent growth was the increase in trade sales—that is, sales to individual consumers, to painting contractors, painters, and for industrial maintenance purposes. Increased sales to independent hardware and paint dealers, growth in the number of leased departments, and intensified sales efforts among painting contractors—all contributed to the sales increases.

Sales through company-operated paint branches were particularly good. Our carefully planned concentration on retail business has proved to be profitable. There has been a consistent growth in this business, which since 1961 has increased at a rate of more than 30 per cent a year. During fiscal 1964, we opened 30 new branches and leased departments and closed 19 such operations in less desirable locations, for a net increase of 11 retail outlets during the year.

Complicated metal parts get a better coat of paint through electrocoating.



Industrial sales in fiscal 1964 showed a modest sales gain, with an increase of more than 10 per cent in profit margin. The prime reason for this is that we have been gradually withdrawing from certain areas which offer only modest gross profit potentials and are concentrating our efforts in those areas which offer higher profit opportunities. As we have broadened and developed our position in these more profitable areas, profit margins have responded accordingly. We are now marketing the products flowing from our extensive research and development—for example, in paper coatings, acrylic appliance coatings, pre-finishing of wood products of various kinds, coil and strip coatings, can coatings, and other important metal coatings, including electrocoating.

Sales of polyester resins were excellent, resulting in records in both physical and dollar volume in fiscal 1964. During the year, we announced our intention to construct a new plant at Huron, Ohio, to manufacture resins. This facility,

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Paint sales to consumers played a major role in record Coatings and Resins sales.

which will cost about $2 million, will be used to manufacture new and improved types of resins and to expand our present productive capacity for resins.

One new coating process—electrocoating—has created a great deal of interest in the past year and should be touched on briefly. Electrocoating is a method of applying a coat of paint electrically to a metal object, by charging the metal positively and dipping it in a negatively charged tank which is filled with water-soluble paint. A major advantage, in addition to the cost and time-saving features, is that the metal object receives a uniformly smooth coat of paint, even in corners, crevices, and similar places which cannot be coated by other methods. This is particularly important for metal objects which are exposed to corrosive elements such as water, salt spray or high humidity.

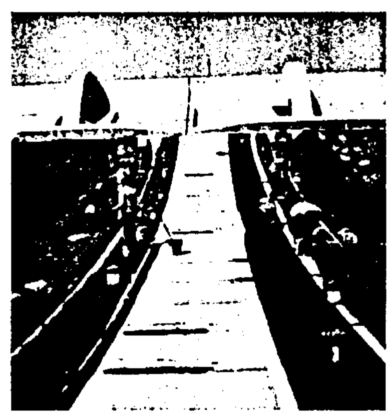
The Ford Motor Company has done a great deal of commercial development work on electrocoating and asked The Glidden Company to develop a coating which would work with the electrocoat system. Glidden research people developed excellent coatings to meet Ford's exacting requirements, and the automobile company is now purchasing quantities for use in the United States and Western Europe.

Glidden is now actively extending electrocoating techniques to non-automotive fields, and we are working on new and different types of coatings which will be useful in a wide variety of metal-coating applications. We believe that electrocoating offers excellent growth potential, and Glidden is a leader in the field.

During 1964, we were again successful in reducing manufacturing costs of our products, while improving quality. Through use of more efficient manufacturing equipment, improved techniques, and increased volumes of production, we made considerable progress in this direction. This work will continue.

We have also been developing better methods of handling, shipping, and warehousing our products with the result that, during fiscal 1964, these expenses took a smaller part of each sales dollar. We are continually working on further improvements in this area.

Macco Chemical Company became part of Glidden's Coatings and Resins Group on March 1, 1964, and is now operated as two divisions of the group—Macco Chemical Division and Gates Engineering Division. Macco Division's sales of adhesives, grouts, tile cleaners, patching compounds, and similar items are moving well. Some Macco products are now being distributed through Glidden retail outlets. Gates Engineering Division produces and applies highly specialized protective linings and coatings for the chemical, transportation, petroleum, and other industries, and manufactures Neoprene sheet stock for a variety of uses, including tank linings, and special roofing



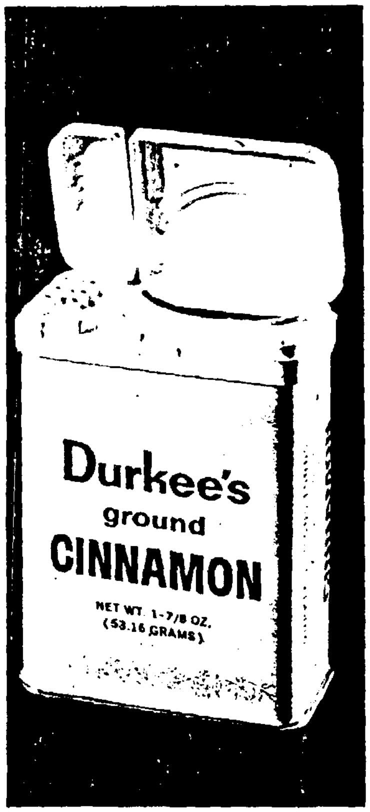
Gacoflex Hypalon and Neoprene coatings were used on the roof of Dulles Airport, serving Washington, D. C.

systems. This addition to the company offers great potential as an extension of the company's coatings and resins activities.

