THE GLIDDEN COMPANY

shareholder information and dividend notice

January, 1959

GLD002523

THE GLIDDEN COMPANY

Summary of Proceedings . . . Annual Meeting of Stockholders

The 41st Annual Meeting of Stockholders of The Glidden Company was held in the Euclid Ballroom of the Statler Hilton Hotel, Cleveland, Ohio, on Thursday, December 11, 1958, at 10:00 a.m.

After calling the meeting to order, Dwight P. Joyce, Chairman and President, welcomed those stockholders and guests who were present and thanked them for their interest in the company. He also expressed his appreciation to those stockholders who, being unable to attend, had returned their proxies. A total of 1,848,464 shares of common stock, or 80.4% of the shares entitled to vote, were represented at the meeting either in person or by proxy.

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Election of Directors

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

Dwight P. Joyce	Willard C. Lighter
Alexander D. Duncan	Harvey L. Slaughter
Beauford W. Maxey	George M. Halsey
John H. Weeks	W. David Stallcup
Robert D. Horner	George S. Warner
William G. Phillips	William P. Smith

Designation of Auditors

The only other item of business considered at the meeting was the designation by the Board of Directors of Ernst & Ernst as auditors for the company. Mr. Joyce introduced N. T. Halvorson, a partner of Ernst & Ernst, and announced that he would be available to answer the questions of stockholders. 1,840,932 shares were voted in approval of this designation and 6,532 shares against.

The President's Report

I would like to review today some of the events which have taken place during recent years and which have an important bearing on the future of our company.

About eight years ago a few of my younger associates and I began to take a searching look at the then existing structure of The Glidden Company and its adequacy for the future. During our initial study, we found that a number of operations, while profitable, required an abnormally large investment in receivables, inventory and manufacturing facilities to produce that profit.

Recognizing that we had limited funds available for expansion, and that we could obtain more funds only as we produced additional profit, we committed ourselves to getting the most out of the over-all capital entrusted to us. We set as a goal on all company operations, individually and collectively, a return of at least 20% profit before taxes on the money invested in these operations. A return of this magnitude would permit a reasonable level of dividends and still provide adequate funds for reinvestment to meet the company's growth needs.

GLD002526

We started out by objectively analyzing each operation which was not producing the minimum return. First, we had to find out why. Was it inadequate management? Was it a poor plant location or inefficient production facilities? Did the products still have an economic justification or had they become obsolete? Was it insufficient distribution?

Once the problem was pinpointed, we asked two further questions. Can the operation be brought up to our minimum standards by making the necessary changes? And does the operation fit into our long-range objectives? If the answers were in the affirmative, we have gone ahead and made the changes. Otherwise, we have either sold or abandoned the operation, as we simply cannot afford to have our people and money tied up in investments which are not producing an adequate return.

This program has cut across all areas of our business. In the Paint Division we have added 82 branches in the last four years to obtain better distribution of consumer products. We have added plants at Atlanta, Montreal, Los Angeles, Portland, and Tulsa, and have expanded and modernized our major plants at Cleveland and Reading. We have instituted an aggressive product development program which has resulted in such products as Spred Satin, Spred Glide-On, new industrial coatings and resins.

Our Durkee Famous Foods Division has undergone some of the most significant changes. Through a vigorous upgrading program, we have concentrated on specialized products, such as shortenings for prepared mixes, hard fats for confection coatings and oils for margarine, and on specialized markets, such as the retail bakery trade. In 1952 our copra processing plant at Portland, Oregon, was abandoned due to increasing competition from overseas sources, and in 1954 our cheese business was discontinued.

The major portion of our table margarine and salad products was sold in 1957 because of low return on investment and to permit us to concentrate on the further development of our bulk margarine oil business. In the same year, we closed down our edible oil processing plant at Elmhurst, Long Island, which was uneconomical to operate as a result of poor location. We have since been profitably serving the Eastern markets out of our expanded plants at Louisville and Chicago.

Last year, we completed a new coconut and spice plant at Bethlehem, Pennsylvania, to provide modern, efficient production facilities for these products. Throughout the period during which these changes were taking place, both the bulk and consumer products sales organizations were realigned for more effective market coverage.

