

PPG INDUSTRIES, INC.
1968 ANNUAL REPORT



| BB 0001777 |

FINANCIAL HIGHLIGHTS

Net Sales	\$1,000,000
Net Income	\$100,000
Net Earnings	\$100,000
Net Earnings Per Share	\$1.00
Cash Dividends Per Share	\$0.50
Expenses for Property and Equipment	\$50,000
Unexpended Amortization of Property and Equipment	\$50,000
Working Capital	\$100,000
Number of Employees	100
Number of Shareholders	100

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ANNUAL MEETING

The Annual Meeting of the Shareholders will be held on the 1st day of January, 1968, at 10:00 A.M. in the main hall of the company's headquarters at 1234 Main Street, New York, New York. The purpose of the meeting is to elect directors and to transact such other business as may come before the meeting.

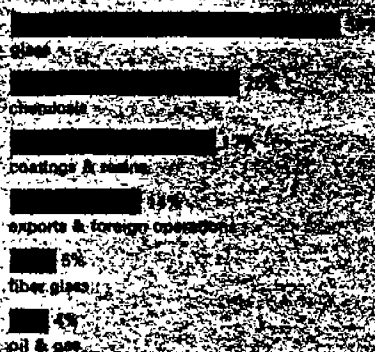
Construction of 1 new aircraft and
specialty plane plant in Tomsdale

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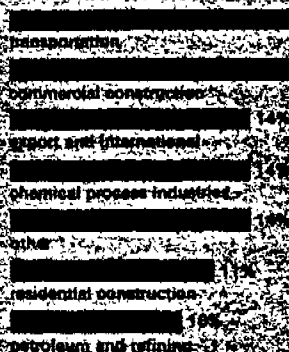
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COMPOSITION OF SALES BY MAJOR PRODUCTS - 1968



MARKETS SERVED BY PPG INDUSTRIES - 1968



Efforts have been intensified to obtain governmental recognition of the serious effects of this penetration.

Inflationary costs of labor, material and equipment are an industry-wide problem, and for competitive reasons not all of these additional costs can be recovered by price increases or production efficiencies.

All of these factors, naturally, have an adverse effect on earnings, but we have confidence that they can be offset by our initiative in the market place, by continuation of our plant expansion and modernization program, by product development and improvement, by continued strength in our major markets and by the expansion of other markets.

Our faith in continued progress was reflected in the increase in quarterly dividends paid for the third and fourth quarters in 1968. In addition, the Board of Directors recommended, and shareholders approved, a two-for-one split of the common stock, effective November 27, 1968.

The change in the corporate name from Pittsburgh Plate Glass Company to PPG INDUSTRIES, Inc., to reflect more accurately the company's growth and diversification, became effective on April 1, 1968, although the new corporate identification has been used since late 1966.

There were nine new officers elected during the year as we continued and accelerated our management development program, with emphasis on profit improvement. The new officers are: Stephen Jeckovich, Vice President, Research and Development, Glass

Division; Howard L. Gerhart, Vice President, Research and Development, Coatings and Resins Division; Nelson B. Ehlers, Vice President and General Manager, Columbia Cement Company; Paul A. Fodor, Vice President, National Accounts, Industrial Chemical Division; William R. Harris, Vice President and General Manager, Houston Chemical Company; John M. Robinson, Vice President, Sales, Houston Chemical Company; Vincent A. Sauri, Vice President, Marketing, Industrial Chemical Division; Franklin H. Green, Vice President, Manufacturing, Fiber Glass Division; and P. Dudley Kaley, Vice President, Sales and Marketing, Fiber Glass Division.

Notwithstanding uncertainties in the economy for 1969, it is possible that the growth patterns of some of our markets could improve, a growing one during the year. We are confident that the tools we have at our disposal, marketing know-how, increasingly modern production facilities, advanced product development activities, and a profit-conscious management, will maintain the growth pattern that enabled us to surpass a billion dollars in sales and to increase earnings substantially in 1968.

February 14, 1969

Submitted on behalf of the Board of Directors

Robinson F. Barker

Robinson F. Barker
Chairman of the Board

Joseph A. Neubauer

Joseph A. Neubauer, President

| BB 0001780 |

RESEARCH, DEVELOPMENT, PRODUCT INNOVATIONS...A LEVERAGE TO GROWTH

A kitchen range top that's as smooth as glass and has no visible "burners" ... an auto windshield with the radio antenna imbedded in it ... rubber-coated fiber glass yarn that can double tire life ... a quality interior enamel with a water base ... caustic soda in bead form ... a fiber glass strand no thicker than a human hair, but hollow ... an interior latex paint that substantially outlasts other coatings.

These PPG products, some of which are described in other sections of this report, have one common trait: they didn't exist—as commercial products—as recently as five years ago. And some have been available only in the past year.

This factor is a distinct tribute to the sustained research and development program to which PPG has committed itself. That commitment is one of the basic building blocks for long-term corporate growth; for product and manufacturing superiority; and for technological leadership.

There are six research laboratories in PPG's facilities network, and some 2,000 employees—some of them world renowned in their fields—working on research and development. Over the past five years, they have been supported by an investment of about \$135 million, with \$32 million of that coming in 1968.

PPG's planned spending in this important area in 1969 will be nearly \$34 million, continuing the steady increase in research and development expenditures over the past several years as the chart on these pages indicates. The benefits resulting from this investment, in the form of new and improved products and processes, as well as innovations, have enabled the company to maintain and advance its marketing position in the industries it serves.

In the auto industry, for example, PPG scientists played leading roles in pro-

viding new and more sophisticated glass products for automotive use. The 1969 Pontiac Grand Prix, introduced last fall, featured a radio antenna that was embedded in the windshield, an innovation that eliminated the standard whip antenna and the safety and vandalism hazards connected with it. A year earlier, a rear window with a built-in, electrically heated defrosting system, developed by PPG in cooperation with auto company engineers, was announced. It is now available on several 1969 models.

New technology in glass fabrication made it possible for company engineers to produce automobile side windows in configurations which eliminated costly metal parts—and thereby increased the amount of glass.

Advanced development work in application of specially formulated coatings by electrodeposition has placed PPG in a leadership position in this sophisticated field. In electrodeposition, the object to be coated is dipped into a primer bath and an electric current is applied, resulting in a remarkably uniform coating. Although developed for automobiles, electrodeposition can be used to coat any object that conducts electricity, and PPG's markets for these special coatings now extend well beyond the auto industry.

The rubber industry's development of the bias belted tire opened a new and thriving market for fiber glass yarn. The "belt" in this new tire—one of the safest and longest wearing tires ever developed—is made of rubber-coated fiber glass cord. PPG scientists have developed a superior coating compound for their product.

Fiber glass, in another form, also is an important component of aircraft radomes, and company researchers developed the necessary material—a hollow, hair-thin fiber.

Much of the emphasis in chemical research is concentrated on process and product development that will upgrade basic commodity products, a program that already is a big factor in sales growth. The most recent product innovation in this continuing program came in late 1968 when the Chemical Division introduced the industry's first new form of caustic soda in 30 years—a pelletized caustic, called *Pels*, that is produced in uniformly sized beads.

Major advances have been made in the laboratory in developing new and upgraded PPG paint products. Possibly the most outstanding of these in recent years is the development of a pigmentless paint—called *Pittment*—that could open future new markets for PPG. The opaque film produced by *Pittment* has a unique ability to reflect heat, light, and even the ultraviolet rays of the sun. Potential future applications are in areas where temperature control is vital, such as on storage tanks.

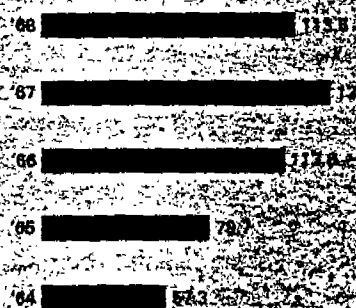
Paints for virtually all purposes—including enamels—have been successfully formulated using a water base. And to minimize household painting chores, PPG scientists developed a latex interior wall paint, *Manor Hall*, which maintains its original appearance for many years.

Another major convenience for the homemaker evolved from glass research in the form of a new glass ceramic material, called *Hercuvit*, for use as range tops. The smooth, flat surface has a sleek, modern appearance and eliminates cleaning of burners.

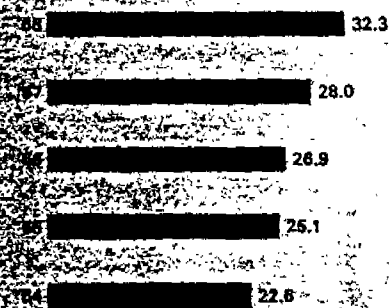
Of equal importance to PPG's growth is the research and development work conducted on processes and manufacturing technology. The knowledge gained in these areas has been instrumental in management decisions to make capital investments in new, ultra-modern production facilities.