During 1964, The Glidden Company Ltd., of Canada acquired Walker Bros., Ltd., of Vancouver, B. C., a specialty wood coatings manufacturer. Walker Bros. makes stains, sealers, and other wood coatings for treating shingles, shakes, and lower grades of plywood. Glidden is using Walker's good position as a supplier in the forest products industry to develop more advanced wood coatings.

Foods

George S. Warner, Vice President
George F. Atkinson, Vice President, Institutional and Industrial Products Divisions
Robert L. Klein, General Manager, Industrial Products
Richard J. Hauer, General Manager, Institutional Products
Paul D. Hursh, Vice President Grocery Products Division
Dana S. Case, General Manager, Grocery Products
Norman L. Waggoner, Jr., General Manager, Gretchen Grant Kitchens Division



New Durkee spice tins feature an easy-to-open plastic closure; contents can be shaken, spooned or poured.

Sales of the Foods Group amounted to $99,300,000 in fiscal 1964, compared with sales of $95,600,000 in fiscal 1963. This represents an increase of about four per cent in sales, with profit improvement being substantially greater.

The Foods Group has been reorganized and now consists of four divisions, as follows:

Industrial Food Products Division—responsible for sales of shortening, salad oil, margarine oil, and similar products to large industrial users such as margarine, salad dressing, and shortening manufacturers and to large industrial food processors such as makers of potato and corn chips, candy, cookie, cake, and cake mix and pastries.

Institutional Food Products Division—responsible for sales of shortenings, sauce and gravy mixes, French fried onions, spices, and similar products to wholesale and retail bakeries, restaurants, hotels, hospitals, and other mass food preparation establishments.

Grocery Products Division—responsible for sales of spices, coconut, Durkee's Famous Sauce, sauce

Modern machines fill Durkee's coconut "Twin-Paks" at the Bethlehem, Pa., plant.

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and gravy mixes, O&C brand food products, and like items to grocery stores and supermarkets.

Gretchen Grant Kitchens Division—responsible for sales of Gretchen Grant frozen hors d'oeuvres and French pastry to restaurants, supermarkets, hotels, private clubs, caterers, and similar establishments. This division, which offers growth potential in a new segment of the convenience food field, was acquired in fiscal 1964.

Along with this realignment, we are placing continuing emphasis on research and new product development in the Foods Group, and have expanded our research laboratory facilities in Chicago, Ill., for this purpose. In addition to extensive research work on edible oils which is conducted there, we now have fully staffed and equipped test kitchens for the Institutional and Grocery Products Divisions.

Two years ago, we placed into production a new fractionation plant adjacent to the Durkee plant in Chicago, and we are selling increasing amounts of new and improved types of vegetable oil products which are being refined in the new facility.

Durkee sauce and gravy mixes, which were introduced a year ago, are gaining popularity. The large amount of "repeat" buying which these mixes enjoy is excellent testimony to their quality. We are now offering these products in larger sizes through our Institutional Products Division, where they are also getting a good reception.

Gretchen Grant frozen hors d'oeuvres give a gourmet touch to a festive occasion.

We are now packing Durkee's spices in tins with new, easier-to-use, flip-top plastic closures, and these are appearing on supermarket shelves in various parts of the country.

O&C brand products, including canned French fried onions, potato sticks, and boiled onions, became a part of the Grocery Products Division in 1962 and are making a good

Before putting new Durkee shortenings on the market they are rigorously tested in commercial ovens.

contribution to sales and profits. Several new O&C products were introduced during the year, including German style canned potato salad, canned potato pancakes, and barbecue flavored potato sticks. These new sticks complement the already popular line of O&C regular and cheese flavored potato sticks. Other new food products are now being developed and will be marketed under the Durkee or O&C labels. Several products sold in grocery stores under O&C labels are being marketed through the Institutional Products Division under Durkee labels.

Competition in the food business is extremely keen, but we believe that our continued emphasis on new product development and on specialty and convenience food items will enable us to show improving sales and profit results in the years to come.

Durkee's sauce and gravy mixes are gaining wide acceptance—and increasing space on supermarket shelves.

Durkee's Mel-Fry, a pourable shortening designed for deep fat frying, finds ready markets in restaurants.

Chemicals

George M. Halsey,
Senior Vice President

William L. Rodich,
Vice President-Operations

Richard H. Turk, Sr.,
Vice President, Pemco Division

R. P. T. Young, Vice President,
Organic Chemicals Division

Walter C. Mitchell, Vice
President, Pigments and Color
Division

James C. Rankin,
Vice President-Marketing

Vice Presidents—Perhco
Herbert Turk, Sr.—
Administration

Karl Turk, Jr.—Operations

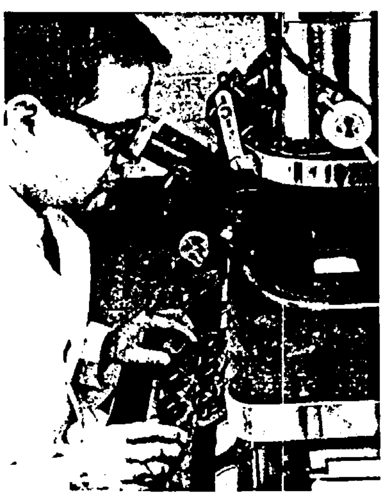
Willard G. Hall, General
Manager, Metals Division

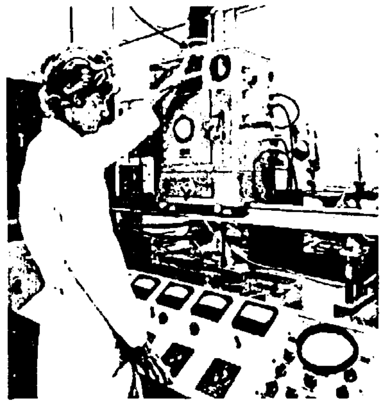
The Chemicals Group achieved excellent sales and profit increases in fiscal 1964, with sales of $46,000,000, compared with sales of $43,200,000 in the previous fiscal year. All divisions of the Chemicals Group—Pigments and Color; Pemco; Organic Chemicals, and Metals—contributed to the sales increases.