Our Chemicals-Pigments-Metals Division bears little resemblance to its old self. Our first disposition occurred in 1951 when we sold our "type metal" business to concentrate on the growing field of powder metallurgy at the Hammond, Indiana, plant. What was once a loss operation has now become one of our most profitable operations. In 1954 we sold our plant at Oakland, California, which produced lithopone—a pigment largely replaced by titanium dioxide.

Also in 1954, construction was begun on a $24,000,000 titanium dioxide pigment plant at Baltimore. Our original plant, called the St. Helena Works, was over 20 years old. There was no room for expansion, and

costly improvements were required to bring it up to current technological standards. The new plant was virtually completed in July, and has about twice the productive capacity of the St. Helena Works, which was closed down and abandoned this past year. With the new plant we not only have additional capacity, but also have greatly improved our production efficiency.

Earlier this year, the white lead business at Scranton, Pennsylvania, was sold as the demand for this product was insufficient to justify our being active in this field.

The Organic Chemical Division has also undergone a complete transition within the past eight years. Once entirely a producer of naval stores—turpentine, rosin and related products—the division's products have now been replaced by terpene chemicals, synthetic resins and tall oil products. Throughout recent years, we have gradually expanded our terpene chemical activities as new products and processes have been developed by our research staff. Right now we are constructing a \$2,000,000 plant at Jacksonville to produce synthetic laevo-menthol for the flavoring field. Last year we completed a \$3,400,000 tall oil plant which marked our entry into this relatively new group of industrial chemicals.

The Chemurgy Division has been eliminated entirely. Beginning in 1954, we disposed of our mixed feed business at Indianapolis. In this case, we were too small to be successful, and expansion did not appear feasible. In 1956 we closed down and abandoned a soybean and flaxseed processing plant in California, which had become a marginal operation. Most recently, the remaining major portion of this division's business was sold to the Central Soya Company, Inc., as explained in our latest annual report.

Up to this point, I have outlined a series of individual actions within our divisional operations. I would now like to point out the over-all effect of these moves.

The operations which we have sold or discontinued produced an annual sales volume of approximately $61-million. However, the profit before taxes from these operations was less than one million dollars and required a total investment of about $42-million. The investment released either already has or will be used to build up our more profitable activities.

In the five years since 1954, when our program actively got underway, we have invested almost $40-million in new plant and equipment for our present business. In this same period, it has only been necessary to increase working capital $6-million as a result of diverting assets from low-profit operations into higher profit fields.

Initially, a major portion of this expansion program was financed by bank loans which were due in the early 1960's. Last month, however, these borrowings were replaced with $30,000,000 of 4¾% Sinking Fund Debentures, due in 1983. This will permit us to use the cash to be generated from operations and from the Chemurgy disposition for further company expansion rather than for the immediate repayment of debt.

Never in my long-time association with The Glidden Company have we enjoyed such a sound financial position—a position which will permit us to take advantage of future growth opportunities either through acquisition or internal development.

Having obtained a strong financial structure, we have, at the same time, been building a strong organization, for we are completely dependent upon people to carry us forward. I think it is interesting to note that of the thirteen men in top management posts today, only three of us—Mr. Maxey, Mr. Duncan and myself—held comparable positions back in 1950. In the intervening years, through retirements and other changes, a new management group has gradually been developed.

In turn, this group has been attempting to create a depth of manpower and to fill in previously existing weak spots. Within the past five years our headquarters staff has been increased 27%, stemming from the addition of key planning, supervisory and control functions in research, engineering, finance and marketing.

A similar expansion of personnel and their activities has taken place in our field operations. Since 1954 our sales force has been increased 42% and now numbers over 1,300 people who are directly engaged in selling activities.

In the eight years since 1950, sales of our present four divisions have increased from $155-million to $185-million. This has been accomplished in spite of the fact that during this period we discontinued operations within these divisions which had sales in excess of $21-million.

In the face of substantially higher depreciation charges plus non-recurring start-up and shut-down expenses, the gross profit of our remaining four divisions has been increased from $32.5-million in 1950 to $44.5-million in 1958 and our gross profit margin has gone from 21% to 24%.