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CAPITAL EXPENDITURES (MILLIONS OF DOLLARS)



RESEARCH EXPENDITURES (MILLIONS OF DOLLARS)



Representative of this is the new plant at Natrium, West Virginia, which went on stream late in 1968 for the production of Tiara TR-32 titanium dioxide pigments, using a highly sophisticated chloride process technology based on years of PPG research and development. Similarly, development of a process called oxyhydrochlorination and oxychlorination were instrumental in the decision to add two units at Lake Charles, Louisiana, for the production of vinyl chloride monomers.

PPG's fund of technological knowledge in chemical manufacturing will be fully utilized in the development of a new chemical complex in Puerto Rico, beginning in 1969. The project, costing more than \$150 million, involves construction of an olefins plant in a joint venture with Commonwealth Oil Refining Company, in addition to several PPG wholly owned plants.

The company's third float glass plant began production in 1968 at Meadville, Pennsylvania, and PPG's refinements of the highly efficient float process played a major part in turning out quality

float glass just three days after start-up.

The commitment to sophisticated research and development in both products and processes will continue and even be accelerated in 1969 and in the future to insure that PPG remains at the forefront of the technology in the industrial sphere.

Company scientists and engineers continue to seek new products and new methods not only in their Divisional areas of responsibility, but also in a team effort. In automotive glass development, for instance, researchers from three Divisions—Coatings and Resins, Chemicals, and Glass—have formed a task force to find new and better ways of making even safer auto glass than is presently available. Numerous approaches are being investigated, including different plastic interlayers, thinner glass and chemically or thermally strengthened glass. A breakthrough could be made in this area in the relatively near future.

In other areas, many laboratory developments have "graduated" to the experimental application stage.

One of these is the electron curing of coatings. Scientists for the Coatings and Resins Division have discovered how to apply the like finishes to sheets of hardboard, Bombardier with high energy electron transformers special liquid formulation to a hard coating in seconds and at room temperature.

Another is a new household laundry bleach that provides bleaching without the extensive fiber degradation that accompanies the use of common bleaching agents.

Broad applications are envisioned for new polymer molding compounds, in both form and solid forms, which duplicate the look, feel and texture of wood. These and many other new products and processes reflect management's commitment to, and increasing support for, a broad research and development program that is closely attuned to the needs and opportunities of the marketplace. Such a program insures that the same forces which contributed to the achievement of a billion dollars in sales in 1968 will be at work to assure, and to accelerate, future profitable growth.

OFFICERS

- Robinson F. Barker, Chairman of the Board and Chief Executive Officer
- Joseph A. Neubauer, President and Chief Operating Officer
- W. F. Newton, Vice President, Marketing
 - W. Parmer Fuller III, Vice President, Western Region
- Joseph T. Owens, Vice President, General Counsel and Secretary
- L. Stanton Williams, Vice President, Finance
 - Edward H. Eaton, Treasurer
 - R. Wayne Oates, Controller
- Richard M. Boyd, Vice President, Traffic and Transportation
- Donald J. Sherbondy, Vice President, Employee Relations
- Robert M. Hainsfurther, Vice President and General Manager, Glass Division
 - Felix T. Hughes, Vice President, General Sales, Glass Division
 - Stephen Jeckovich, Vice President, Research and Development, Glass Division
 - Paul A. Ketchum, Vice President, Trade Sales, Glass Division
 - Marvin W. Marshall, Vice President, Automotive Sales, Glass Division
 - Francis B. O'Neil, Vice President, Contract and Supply Department, Glass Division
 - John H. Strome, Vice President, Sales and Marketing, Glass Division
 - John B. White, Vice President, Production, Glass Division
- Elmer C. Larsen, Vice President and General Manager, Coatings and Resins Division
 - Richard P. Cook, Vice President, Trade Paint Sales, Coatings and Resins Division
 - Howard L. Gerhart, Vice President, Research and Development, Coatings and Resins Division
 - Howard J. Mathier, Vice President, Industrial Products, Coatings and Resins Division
- J. Earl Burrell, Vice President and General Manager, Chemical Division
 - Nelson J. Ehlers, Vice President and General Manager, Columbia Cement Company
 - William G. Ferguson, Vice President and General Manager, Industrial Chemical Division
 - Paul A. Foder, Vice President, National Accounts, Industrial Chemical Division
 - William R. Harris, Vice President and General Manager, Houston Chemical Company
 - John M. Robinson, Vice President, Sales, Houston Chemical Company
 - Vincent A. Saroi, Vice President, Marketing, Industrial Chemical Division
 - Hobart C. Twichaus, Vice President, Technical Director, Chemical Division
 - Robert E. Widing, Vice President, Manufacturing, Industrial Chemical Division
- Robert A. McLaughlin, Vice President and General Manager, Fiber Glass Division
 - Franklin R. Green, Vice President, Manufacturing, Fiber Glass Division
 - P. Dudley Kaley, Vice President, Sales and Marketing, Fiber Glass Division