The sales and profit increases were the result of more aggressive sales efforts, the successful developing and marketing of new products, and programs designed to reduce operating costs.

Sales of titanium dioxide improved during 1964, and ended the year with an increase of eight per cent over the previous fiscal year. Several new types of colored pigments gained increasing customer acceptance during the year and contributed to the sales increases. We are continuing research and product development work on new and improved types of pigments, and these will be introduced into the market in the coming months. We now have in operation a modern, new research facility adjacent to our Adrian Joyce Works in Baltimore, Md., in which is centralized our inorganic chemical research work. Under construction is a major addition to this laboratory, which will be in operation during fiscal 1965.

An electron microscope reveals the structure of titanium dioxide manufactured at the Adrian Joyce Works, Baltimore.





Trace matter in raw materials and products are identified by this emission spectrograph.

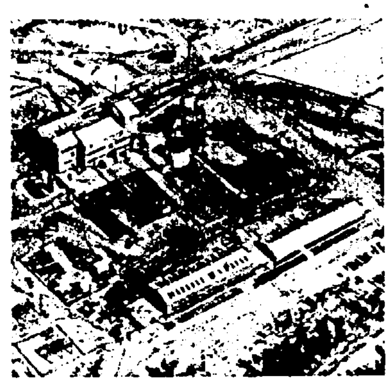
The ilmenite ore mine at Lakehurst, N. J., is now in full production. This mine assures us a domestic supply of ilmenite ore which will not be subject to the fluctuations of world market conditions or to international political crises. It also provides us the opportunity to standardize titanium dioxide production processes and reduce operating costs by supplying an ilmenite ore of consistent quality.

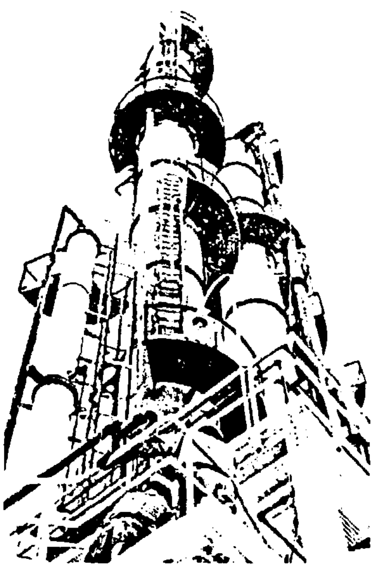
The Metals Division showed excellent gains during 1964, with increased sales of both ferrous and nonferrous metal powders. We are continuing efforts to improve manufacturing techniques, develop new grades of metal powders, and broaden uses of metal powders through development of new markets and applications.

The Organic Chemicals Division showed sales and profit improvements, attributable largely to the excellent showing of the fine terpene chemicals portion of the division. Sales of basic terpene chemicals and tall oil products were up slightly, and profits of both these operations were about the same as in the previous year.

In recent years, we have been changing the shape of the Organic Chemicals Division, to place more emphasis on the synthesis, production, and marketing of aromatic and flavor chemicals. Three years ago, for example, about 80 per cent of the dollar sales volume of the Jacksonville, Fla., plant was composed of "bulk" chemicals—pine oil, alpha pinene, beta pinene, and dipentene. Today, about half of the dollar volume is composed of "fine" terpene chemicals—citronella oil, lemongrass oil, bois de rose, and derivatives from these three essential oils. These fine chemicals are used as perfumery materials in the manufacture of soaps, detergents, cosmetics, cleaners, and in the man-

Raw material for titanium dioxide is mined at Lakehurst, N. J.





This new fractionation column increases the capacity of the Organic Chemicals Plant in Jacksonville, Fla.

ufacture of vitamins A and E. Heretofore, these essential oils were available primarily in their natural states, but Glidden chemists developed methods of synthesizing them from terpenes, thus assuring oils of uniformly high quality at stable price levels, from domestic sources. These specialty chemical products offer a good profit and growth potential.

Chemists of the Organic Chemicals Division have also been able to synthesize peppermint oil, spearmint oil, lemon flavor, and lime flavor from terpene raw materials. These products also offer fine growth potential.

The Pemco Division achieved a substantial sales increase during 1964. Pemco is continuing to place a great deal of emphasis on new, more advanced types of products in an effort to broaden the division's market coverage, combat higher raw material costs, and hold down manufacturing expenses.

Considerable effort has been made in recent years to strengthen the research, operating, and sales organizations of all divisions of the Chemicals Group, and these efforts are evident in the results for fiscal 1964. We have every reason to believe that we will make further gains in the future.