These improvements are yet to be reflected on the net income line which, of course, is of most interest to you. Higher selling and administrative expenses, created by the addition of sales, research and management personnel, have virtually offset the gains in gross profit. These people, however, have been added to provide further gains in sales and gross profit, and this I am confident they eventually will do.

I think you will agree that The Glidden Company has undergone some rather significant changes in the past eight years—changes which were designed to help us reach the profit goals set in 1950. We are still a good distance away from those goals, and they will not necessarily be easy to reach, but for the first time in this period, the path is clear so that all our resources can now be devoted to major profit improvement.

New Glidden Director

William P. Smith, of Washington, D. C., was elected to the Board of Directors of The Glidden Company for the first time at the recent annual meeting. Mr. Smith has practiced law in Washington since 1928, specializing in Federal taxation, trade and commerce. In addition to his corporate practice, he represents a number of trade associations in the manufacturing and merchandising fields, and has served as a director of the River Raisin Paper Company since 1946. Mr. Smith will bring to the Glidden Board a valuable insight into governmental affairs and their effect upon the plans and policies of the company.

Questions and Comments

Lewis D. Gilbert (Stockholder): I want to congratulate you on your choice of Mr. Smith as an outside director. Although we may occasionally differ on various issues, the point I like is—and I have liked this over the years—that when you say you intend to do something, you keep your word.

Evelyn Yvonne Davis (Stockholder): I would like to see more outside directors on the Board. Why don't you put on a New York banker? Perhaps we would get more favorable terms on some of the bank loans.

Dwight P. Joyce (Chairman and President): This business of getting proper outside directors, who are willing to work and spend time on the job, is a little more complicated than it might seem. I hope that sometime in the not too distant future we will have other outside directors and perhaps one of these will be a financial man.

The Stockholder: Why don't you rotate the annual meeting sometime to New York City where many of the shareholders are located?

Mr. Joyce: We feel that it is the best policy to have the meeting here in Cleveland, which is our headquarters office, and where a large number of stockholders live.

Mr. Gilbert: I would like to ask a question of the auditor. Does Glidden use a centralized or decentralized method of purchasing?

N. T. Halvorson (Ernst & Ernst): While I think that is more properly a question for management to answer, Glidden, I believe, uses both methods.

Mr. Joyce: That is correct. The method used is dependent upon the type of operation and materials being purchased.

The Stockholder: When it is done locally, how does one check up from top management?

Mr. Joyce: Our headquarters purchasing department reviews all important purchases made in the field.

Mrs. Davis: There is no separate item for good will on the balance sheet. Is there any good will in the assets?

Mr. Halvorson: No dollar value is assigned to good will, and it is not recognized in the accounts.

The Stockholder: What would depreciation charges have been had the straight-line method been used throughout, rather than rapid amortization and the sum-of-the-years-digits method, which, of course, increased depreciation and reduced earnings? Also, why haven't you continued to use the straight-line method?

B. W. Maxey (Vice President-Finance): Our depreciation charges would have been about $2.4 million less in 1958 had we not used rapid amortization on part of our properties and the sum-of-the-years-digits method on other properties. Our present depreciation policies are designed to more closely parallel actual depreciation and technological obsolescence and to provide the maximum cash flow for further growth investment.

The Stockholder: I think you should stress our high cash flow as our stock is still statistically cheap when compared to others. Does the indenture, covering your new debenture issue, place any restrictions upon dividends payable in common stock?

Mr. Maxey: There are no restrictions on stock dividends should we, at any time, find it advantageous or desirable to use that form of dividend payment.

Mr. Gilbert: How successful has the General Paint operation been?

Mr. Joyce: We have been able to earn a satisfactory profit on this operation since its acquisition last June through its combination with our existing organization on the West Coast.

The Stockholder: There seems to be an impression that we continue to lose money on titanium and I don't think that is correct.

Mr. G. S. Warner (Controller): Let me first point out that we manufacture titanium dioxide, the principal white pigment, and not titanium metal. Since 1945 titanium dioxide has consistently been one of our most profitable activities.