BOARD OF DIRECTORS

Robinson F. Barker
Charles M. Beeghly
Frank R. Denton*

David G. Hill*
James F. Jungé*
Joseph A. Neubauer*

Jack W. Robbins*
Virgil C. Sullivan
John C. Warner

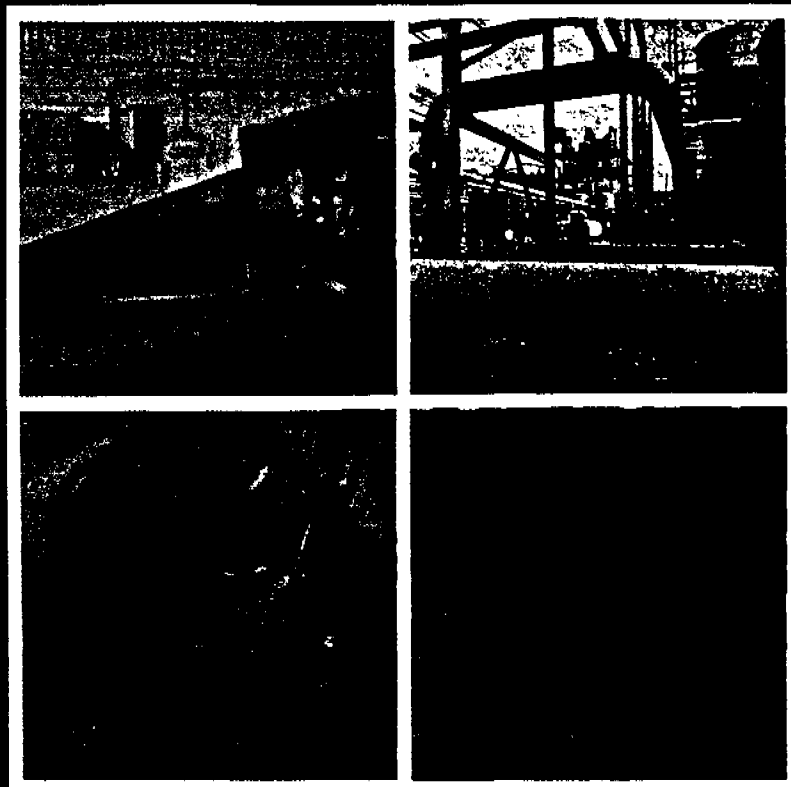
*Member, Management Committee

†Chairman, Executive Committee

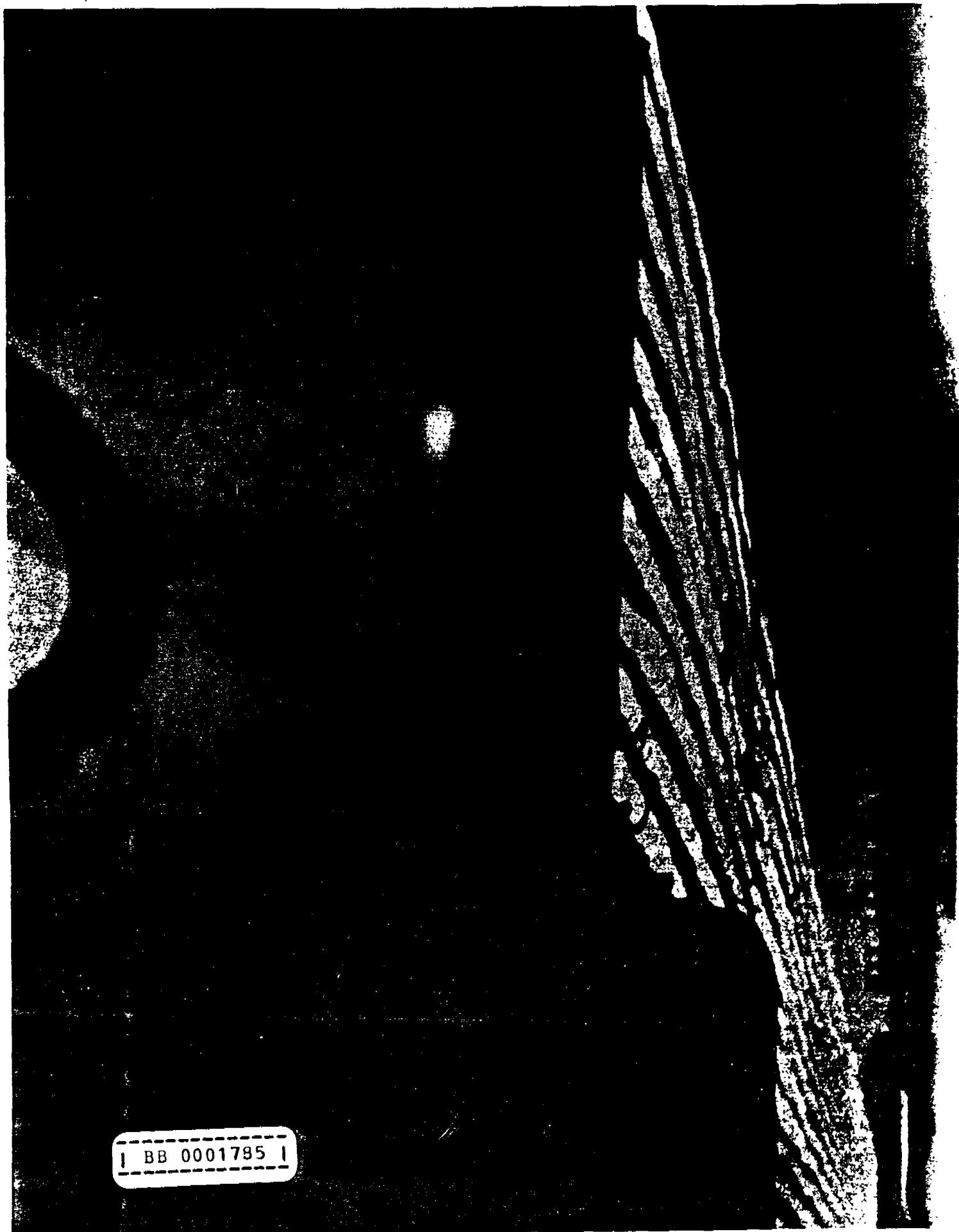
*Member, Executive Committee

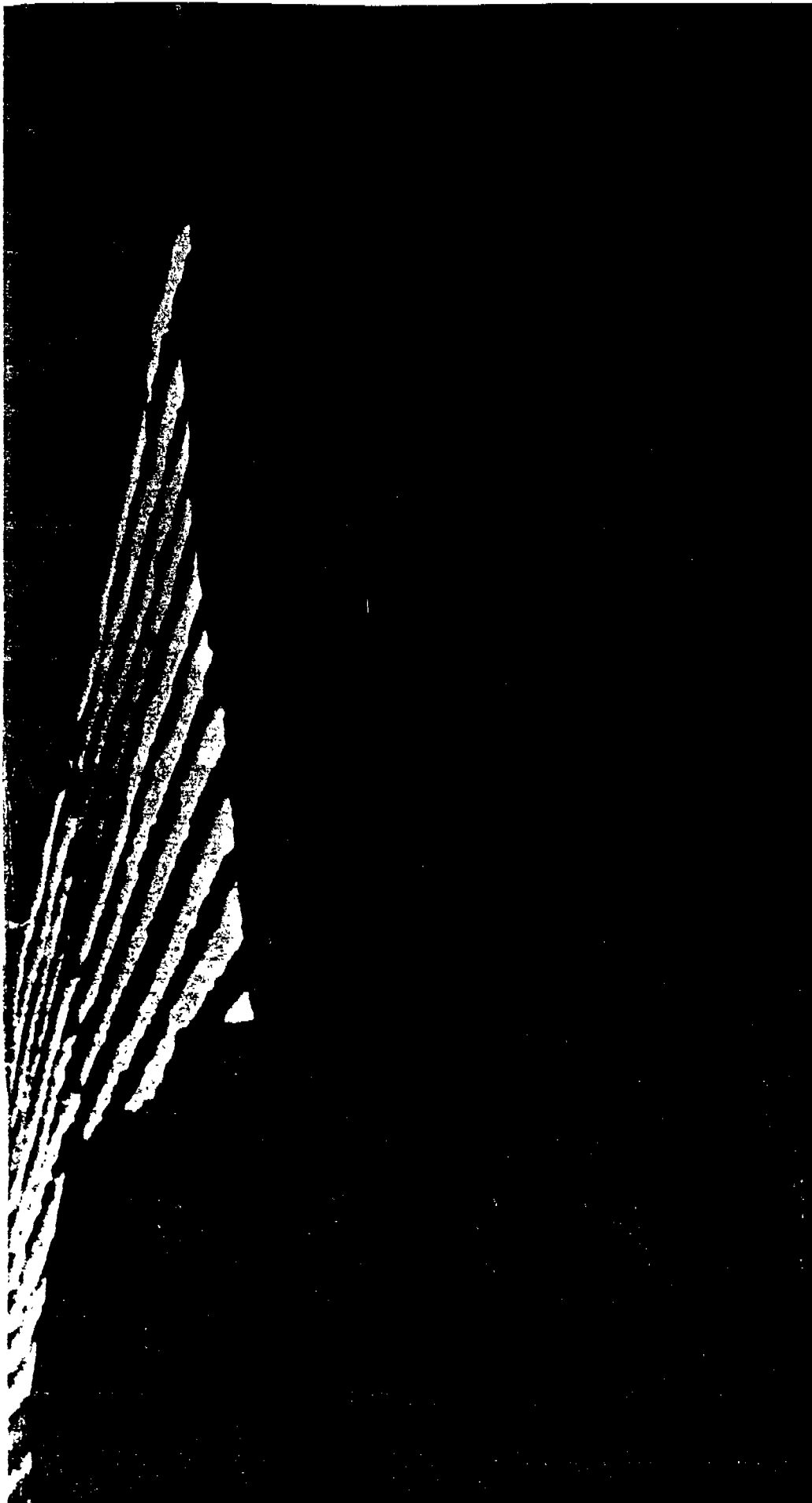
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PROGRESS AND GROWTH IN...GLASS...CHEMICALS...
COATINGS AND RESINS...FIBER GLASS



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| BB 0001786 |

Glass is tempered for extra strength
in ovens such as this one at
PPG's Tipton, Pennsylvania, plant
This glass is fabricated into
automotive side and rear windows.

The past year was significant for the Glass Division in terms of new facilities, new technology and new markets. Aggressive marketing and new, more efficient manufacturing facilities were reflected in continued sales growth and contribution to corporate profits.

A significant highlight was the completion and uniquely successful operational start-up of PPG's third float glass plant, a multimillion dollar facility at Meadville, Pennsylvania. In a performance unparalleled in the industry, the first shipments of glass for tempered automobile side and rear windows were made from Meadville in mid-October—less than three days after the start of production.

The Meadville plant, which produces more than 300 tons of glass every 24 hours—up to 50 million square feet a year—uses the largest float bath ever constructed. It is the only plant in the nation designed exclusively for the manufacture of glass by the float process, which eliminates grinding and polishing operations.

Increased demand and changing style requirements by the auto industry resulted in plans for a major expansion of the Tipton, Pennsylvania, plant, the world's most modern automotive glass fabricating facility. The expansion, announced at year's end, will result in a 25 per cent increase in the fabrication of side and rear automobile windows. With the expanded facilities, the plant will have a peak production capability of up to five million units a year.

With today's domestic automobiles containing an average of about 50 square feet of glass, the automotive industry, including both original equipment and replacement business, is one of the Division's largest markets. PPG technology made it possible to produce windows which do not require costly metal parts. Since 1966, the amount of glass in side windows has increased 15 to 20 per cent.

PPG played a major part in the commercial development of heated rear windows which defog themselves, an innovation based on several years of research in

this technology. In addition, PPG was instrumental in the commercialization of a radio antenna that has been inconspicuously placed in windshields of the 1969 Pontiac Grand Prix Models.