International

Robert D. Horner, Vice President

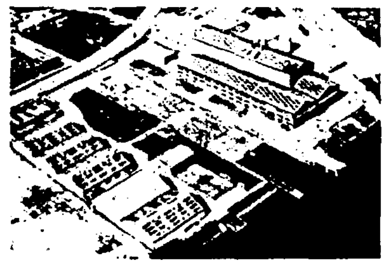
Harris G. Beck, Director of Manufacturing and Research

G. Keith Brewin, Assistant Treasurer and Administrator—European Operations

John K. McGuire, Director of Marketing

Diego Perez-Stable, Administrator-Latin American Operations

Glidden's International Group is responsible for the company's operating, licensing, exporting, and joint venture activities outside the United States and Canada. Consolidated sales during fiscal 1964 included sales of the International Group amounting to $6,700,000,



The new porcelain enamel frit plant in Bruges, Belgium is housed in a former shipyard.

compared with sales of $5,900,000 for the previous fiscal year. These figures do not include sales of unconsolidated subsidiaries or those in which the company holds a minority interest.

As these figures indicate, The Glidden Company does not at this time derive a large portion of its sales from overseas operations. In most areas of the world, we are not a major factor, but we are planning and making additional investments in foreign countries, which strengthen our position in important world markets. During the time we are developing positions in these markets, expenditures of money are substantial, and we, therefore, do not expect our foreign operations to generate profits of any significant size for several years. We have considerable technology in coatings, foods and chemicals, and during the past year we took the following steps to put this technology to work:

- We brought into production a new porcelain enamel frit plant at Bruges, Belgium. This plant has been built to supply high quality frit to manufacturers throughout Western Europe. We have now established sales, manufacturing and management organizations there, and we are in a position to take advantage of the growing market potentials offered in this area of Europe.

• Glidden-Salchi, S.p.A., a leading Italian paint company in which Glidden owns a majority interest, began operations in a new plant near Milan, and is now manufacturing an increasing variety of coatings and resins for the Italian market.

• Lackwerke Wulfing, of Wuppertal, West Germany, a leading paint company in which Glidden has a minority interest, is completing construction of new resin production facilities as part of a major plant modernization program. Wulfing is supplying quantities of electrocoating material to The Ford Motor Company in Belgium and Germany.

Mrs. Dwight P. Joyce officially opens the new Glidden-Salchi coatings plant in Milan, Italy.

• During fiscal 1964, Glidden entered into a joint venture with Euro-Products of Brussels, Belgium, to market Durkee spices in the Benelux countries. This is our first effort to market food products in Western Europe, and we hope to gain valuable marketing information for possible future use.

• General Paint Company de Mexico, a Glidden subsidiary located in Mexico City, has completed and is now operating a new plant there, which enables the company to produce a broader variety of coatings at lower cost.

• Fabrica de Pinturas Glidden, S. A., of Panama has completed construction of a new paint factory to produce products for sale in that country.

• Glidden has formed, with Guatemalan and Japanese groups, a company in Guatemala to manufacture galvanized steel sheets for use in commercial, industrial, and residential building construction. The materials will be sold in the Central American Common Market.

• During fiscal 1964, Glidden acquired a controlling interest in Pinturas Centro-Americanas, S. A., located in Guatemala. Prior to 1964, Glidden held a minority interest. Glidden also owns a 50 per cent interest in Pinturas Centro-Americanas Costa Rica, Ltda., and paint requirements are being supplied to the Central American Common Market through these two companies.

Chairman Dwight P. Joyce inspects a new addition to Lackwerke Wulfing plant in Wuppertal, West Germany.

• During the year, Glidden also acquired an additional 50 per cent interest in Trans-Caribe Supply, Inc., which sells plumbing fixtures and supplies in Puerto Rico. Glidden first acquired a 50 per cent ownership in fiscal 1962. We also opened two new paint branches on the island and now have seven operating there.

Operating and Financial Review

SALES – The consolidated sales of The Glidden Company were $257,660,508 in fiscal 1964, compared with $240,954,776 in 1963. Sales by operating groups for fiscal 1964 were:

	1964 (000)	1963 (000)	Change
Coatings & Resins	$105,700	$ 96,300	+10%
Foods	99,300	95,600	+ 4%
Chemicals	46,000	43,200	+ 7%
International*	6,700	5,900	+14%
Total	$257,700	$241,000	

*Includes only export sales and consolidated subsidiaries.

GROSS PROFIT – Gross profit in fiscal 1964 was $76,876,193, and gross profit margin to sales was 30 per cent. Comparable figures for the 1963 fiscal year were $69,694,797 and 29 per cent. Income from operations was $18,202,353 in 1964, compared with $14,735,969 in the previous fiscal year.

CONSOLIDATED NET INCOME – Consolidated net income after all taxes and charges was $9,064,735 in fiscal 1964, compared with $7,494,335 in the previous fiscal year. After preferred dividends, consolidated net income was equal to $3.63 per common share in fiscal 1964, compared with $3.03 per common share the previous year. On a comparative quarterly basis, net income was:

Quarter Ended	1964 Amount (000)	1964 Per Common Share	1963 Amount (000)	1963 Per Common Share
Nov. 30	$1,861	$ .75	$1,414	$ .56
Feb. 29	1,236	.49	993	.38
May 31	2,576	1.01	2,114	.86
Aug. 31	3,392	1.38	2,973	1.23

SALES AND PROFITS – Following is the percentage of sales and profits for each operating group in 1964, along with the portion of the total assets employed to produce these sales and profits:

	% Sales	% Profit	% Assets
Coatings and Resins	41	38	36
Foods	39	24	26
Chemicals	18	36	31
International*	2	2	7

*Included only on basis of investment cost and directly realized operating results.