The Stockholder: How did we come out on the abandonment of the destructive distillation operations and the sale of the white lead business?

Mr. Maxey: Both of the operations were relatively small and the over-all loss before taxes was less than $40,000.

The Stockholder: What was the cost of acquiring R. C. Pauli & Sons, which was mentioned on Page 9 of the annual report?

Mr. Maxey: Our total investment will be about $200,000.

Mr. Stanley Maynard (Stockholder): You state that the Central Soya Company has an option to purchase the Chemurgy Division properties on August 31, 1961 for $8,550,000, payable in cash. Is that payable at one time or over a period of years?

Mr. Joyce: At one time.

The Stockholder: In other words, Glidden in 1961 will get an extra $8,550,000 in cash?

Mr. Joyce: Yes, if they exercise their option.

The Stockholder: What countries do the activities of Glidden International involve?

Mr. Joyce: They are in various parts of the world—Europe, South America and the Far East.

The Stockholder: What is the status of the company's labor relations?

Mr. Joyce: Very satisfactory. We have maintained a very friendly and cooperative relationship with our employees and their representatives.

The Stockholder: In 1951 sales were $228,000,000. During the next seven years there was no year that equaled 1951. It is unusual not to have improved on this.

Mr. Joyce: The sale and abandonment of various operations eliminated over $20-million of our sales during this period. Also sales are not indicative of our progress because the dollar sales of our Durkee division fluctuate with changes in the cost of crude oils used as raw materials. We work for a processing profit per pound of oil processed without regard to its cost and ultimate sale value. It happens that in 1951 crude oils were very high priced and thus, our dollar sales were larger.

Mrs. Davis: Is the parent company the guarantor of any senior securities of subsidiaries?

Mr. Maxey: The subsidiaries have no senior securities.

The Stockholder: To whom do we pay royalties?

Mr. Joyce: To a number of companies in return for various patent rights.

The Stockholder: What is the appraised value of plant and equipment?

Mr. Maxey: The insurable value of our plants, which does not include the land and the foundations, is approximately $107-million.

Mr. Joyce: Are there any other questions? If not, I would like to add that it has been nice to have you here with us today, and I have enjoyed seeing you all and getting a chance to know some of you. I hope to see you all here next year at this time.

GLD002537

January 2, 1959

To the Shareholders:

At the regular monthly meeting held November 25, 1958, your Board of Directors declared a regular cash dividend of 50 cents a share on common stock, payable January 2, 1959, to shareholders of record at the close of business December 8, 1958.

Operating results continued to show improvement during the first fiscal quarter which ended November 30, 1958. Although sales for the current year are lower than those reported for the same period last year, this is entirely the result of the recent disposition, on September 1, of the business of our former Chemurgy Division. Our present four operating divisions produced an 8.1% sales increase when compared to their results for the first quarter of fiscal 1958.

Net income was $1,754,057, equal to 76 cents a share, compared to $1,189,874 or 52 cents a share last year. This increase was accomplished despite the loss of income from the Chemurgy Division and reflects the benefits of higher sales volume and various operating economies instituted last year.

Up to this point we are in line with projections made at the beginning of the year. We expect that operations during the second quarter will also show substantial improvement over last year.

Dwight P. Joyce
Chairman and President

CONSOLIDATED INCOME STATEMENT
THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY

	Three Months ended Nov. 30, 1958	Three Months ended Nov. 30, 1957
Net sales	$48,229,753	$52,800,715
Cost of products sold	$35,727,579	$41,683,113
Selling, administrative and general expense	8,525,790	8,330,796
	$44,253,369	$50,013,909
Income from Operations	$ 3,976,384	$ 2,786,806
Other income -- net	97,841	125,438
Interest expense	271,168	406,370
Income before Income Taxes	$ 3,803,057	$ 2,505,874
Provision for income taxes	2,049,000	1,316,000
Net Income	$ 1,754,057	$ 1,189,874
Per share	$ .76	$ .52
Shares outstanding	2,300,160	2,298,170
Provision for depreciation and amortization included above	*$ 1,601,239*	*$ 1,223,167*

This is an unaudited interim statement.

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