Expansion of production facilities went beyond the automotive segment of the transportation industry. PPG is a pioneer and leader in the manufacture of aircraft glass. Ground was broken in May for a new aircraft and specialty glass plant near Huntsville, Alabama. This facility will be completed in the first quarter of 1969, helping to maintain and extend PPG's leadership in this important market. The Division is developing the capability of producing aircraft transparencies of glass and glass-plastic laminates. This technology will enable PPG to market a complete line of transparencies for the aircraft industry.

PPG scientists developed, and the Division has manufactured exclusively, the chemically strengthened glass being used in the windshields and canopies of the F-111A tactical fighter. The same type of glass could be used in supersonic transports. This activity also has enhanced PPG's abilities and sophistication with respect to modified application of chemically strengthened glass in automobiles. A lightweight armor which has greater strength than ever before has been developed for the military, and PPG's technology in this field resulted in a Secret Service order for bullet-resistant glass for the new presidential limousine.

In addition to sophisticated aircraft and automotive glass, PPG product innovations resulted in other upgrading of basic glass to specialty status.

The residential market, including multi-family units, is a major user of glass, including an increasing portion of insulating units, such as PPG *Twilight*, also an upgraded product. The Division's share of the residential construction market increased substantially in 1968, with an attendant increase in specialty product sales.

Other upgraded products, including *Herculite K* tempered safety glass, are

finding increasing acceptance for residential construction. Many states and communities are reviewing their building codes to make mandatory the use of tempered safety glass in sliding patio doors and in storm doors.

PPG also maintained its leadership in the commercial construction industry, one of its largest and most attractive markets. Here, too, there was an expanding acceptance of upgraded specialty products.

Advanced research and development enabled the Division to embark on commercial production of *Hercuvit*, a glass ceramic that could revolutionize the design and manufacture of kitchen range tops. This attractive new material eliminates the need for exposed burners on both gas and electric ranges. Leading manufacturers introduced kitchen ranges with *Hercuvit* tops in 1968.

In addition to new facilities at Meadville and Huntsville, a new sheet glass plant was put into production at Owen Sound, Ontario, by Canadian Pittsburgh Industries Limited, a wholly owned subsidiary. The facility utilizes a refinement of the Pittsburgh Process for making sheet glass.

The Division's new sheet glass plant at Fresno, California, enabled PPG to widen its base on the west coast. But the large volume of foreign glass being imported into that market continues to be a deterrent to profitable operation of that modern, highly efficient facility. Total import volume of sheet glass during the year exceeded 1967 levels, amounting to more than 30 per cent of total domestic consumption, a share considerably larger than that affecting any other major American industry. PPG is continuing to seek relief from appropriate government agencies.

In summary, the Glass Division continued its program of carefully planned expansion and product innovation in 1968. The progress and achievements in 1968 are expected to provide the impetus for continued sales and earnings growth in 1969.

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TOP: National Guardian Life Insurance home office in Madison, Wisconsin, reflects its environment in its *LHR Solarbronze Twindow* units and spandrel areas. PPG is a leader in technology for environmental control through use of special glasses.

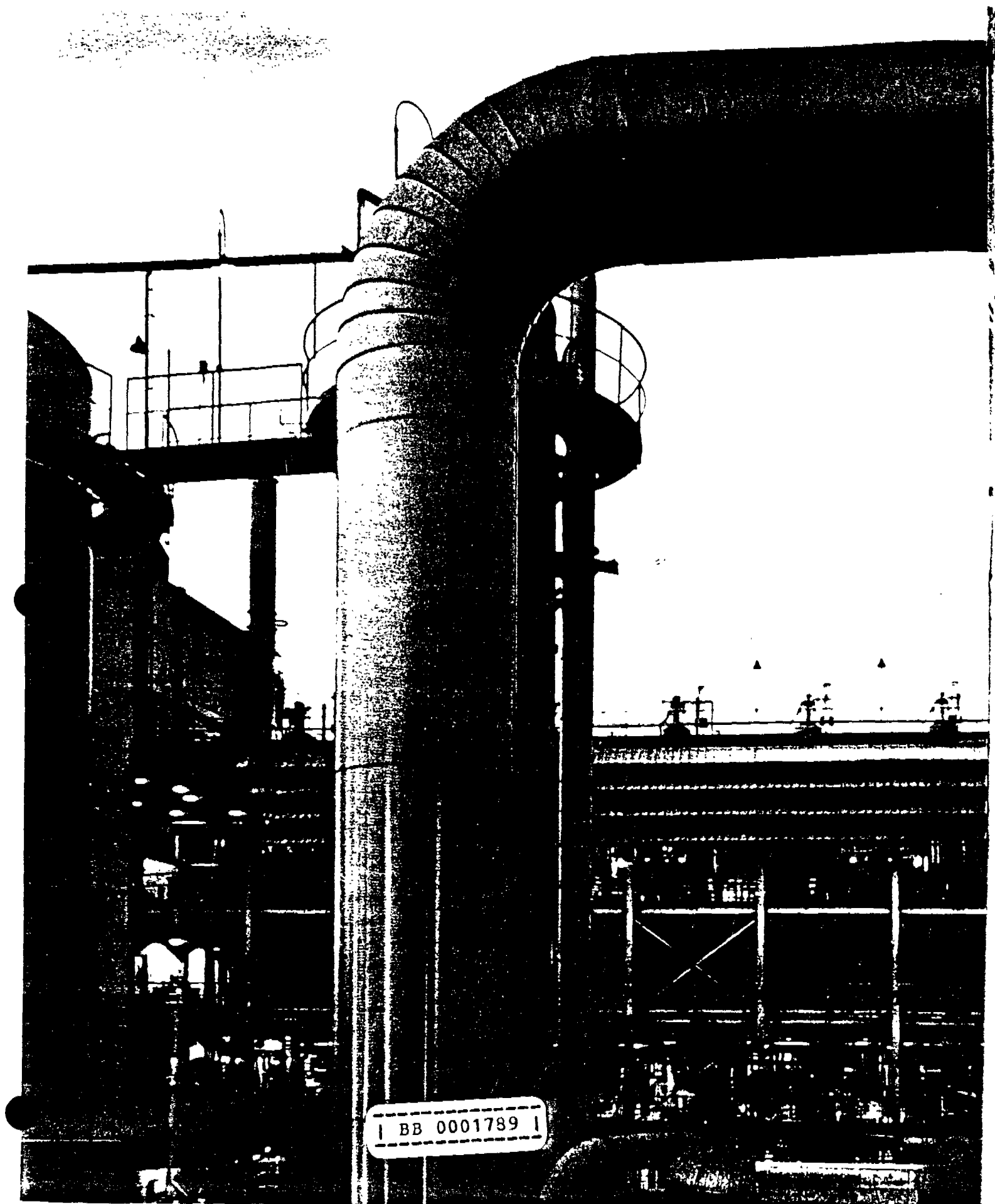
ABOVE: Anthropomorphic dummy is shown rebounding from experimental windshield as

part of a continuing auto safety program at Harmarville, Pennsylvania, research laboratories. PPG is one of few automotive suppliers to possess such sophisticated testing equipment.

ABOVE: Like a captain on the bridge, this driver pilots a load of float glass to temporary storage at the new Meadville, Pennsylvania, plant. The glass will be with-