DIVIDENDS – Dividends on common stock totaled $4,682,506, based on the regular $2.00 annual rate. For the year, 55 per cent of net income available for common was distributed to common shareholders as dividends. Dividends declared on the $2.125 preferred stock amounted to $480,775 for the year.

During the 1964 calendar year, the following quarterly dividend payments were made on common stock:

Record Date	Date Paid	Amount Per Share
Dec. 6, 1963	Jan. 2, 1964	$.50
Mar. 6, 1964	April 1, 1964	.50
June 8, 1964	July 1, 1964	.50
Sept. 8, 1964	Oct. 1, 1964	.50

WORKING CAPITAL – Working capital at year-end was $78,551,365, and the ratio of current assets to current liabilities was 3.98 to 1.

CAPITAL EXPENDITURES – Capital expenditures in fiscal 1964 amounted to $6,904,347, compared with $4 million for the previous fiscal year. Major items include purchase of a warehouse and additional production facilities at the Durkee food processing plant in Chicago; the new porcelain enamel frit plant at Bruges, Belgium; new coatings manufacturing facilities in Mexico City and Panama; and for acquisitions made during the year. Here is how capital was invested in the operating groups during the year:

Coatings and Resins	25%
Foods	29%
Chemicals	28%
International	18%

INVENTORIES – At August 31, 1964, inventories totaled $55,349,936, compared with $52,448,724 at the end of the 1963 fiscal year. The increase is attributable to the company's acquisitions, the addition of new manufacturing facilities, and to increased sales during the year.

DEPRECIATION – Charges against income for depreciation and depletion amounted to $6,735,858 for 1964, compared with $6,750,383 for 1963. Under the Internal Revenue Service guideline lives, additional depreciation of $1,908,327 will be claimed for 1964 federal tax pur-

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poses. In 1963, this additional depreciation amounted to $2,193,373.

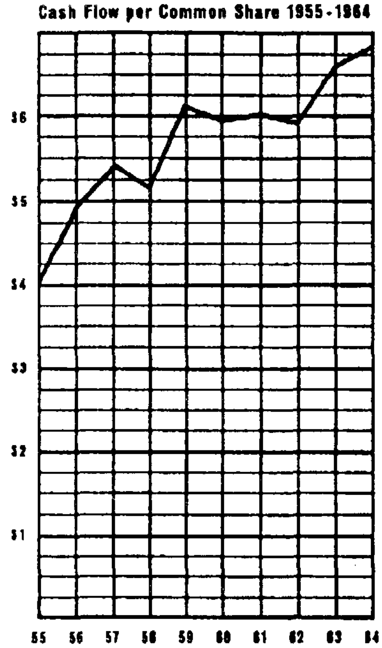
TAXES—Taxes on income amounted to $8,951,000, or $3.81 per common share. Of this amount, $8,209,000 represents taxes which are payable currently, and $742,000 represents taxes for which payment has been deferred to future years due to the use of guideline depreciation rates. The provision for deferred taxes was reduced by $525,000 for the investment tax credit, of which $225,000, or 10 cents per share, was for credit from prior years. The deferment of taxes provides an additional cash flow amounting to 32 cents per common share. Real estate, personal property, franchise and other miscellaneous taxes amounted to $1,842,257 for fiscal 1964.

The Internal Revenue Service is now examining the fiscal years 1960 through 1963, including, for the first time, the operations of Glidden International and other overseas activities which are included in this consolidated report. Provision has been made for federal income taxes on a current basis annually.

CASH FLOW—Cash flow was equal to $6.82 per common share in fiscal 1964, compared with cash flow of $6.53 per common share in the previous fiscal year.

WAGES AND SALARIES—Wages, salaries, and employee benefits amounted to $55,091,973 for fiscal 1964 which was 21.4 per cent of sales. For fiscal 1963, these figures were $51,579,482, or 21.4 per cent of sales.

Cash Flow per Common Share 1955-1964



ADVERTISING—Advertising expenditures for the company amounted to $6,831,482 in fiscal 1964. Company advertising expenditures the previous year were $6,217,784.

LITIGATION—In November, 1963, The Glidden Company and nine other vegetable oil processors were acquitted of charges of stabilizing prices and restricting competition in the sale of shortening in ten western states. Two executives of our Foods Group were also acquitted of the same charges. The indictment was originally issued in June, 1962, along with a second indictment charging Glidden and four other processors and two individuals with stabilizing prices and restricting competition in the sale of salad oil. The Federal District Court in Los Angeles, Calif., in July, 1964, granted motions for dismissal by all defendants of these latter charges on the basis, in substance, that the same alleged offense was involved in both cases. The acquittals in the shortening case and the dismissal in the salad oil case are now both final. These decisions represent a complete vindication of the company and its officials of all charges. We have felt from the beginning that neither the company nor any of its employees violated the antitrust laws as charged, and that these actions never should have been instituted by the government.