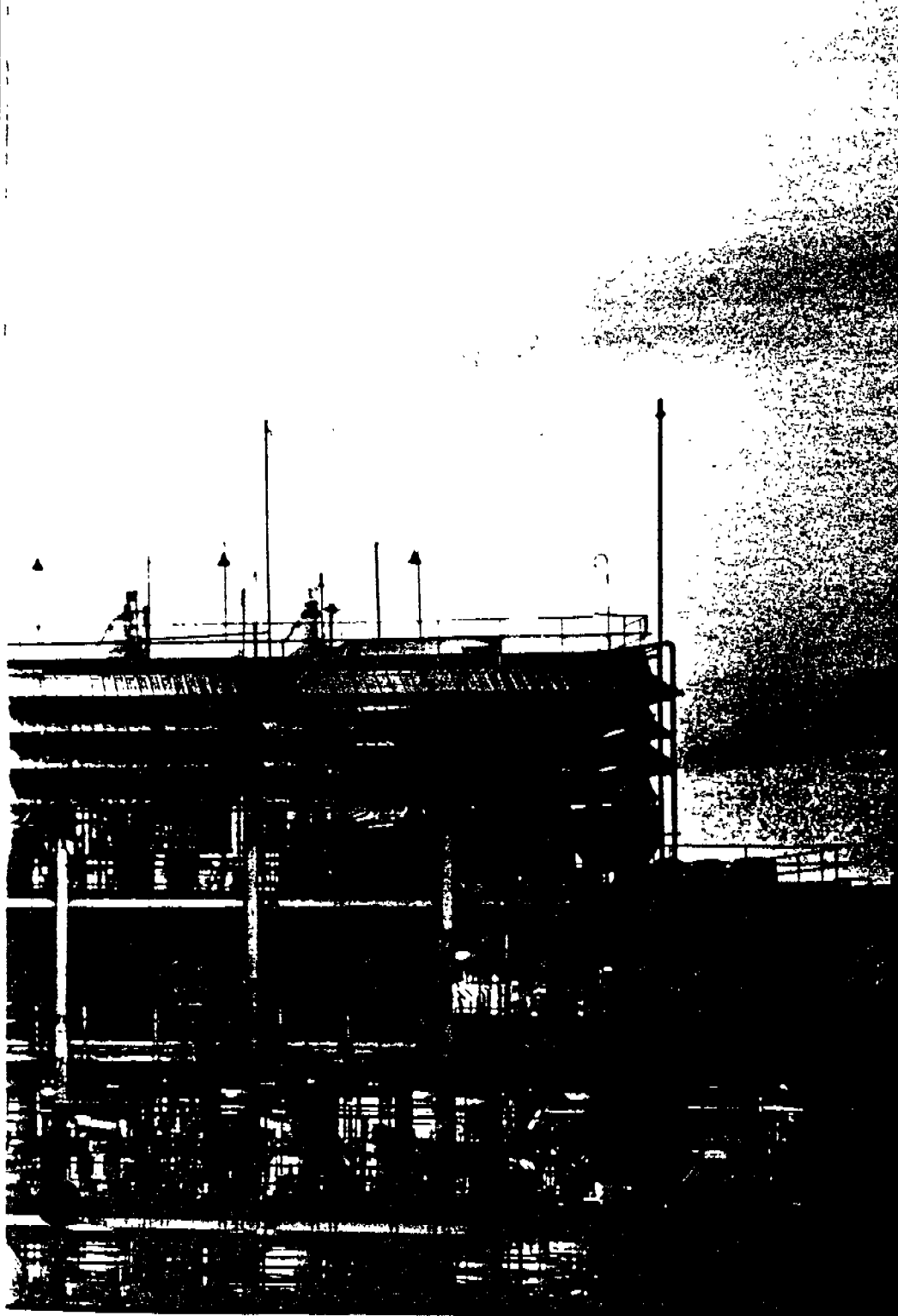
drawn from stock and cut to sizes specified by a computer in response to customer orders.

ABOVE: Technician inspects sheet of new *Hercuvit* glass ceramic material at Creighton, Pennsylvania, plant. The new material, which transmits infrared heat, may revolutionize design of kitchen range tops. Leading range manufacturers in 1968 introduced models using *Hercuvit*.





CHEMICAL
DIVISION



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Houston Chemical Company
plant in Beaumont, Texas, is a
major producer of antiknock
compounds, antifreeze, and motor
vehicle and aircraft fuel additives

New production facilities, new products and significant organizational changes characterized Chemical Division activities in 1968 as efforts were intensified to combat the effect of price softness that continued to plague the entire chemical industry.

By year's end, the Division set new records for tonnage shipments of virtually every major item it produces. Most plants were operating at near capacity and several were exceeding design capacity in fulfilling demand. Despite this, profits were unsatisfactory because of price weakness.

Encouragement that markets for major chemicals are firming was offered by price increases late in 1968. The effect of these increases, however, will not be realized measurably until 1969 because of long-term contracts on high-volume items, such as chlorine.

Substantial management attention is being directed to Sherbro Minerals Limited, the rutile mining subsidiary in Sierra Leone, West Africa, which has been hampered by start-up problems. PPG's share of the accumulated loss in 1968 was \$4,925,000. Although additional losses are expected in 1969, it is anticipated that the facility will be operating at normal capacity by year's end.

A major share of the corporation's 1968 capital expenditures was directed to expansion and construction of new Chemical Division production facilities. Late in the year, PPG significantly strengthened its position as a supplier of pigments with the start-up of two plants. The first was a new titanium dioxide plant at the Natrium, West Virginia, chemical complex. Demand for this important pigment, which PPG calls *Tiara* titanium dioxide, has been growing at the rate of four per cent a year. It is being produced by a superior process based on PPG research and technology.

Primary markets for *Tiara* pigments are the paint, plastics and rubber industries.

The second plant to go on stream in 1968 was the silica pigments facility at Lake Charles, Louisiana, for the production of quality pigments for the rubber and paper industries.

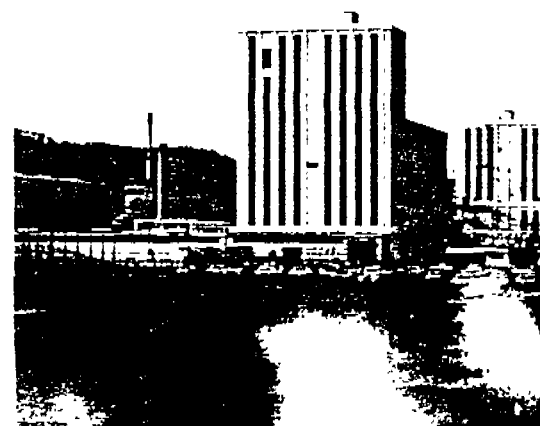
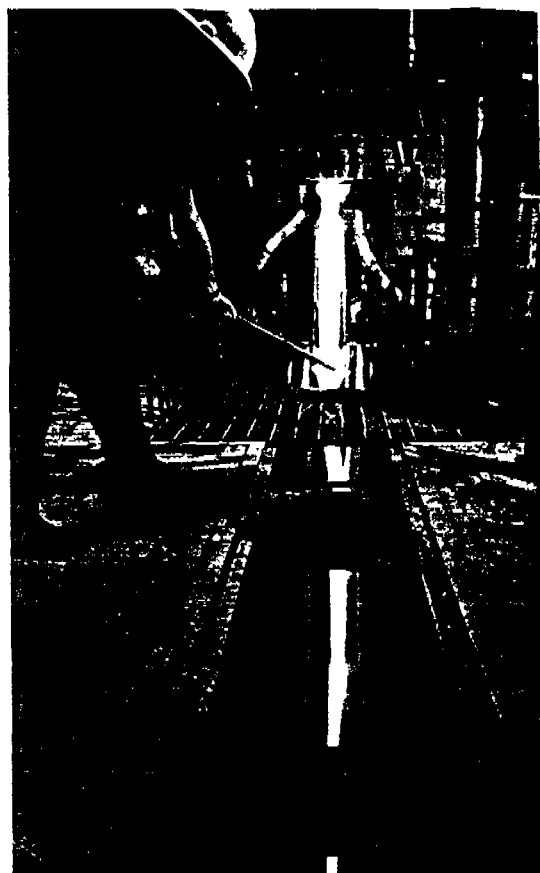
Other expansions in 1968 that are part of PPG's plans to develop one of the most modern and efficient networks of chemical plants in the industry included: —Completion of a major electric power expansion at Lake Charles to provide power for a new chlorine production unit. Originally scheduled for mid-1968 start-up, the chlorine facility will begin production in early 1969.

—Construction of the second stage of a vinyl chloride monomer plant at Lake Charles. Slowed by a construction strike, the plant is scheduled to go on stream in early 1969. This unit, based on PPG-developed technology, will utilize a substantial percentage of the new chlorine plant's production, assuring a ready market. Demand continues strong for this monomer.

—Expansion of the production capability of Kalium Chemicals Limited of Saskatchewan, making this jointly held subsidiary one of the world's most efficient potash producers. Modifications in processing equipment resulted in a significant increase in capacity with a relatively low capital addition. Price increases on potash were announced late in the year and these should improve profitability.

—A plant expansion at Standard Chemical Limited of Quebec, which doubled its capacity to produce sodium chlorate, a primary bleach for pulp and paper makers. Prices for this product have shown some slight recovery from previous unrealistic lows.