During fiscal 1964, the U. S. Supreme Court refused to review the U. S. Court of Appeals' decision finding against Glidden in the consolidated cases of Zdanok et al vs. Glidden and Alexander et al vs. Glidden. These cases involve the contested right of plaintiff former employees to employment with full seniority at the company's plant at Bethlehem, Pa., following the closing of our coconut and condiment plant at Elmhurst, N. Y. Following the Supreme Court's action, the cases were remanded to the U. S. District Court in New York, to determine the extent of damages, if any, to each plaintiff. As this determination is now being made under the supervision of the court, we do not feel it proper to comment or speculate on the final outcome, except to reiterate that, in the opinion of counsel, the company's financial liability will not be material. These cases will not have any effect on future profits.

A Ten Year Comparison

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

	1964	1963	1962
INCOME			
Net sales	$ 257,661	$ 240,955	$ 237,882
Cost of products sold	180,784	171,260	172,819
Selling and administrative expenses	58,674	54,959	50,877
Income from operations	18,202	14,736	14,187
Income before taxes	18,016	14,467	14,025
Taxes on income	8,951	6,973	7,335
Net income	9,065	7,494	6,690
Dividends on preferred shares	481	420	318
Dividends on common shares	4,683	4,663	4,650
Earnings reinvested	3,901	2,411	1,722
Depreciation, depletion and amortization	6,736	6,750	6,099
Provision for deferred income taxes	742	1,396	1,217
FINANCIAL POSITION			
Working capital	$ 78,551	$ 73,359	$ 67,970
Property, plant and equipment — net	59,326	59,658	61,261
Total assets	169,295	158,891	151,840
Long-term debt	28,500	30,000	30,000
Shareholders' equity	111,102	105,390	102,961
PER COMMON SHARE			
Net sales	$ 97.84	$ 94.33	$ 93.15
Cash flow			
Net income	3.63	3.03	2.72
Depreciation, depletion and amortization	2.87	2.90	2.62
Provision for deferred income taxes	.32	.60	.52
Total	6.82	6.53	5.86
Dividends	2.00	2.00	2.00
Shareholders' equity	42.19	41.26	40.31
Price of Glidden common shares[1] — High	54.38	44.63	45.50
— Low	42.63	36.12	32.75
OTHER STATISTICS			
Expenditures for property, plant and equipment	$ 6,904	$ 4,024	$ 11,755
% net income to shareholders' equity	8.2%	7.1%	6.5%
% common dividends to net income available for common	54.9%	65.9%	73.4%
Ratio of current assets to current liabilities	3.98	4.51	4.60
Preferred shares outstanding	254,083	197,270	198,900
Common shares outstanding	2,347,572	2,332,485	2,329,872
Number of shareholders — Preferred	492	135	121
— Common	20,417	20,809	21,043
Number of employees	7,805	7,505	7,115
PRO FORMA *(excluding operations of Chemurgy Division for the fiscal years 1954-1958)*			
Net sales	$ 257,661	$ 240,955	$ 237,882
Income from operations	18,202	14,736	14,187
Income before taxes	18,016	14,467	14,025
Net income	9,065	7,494	6,690

(1) Calendar years, except 1964 which is to October 1, 1964

	12 Months—August 31						10 Months August 31
1962	1961	1960	1959	1958	1957	1956	1955
237,882	$ 206,702	$ 197,491	$ 195,764	$ 217,353	$ 225,537	$ 226,290	$ 180,525
172,819	150,173	142,809	142,535	168,979	176,874	177,538	142,047
50,877	43,850	40,616	36,803	34,149	32,995	31,974	24,047
14,187	12,548	14,066	16,426	14,225	15,668	16,778	14,431
14,025	12,607	13,638	15,926	12,350	15,387	16,451	14,325
7,335	6,190	6,948	8,292	6,287	8,123	8,304	7,212
6,690	6,417	6,690	7,634	6,063	7,264	8,147	7,113
318	—	—	—	—	—	—	—
4,650	4,622	4,621	4,610	4,596	4,594	4,592	4,589
1,722	1,795	2,069	3,024	1,467	2,670	3,555	2,524
6,099	7,441	6,960	6,579	5,838	5,046	2,870	2,235
1,217	—	—	—	—	—	—	—
67,970	$ 68,061	$ 59,722	$ 58,248	$ 52,572	$ 53,100	$ 35,696	$ 47,156
61,261	54,691	62,106	60,907	59,992	59,517	53,414	39,993
151,840	140,039	138,034	137,552	133,240	140,370	118,738	106,762
30,000	30,000	30,000	30,000	26,000	27,500	7,500	9,000
102,961	94,666	92,847	90,679	87,304	85,837	83,091	79,513
93.15	$ 89.43	$ 85.47	$ 84.82	$ 94.58	$ 98.14	$ 98.56	$ 78.65
2.72	2.78	2.90	3.31	2.64	3.16	3.55	3.10
2.62	3.22	3.01	2.85	2.54	2.20	1.25	.97
.52	—	—	—	—	—	—	—
5.86	6.00	5.91	6.16	5.18	5.36	4.80	4.07
2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
40.31	40.96	40.18	39.29	37.99	37.35	36.19	34.64
45.50	47.00	45.63	50.25	47.00	37.50	41.12	44.50
32.75	35.75	34.50	41.88	28.00	29.50	34.50	36.12
11,755	$ 7,823	$ 8,764	$ 7,607	$ 9,214	$ 12,465	$ 16,637	$ 8,155
6.5%	6.8%	7.2%	8.4%	6.9%	8.5%	9.8%	8.9%
73.4%	72.0%	69.1%	60.4%	75.8%	63.2%	56.4%	64.5%
4.60	5.43	4.93	4.45	3.64	2.96	2.27	3.58
198,900	—	—	—	—	—	—	—
2,329,872	2,311,245	2,310,590	2,307,850	2,298,170	2,298,170	2,295,990	2,295,350
121	—	—	—	—	—	—	—
21,043	20,873	20,969	20,993	22,405	21,686	20,758	20,019
7,115	6,372	6,151	6,023	6,353	6,455	6,387	6,397
237,882	$ 206,702	$ 197,491	$ 195,764	$ 185,380	$ 190,424	$ 190,483	$ 151,752
14,187	12,548	14,066	16,426	11,923	13,590	13,956	12,706
14,025	12,607	13,638	15,926	10,294	13,590	14,252	13,102
6,690	6,417	6,690	7,634	5,076	6,402	7,091	6,526