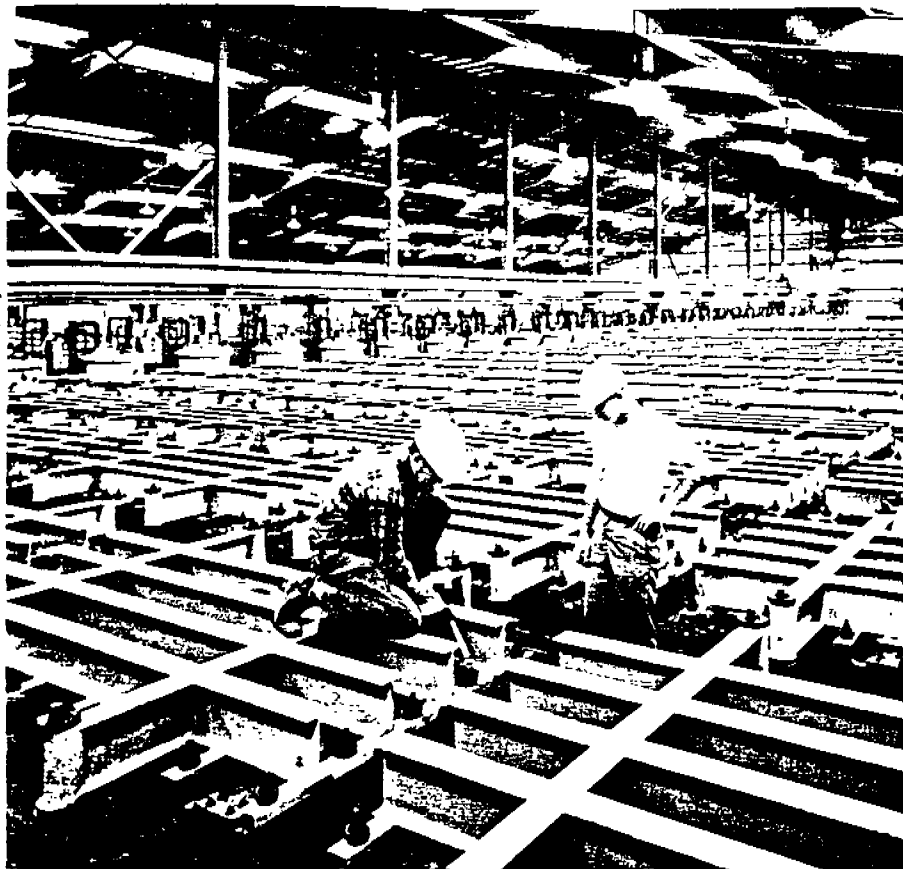
In addition to these production improvements, PPG's Board of Directors, in August, approved plans for an invest-



TOP. A technician samples a fiery stream of molten sodium silicate flowing into the first processing unit that will transform it into silica pigment. The new plant at Lake Charles, Louisiana, will substantially increase PPG's capacity for this important pigment.

BOTTOM. The twin monolithic towers at Natrium, West Virginia, are part of the Chemical Division's new facility for production of *Tiara* TR-32 titanium dioxide pigments.

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ment of more than \$150 million for development of a new chemical complex in Puerto Rico, beginning in 1969. The project includes a joint venture with Commonwealth Oil Refining Company to build one of the world's largest olefins plants, with an anticipated annual capacity of one billion pounds of ethylene. The project also involves the construction of a series of PPG wholly owned plants, near the olefins facility, for the production of chlorine, caustic soda, vinyl chloride monomer and ethylene glycol.

A number of steps were taken during the year to strengthen management for profit within the Division. Vice presidents and general managers were elected to head the Columbia Cement Company and Houston Chemical Company. Within the Industrial Chemical Division, new positions of Vice President, Marketing, and Vice President, National Accounts, were created. Also, additional business management posts were created in four areas—chlor-alkali, pigments, inorganic chemicals and organic chemicals.

Additionally, the Division continued to concentrate on applications research. Last year, for example, PPG introduced the first new form of anhydrous caustic soda in more than 30 years. Called *Pels*, the uniformly sized beads present less surface for dust generation and offer significant handling advantages.

The new, modern production facilities that went on stream last year, as well as those that will start up early this year, are expected to place the Division in a stronger position in 1969. Initial benefits resulting from the steps taken to strengthen Chemical Division management, and a continuation of the apparent trend to price firmness in the chemical industry should result in additional sales and earnings growth for the Chemical Division in 1969.

BOTTOM LEFT: A workman adjusts controls at the titanium dioxide pigments plant at Natrium, West Virginia. The plant will produce several grades of such pigments, which are widely used in the paper, paint, rubber and other industries.

TOP: Enough power to provide total electric living for a small city will be consumed daily in this new chlorine cell room nearing completion at Lake Charles, Louisiana. Sales for chlorine remain exceptionally strong.

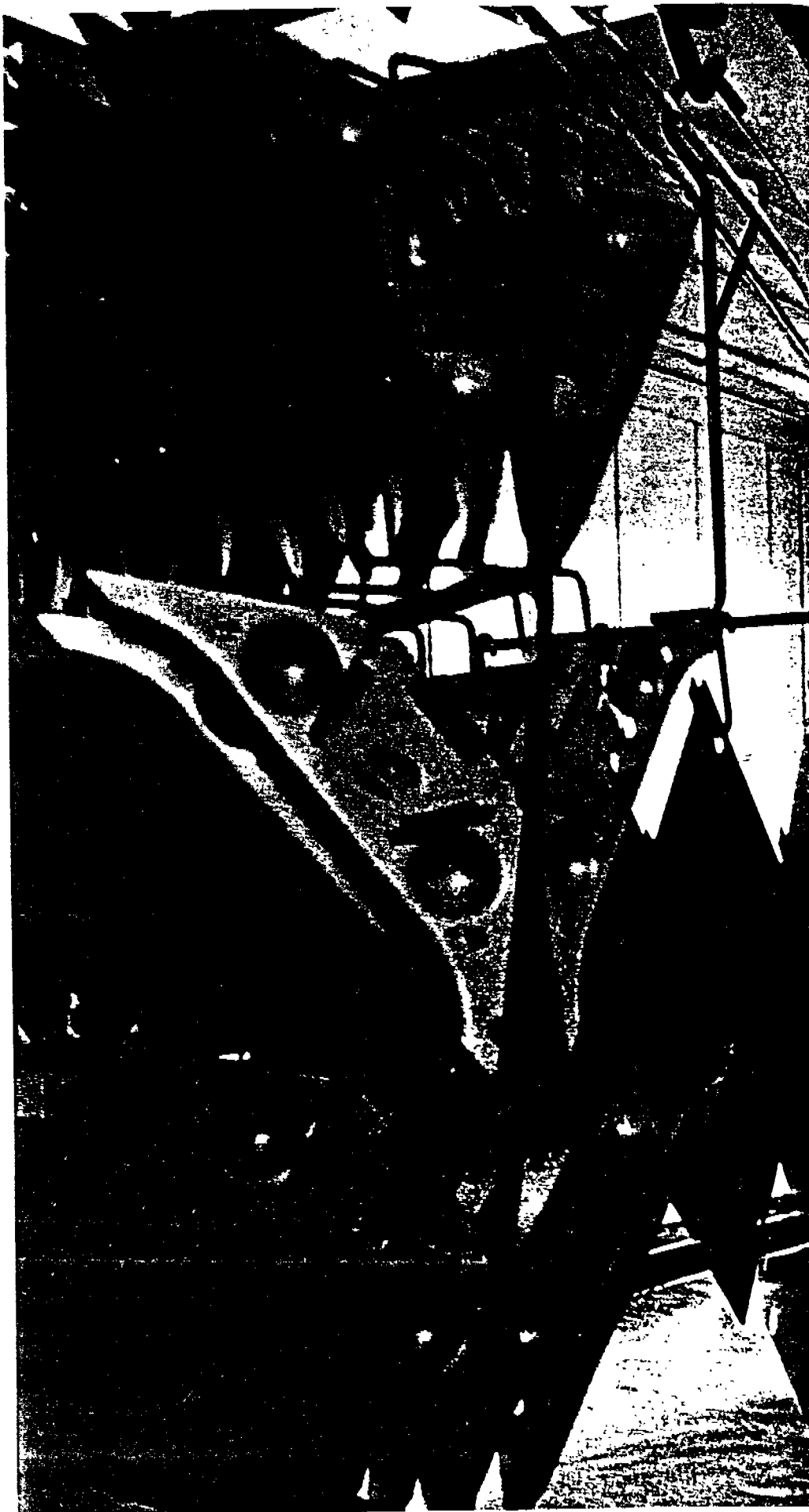
BOTTOM RIGHT: A new product for the Chemical Division in 1968 was pelletized caustic soda, called *Pels*. It is the first new form of caustic soda in 30 years.