Consolidated Balance Sheets

THE GLIDDEN COMPANY AND SUBSIDIARIES AUGUST 31, 1964 AND AUGUST 31, 1963

Assets	1964	1963
Current Assets		
Cash (including certificates of deposit) . . .	$ 11,355,828	$ 9,574,833
Short-term securities – at cost	8,411,170	5,964,509
Trade accounts receivable, less allowances of $613,895 (1963–$510,363)	27,785,729	24,731,444
Inventories – generally at the lower of accumulated-average cost or replacement market:		
Raw materials and work in process . .	$ 24,658,330	$ 23,052,416
Finished products	30,691,606	29,396,308
	$ 55,349,936	$ 52,448,724
Other current accounts and investments . .	1,138,358	1,020,465
Prepaid expenses	848,730	506,979
TOTAL CURRENT ASSETS	$104,889,751	$ 94,246,954
Property, Plant, and Equipment		
Land and mineral deposits – at cost . . .	$ 6,110,884	$ 5,601,040
Buildings – at cost	31,646,946	30,709,018
Machinery and other equipment – at cost .	73,068,322	69,313,744
	$110,826,152	$105,623,802
Less accumulated depreciation and depletion	51,500,514	45,965,423
TOTAL PROPERTY, PLANT, AND EQUIPMENT – NET	$ 59,325,638	$ 59,658,379
Other Assets and Deferred Charges	5,080,028	4,985,860
	$169,295,417	$158,891,193

Liabilities and Shareholders' Equity	1964	1963
Current Liabilities		
Accounts payable	$ 12,962,852	$ 10,853,159
Accrued taxes, interest, and other expenses	2,643,073	2,249,027
Loans to subsidiaries from banks	1,422,726	1,342,968
Dividend payable	1,174,312	1,166,242
Income taxes – estimated	6,635,423	5,276,356
Current portion of sinking fund debentures	1,500,000	– 0 –
TOTAL CURRENT LIABILITIES	$ 26,338,386	$ 20,887,752
4¾ % Sinking Fund Debentures – payable $1,500,000 annually 1964-1983, less amount called for redemption on November 1, 1964	28,500,000	30,000,000
Deferred Federal Income Taxes	3,355,000	2,613,000
Shareholders' Equity – Notes B, C, and D		
Cumulative Preferred Stock without par value: Authorized – 500,000 shares, of which 258,340 have been designated as $2.125 series		
Outstanding – 254,083 shares, at stated value of $25 a share (1963 – 197,270)	$ 6,352,075	$ 4,931,750
Common Stock – par value $10 a share: Authorized – 3,500,000 shares; Reserved for conversion and options – 418,238 shares (1963 – 367,584)		
Outstanding – 2,347,572 shares (1963 – 2,332,485)	23,475,720	23,324,850
Additional capital paid in	11,352,966	11,114,025
Earnings retained for use in the business	69,921,270	66,019,816
TOTAL SHAREHOLDERS' EQUITY	$111,102,031	$105,390,441
	$169,295,417	$158,891,193

See notes to financial statements.

Consolidated Statements of Income and Earnings Retained for Use in the Business

THE GLIDDEN COMPANY AND SUBSIDIARIES Years ended August 31, 1964, and August 31, 1963

	1964	1963
Income		
Net sales	$257,660,508	$240,954,776
Operating costs:		
Cost of products sold	$180,784,315	$171,259,979
Selling and administrative expenses	58,673,840	54,958,828
	$239,458,155	$226,218,807
INCOME FROM OPERATIONS	$ 18,202,353	$ 14,735,969
Other income and (deductions):		
Foreign technical service fees	$ 336,155	$ 274,124
Income from foreign associates	242,892	320,220
Interest on sinking fund debentures	(1,425,000)	(1,425,000)
Other items – net	659,335	562,022
	$ (186,618)	$ (268,634)
INCOME BEFORE INCOME TAXES	$ 18,015,735	$ 14,467,335
Provision for income taxes – Note E:		
Current year	$ 8,209,000	$ 5,577,000
Deferred	742,000	1,396,000
	$ 8,951,000	$ 6,973,000
NET INCOME	$ 9,064,735	$ 7,494,335

Provision for depreciation and depletion was $6,735,858 (1963 – $6,750,383)

	1964	1963
Earnings Retained for Use in the Business		
Balance at beginning of year	$ 66,019,816	$ 63,608,427
Net income	9,064,735	7,494,335
	$ 75,084,551	$ 71,102,762
Cash dividends declared:		
Preferred Stock	$ 480,775	$ 420,066
Common Stock – $2.00 a share	4,682,506	4,662,880
	$ 5,163,281	$ 5,082,946
Balance at end of year	$ 69,921,270	$ 66,019,816

See notes to financial statements.