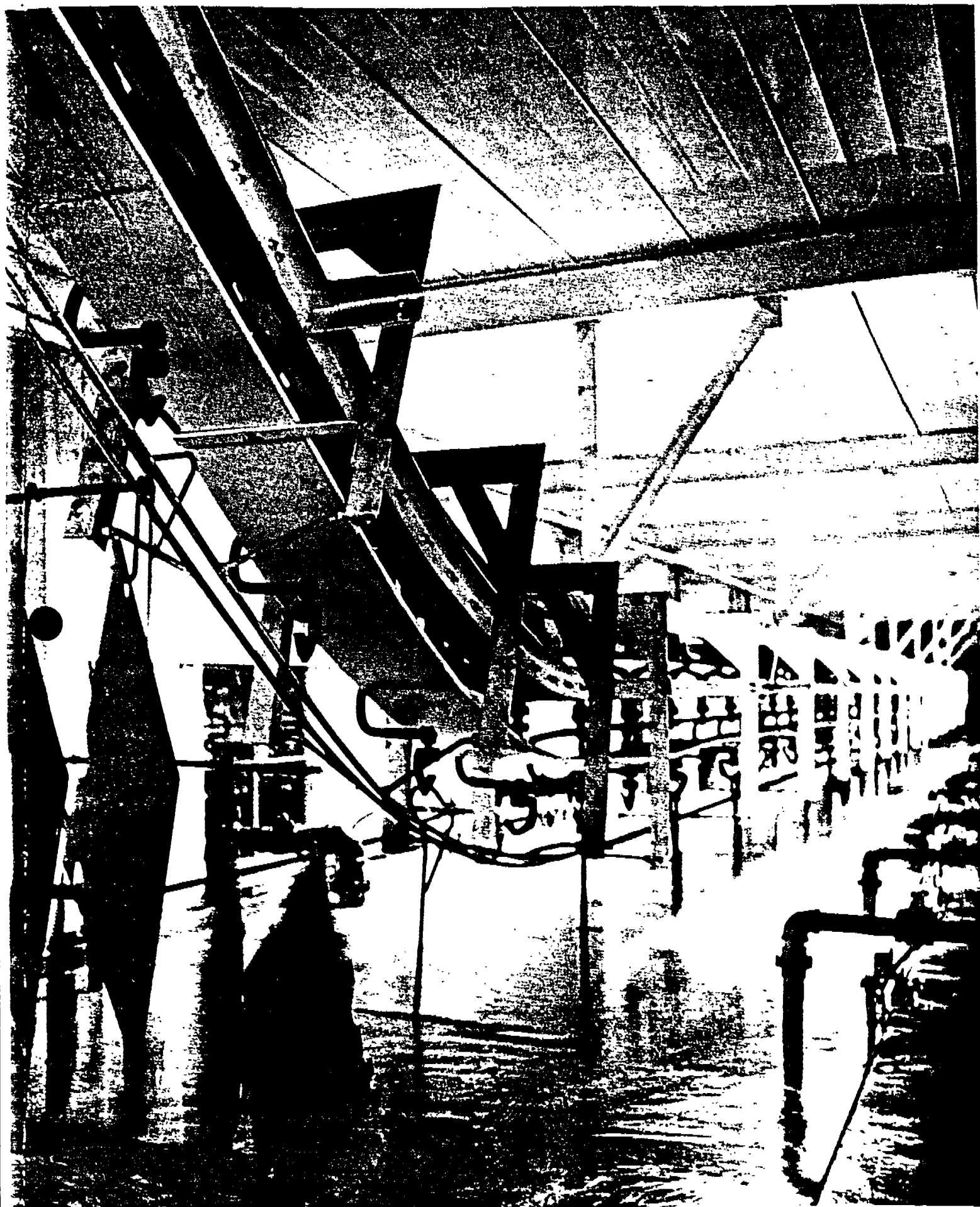
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**COATINGS &
RESINS
DIVISION**

| BB 0001793 |

Washing machine parts emerge from a new electrodeposition primer bath at Whirlpool Corporation's Clyde, Ohio, plant. Whirlpool switched to the process to obtain a more uniform coverage, vastly reducing possibility of corrosion. The bath contains 18,500 gallons of PPG *Powerprime* coating.





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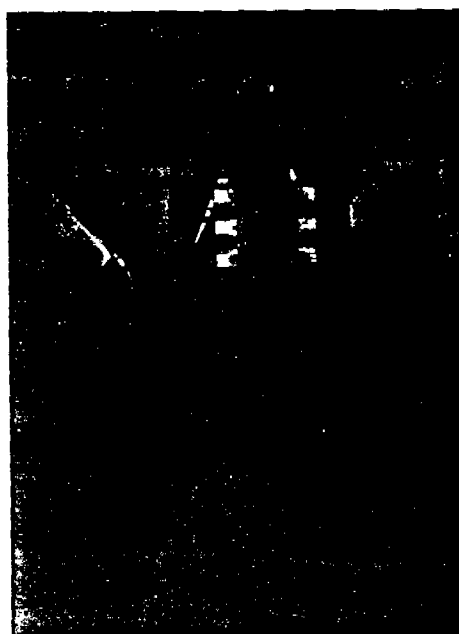


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TOP: Salesman in *Pittsburgh Paints* store introduces customer to new color system and display. Exceptionally favorable reaction has been shown to new system.

LEFT: An eerie glow is produced by high energy electron source which permits extremely fast, almost heat-free curing of coatings, even on flammable substrates. PPG is a leader in the process of electron curing, shown here at the plant in Plainview, Illinois.

RIGHT: Workman attaches quick-connect coupling to one of a battery of resin feedlines at PPG's Delaware, Ohio, coatings plant. Unique computer process controls enable plant to operate efficiently even when mixing small batches of specialty coatings.



In 1968, the Coatings & Resins Division achieved record sales and earnings. Major reasons for these substantial increases were:

- growing penetration of profitable industrial markets utilizing advanced technology.
- continued refinement of trade paint sales and distribution techniques.
- greatly improved earnings of foreign operations.
- increased efficiency and flexibility at all stages of production.

In trade paint operations, continuing progress was made in a computerized system linking sales with production through a nationwide network of 19 trade sales distribution warehouses. An unprecedented 98 per cent of all orders from the company's 400 paint centers and some 7,000 dealers were shipped the same day received.

The marketing of linseed oil, the *Rez* line of wood stains, and all brush products was integrated into the trade products marketing organization. Broader retail sales should result from marketing them nation-wide through the Division's many trade outlets.

After extensive consumer research, a new color tinting system was introduced for interior and exterior lines of house paints. The system offers a broader choice of modern colors, yet permits constant updating. The technique utilizes both new base paints and new colorants, enabling the dealer to have a broader selection of popular colors while maintaining a small inventory.

Also introduced nationally after successful market testing in 1968 was a new, ultrahigh-quality wall paint—*Manor Hall* latex flat enamel. This premium-priced product offers one-coat coverage on walls and woodwork, and maintains its original appearance through many years and many spot-scrubbings.

Organization of operations planning groups at major plants is improving manufacturing efficiency. These groups use computer techniques to simplify scheduling, production and handling of the many custom coating orders received, resulting in more economical material procurement and faster deliveries.

Strong advances by the Division's growing industrial products organization were accompanied by announced expansions of the Delaware, Ohio, industrial finishes plant and the Bloomfield, New Jersey, adhesives plant. A new adhesives plant was placed in operation in Berkeley, California.

The Delaware expansion, begun in late 1968, will increase by 50 per cent the production capacity of the Division's most modern industrial finishes facility. The added capacity is necessary to meet rapidly increasing demands for such products as *Duracron* acrylic finishes, and new *Duranar* fluoropolymer coatings, used to pre-finish coil stock and aluminum extrusions, and for automotive refinish coatings and finishes for appliances and containers.

Facilities of the Bloomfield adhesives plant, presently dispersed in several locations, are being consolidated and modernized. Capacity is being added for lines such as *Plymaster* film adhesives that exhibit promising growth trends. The smaller plant in Berkeley was built to serve west coast automotive, aircraft and aerospace industries.

The Division's strong development work in electrodeposition began to bear fruit in 1968 as increasing numbers of automotive and other metal fabricating manufacturers converted to the sophisticated process. Highlights of the year included acceptance of the process by the appliance industry and the development of a *Powercron* enamel for use on aluminum extrusions.

Sales of *Selectrofoam* polyurethane

foam systems continued to grow rapidly, and added momentum came from the opening of two new markets. High density foam was used to make remarkably true replicas of carved wood furnishings. These wood-like moldings made significant industry penetration in 1968, and a tenfold increase is expected within five years. A low-density foam system, capable of reducing typical urethane foam insulation costs by 20 per cent, was developed. This savings should expand the product's potential for use in appliances by 50 per cent.

PPG capabilities in electron-cured coatings technology approached the marketing stage during the last quarter. The Division's pilot facility in Plainfield, Illinois, became one of the first in industry to apply practical tile-like finishes on standard sheets of hard-board by curing with high energy electron bombardment. The room-temperature process converts a liquid formulation to a hard finish in seconds.

Still in the development stage, between laboratory and factory, are the new products and processes that constitute the Division's continuing research investment in the future. One of these, *Pittment* reflective coatings, was awarded a national prize as one of the 100 outstanding new industrial products of the year.