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Summary of Source and Application of Funds   Annual Report 1964

THE GLIDDEN COMPANY AND SUBSIDIARIES Years ended August 31, 1964, and August 31, 1963

	1964	1963
Source of Funds		
From operations:		
Net income	$ 9,064,735	$ 7,494,335
Charges which did not involve current expenditures:		
Provision for depreciation and depletion	6,735,858	6,750,383
Provision for deferred income taxes . .	742,000	1,396,000
TOTAL FROM OPERATIONS	$16,542,593	$15,640,718
Net current assets acquired from The Macco Chemical Co. and subsidiaries for Preferred Stock	839,664	– 0 –
Sale of Common Stock under option plans (1964 – 13,260 shares; 1963 – 2,613 shares)	506,045	99,631
Other sources – net	921,739	164,803
	$18,810,041	$15,905,152

	1964	1963
Application of Funds		
Dividends declared	$ 5,163,281	$ 5,082,946
Expenditures for property, plant, and equipment	6,904,347	4,023,449
Sinking fund debentures called for redemption on November 1, 1964	1,500,000	– 0 –
Additional investments in and advances to associated companies	50,250	1,328,092
Redemption of $2.125 Cumulative Preferred Stock (1,630 shares)	– 0 –	81,488
Increase in working capital	5,192,163	5,389,177
	$18,810,041	$15,905,152

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Notes to Financial Statements /The Glidden Company and Subsidiaries/Year ended August 31, 1964

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

On March 1, 1964, the Company acquired the net assets of The Macco Chemical Company in exchange for 58,445 shares of $2.125 Cumulative Preferred Stock, convertible into Common Stock as explained in Note B. The acquisition was treated as a pooling of interests for accounting purposes and accordingly, the consolidated financial statements for the year ended August 31, 1964, include the operations of Macco for the entire year. The consolidated financial statements for the year ended August 31, 1963, are presented herewith as previously published and do not include the accounts of Macco; net sales and net income of Macco for that year amounted to $2,705,926 and $216,082, respectively.

Note B—The $2.125 Cumulative Preferred Stock is convertible at any time into Common Stock at an exchange rate of 1⅛ shares of common for each share of preferred and is redeemable at prices ranging from $55 a share in 1966 to $51 a share in 1981 and thereafter. At August 31, 1964, there were 285,843 common shares reserved for conversion.

Note C—At the beginning of the year, options were outstanding for 119,155 shares of Common Stock pursuant to option plans for key personnel. During the year, options for 8,000 shares were granted, options for 13,260 shares were exercised, and options for 1,000 shares were canceled. At August 31, 1964, options for 112,895 shares were outstanding and 19,500 shares were reserved for the future granting of options.

Note D—The indenture relating to the Company's 4¾% Sinking Fund Debentures permits the declaration of dividends after August 31, 1964, to the extent of $25,300,000 plus consolidated net income earned after that date.

Note E—Provision for income taxes for the year has been reduced by $525,000 for the credit for investment in depreciable property, of which $225,000 represents credit deferred in prior years and now realized because of changes in the income tax law.

Note F—Non-contributory employee retirement plans provide benefits to eligible employees in proportion to the employees' basic earnings during stipulated periods of service and subject to certain maximums. At August 31, 1964, the unfunded liability for past service costs under the plan was estimated to be $5,640,000 and the annual current service cost (which does not include funding of the past service cost) was estimated to be $1,580,000.

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 subsidiaries for the year ended August 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income and earnings retained for use in the business present fairly the consolidated financial position of The Glidden Company and its subsidiaries at August 31, 1964, 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. It is also our opinion that the accompanying summary of source and application of funds presents fairly the information therein shown.

Ernst & Ernst

Cleveland, Ohio
October 12, 1964

Board of Directors

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

Corporate Officials

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

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

William G. Phillips,
President

George M. Halsey,
Senior Vice President and
Vice President, Chemical Group

Robert D. Horner,
Vice President, International Group

John H. Weeks,
Vice President-Personnel

George S. Warner,
Vice President, Foods Group

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

Richard H. Turk, Sr.,
Vice President, Pemco Division

Robert E. Dorfmeyer,
Vice President-Corporate Development

Robert L. Lozon,
Vice President-Purchasing

William A. Bittenbender,
Corporate Director of Research

Donald E. Erskine,
Controller

Richard K. Dutton,
Secretary and General Counsel

Richard W. Patterson,
Treasurer

Myron D. Higbee,
Assistant Controller

G. Williams Reid,
Assistant Secretary

John P. White,
Assistant Secretary

M. William Peters,
Assistant Treasurer

G. Keith Brewin,
Assistant Treasurer

Corporate Data

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

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

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

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

Registrars-Common Stock
The Chase Manhattan Bank
New York, New York
Central National Bank of Cleveland
Cleveland, Ohio

The debentures and common stock of the company are listed on the New York Stock Exchange and the common stock has trading privileges on other major stock exchanges.

The annual meeting of stockholders will be held on Thursday, December 10, 1964, at 10 a.m., in the Euclid Ballroom of the Hotel Statler Hilton, Cleveland, Ohio.