These novel coatings draw on several new research principles to produce opaque films that contain little or no conventional pigment. The films possess a unique ability to reflect not only heat and visible light, but also the invisible, ultraviolet rays of the sun. Broad use of these coatings is envisioned as lighting fixture enamels, temperature control paints for storage tanks, and for many other consumer and industrial applications. Developments such as *Pittment* coatings will give the Division a healthy share of the products and markets of tomorrow.

FIBER GLASS DIVISION

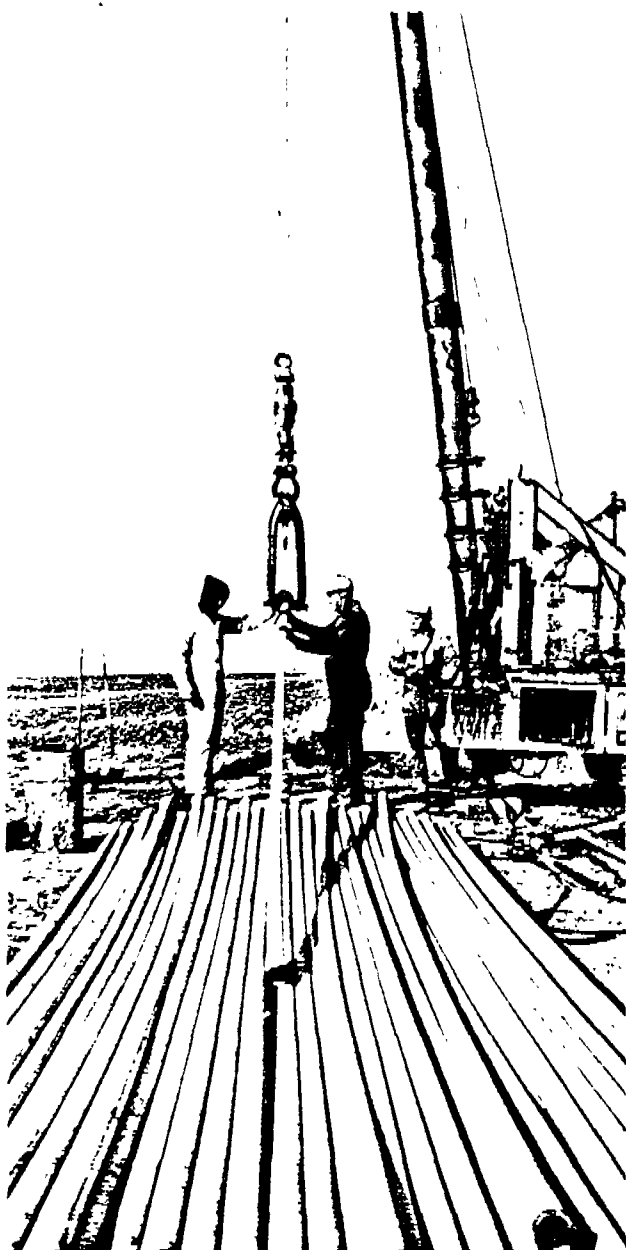
LEFT: President J. A. Neubauer (left) and Board Chairman R. F. Barker inspect winding spools at PPG's new fiber glass plant in Lexington, North Carolina. The modern facility reached full capacity in 1968.

TOP RIGHT: Workmen for a division of Koch Industries, Inc., Wichita, Kansas, ready special down-the-hole tubing in oil exploration bid. The fiber glass reinforced plastic pipe is corrosion resistant and lighter in weight than metal tubing.

BOTTOM RIGHT: Possibly the safest and longest wearing tire ever developed, the bias belted tire, such as Goodyear's new *Polyglas* tire, has opened a vast new market for PPG's rubber-coated fiber glass yarn.



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Expanded facilities, new technology and broadening markets resulted in a dramatic sales growth for the Fiber Glass Division in 1968—a 25 per cent increase over 1967. This constituted a climb from four to five per cent of the total corporate sales volume.

The Division deepened its penetration in the high growth fields of rubber-reinforced tire cord, decorative fabrics and anti-corrosive materials used in reinforced plastic pipe, storage tanks, and other products. Much of this penetration resulted from advances in product development, enabling the Division to offer superior products which found ready customer acceptance.

In cooperation with leading rubber companies, PPG developed a superior coated yarn for use as reinforcement in tires, hose and belting. The rapidly growing tire market resulted in significant increases in Division sales, and this market is expected to expand even more substantially in the future. To assure a foremost position as a tire cord supplier and to meet the tire industry's vastly increasing demand for rubber-coated fiber glass yarn, a multimillion dollar expansion of the Shelby, North Carolina, fiber glass complex was begun in December. The expansion will more than triple the plant's production.

As the expansion began, some automobile producers announced they would make fiber glass tires standard equipment in 1970. This tire contains bias plies of conventional fabric and is reinforced and stabilized with a fiber glass belt around its circumference.

The Division has developed a superior compound for coating fiber glass yarn. The tire is hailed as a major advance in automotive safety. The fiber glass belt, which serves to hold the tread firmly to the road, improves treadlife, traction, bruise resistance and road-holding properties. It can be applied in combination with bias plies of any standard tire fabric.

The tire industry alone is expected to use 36 million pounds of fiber glass yarn in 1969 and virtually double that amount in 1970. Because of the superior safety and wearing characteristics of the bias belted tire, these estimates appear conservative. Fiber glass yarn could be in an even stronger position if and when the radial ply tire achieves the domestic acceptance that it has in Europe, since the yarn can be used in the tire carcass as well as in the belt.

Another key factor in the Division's sales growth was the attainment of full capacity at the Lexington, North Carolina, plant, the most modern fiber glass yarn facility in the world. Full operating capacity—at a rate to produce nearly 40 million pounds annually—was achieved in June. By 1969, the Division's capacity will be more than 100 million pounds. Other expansions may be necessary to supply additional fiber glass yarn for the new and expanding markets.

To keep pace with the burgeoning demand for decorative fabrics, PPG embarked on a major program for continued market penetration. Development and production of finer, ultra-thin yarns was achieved by PPG scientists, working closely with weavers, converters and stylists for improved fabric designs and print systems.

Successful development of yarn and fabrics that were not even visualized several years ago buttressed the Division's market position. In the field of safety, development continued on a wide-ranging, fire-safe program in conjunction with weavers and converters to insure that finishing materials and techniques used in producing fiber glass fabrics do not alter the fabric's non-flammable characteristics.

Significant inroads were made by fiber glass reinforced plastics in replacement of materials vulnerable to corrosion—particularly in pipe and storage systems, automobiles and appliances.

A great measure of the success in this area is due to the Division's technological advances which have resulted in new types of glass fibers and new, improved binders. The market expanded rapidly when pipe manufacturers solved the problem of producing compatible fittings for reinforced plastic pipe. Growth in this area has been outstanding in the past two years and is continuing at an accelerated pace. In addition to corrosion resistance, fiber glass reinforced plastics offer advantages in lower maintenance cost and less weight.

In an allied area, significant strides were made in the joint venture of PPG and Union Carbide Corporation in producing *Azdel*, a family of fiber glass reinforced thermoplastic sheets that can be formed on conventional metal stamping equipment. A major potential use for *Azdel* is in exterior and interior automotive body parts. Leading automotive companies have begun prototype

testing. Although introduced too late for application on the first new model car production runs, it appeared that at least one *Azdel* part would replace a metal part before the end of the 1969 model year. This market offers great potential. Today's automobiles contain an average of nearly 80 pounds of plastics, much of it reinforced with fiber glass. PPG and Union Carbide received awards selecting *Azdel* as one of the 100 most significant new products in 1968.

More than 25 per cent of the Division's volume goes into the construction industry for insulation products such as snap-on pipe coverings, duct liner, duct wrap and metal building insulation. Marketing efforts in the fields of insulation and air-handling systems were intensified.

The production of fiber glass roving for reinforced plastics was transferred from Shelbyville, Indiana, to the Shelby plant, resulting in increased efficiency for Shelbyville. Production at the Indiana facility now is concentrated on insulation material, and a new line to produce *Textrafine*, a blanket insulation made of reprocessed textile fibers, was added. This doubled the *Textrafine* production capability.

Facilities were expanded for *Glass-Flex*, a flexible pre-insulated fiber glass duct for heating and air conditioning. This product has a Class I Underwriters' rating. The Division also introduced a new sister product, called *Rigiduct*. It is a product for fixed duct work made entirely of fiber glass. By use of structural forms of sheet fiber glass insulation, *Rigiduct* can be fabricated quickly on the construction site, thereby reducing labor costs and obviating the need for metal ducts.

A major PPG facility overseas is being expanded. At Silenka, a PPG affiliate in the Netherlands which produces continuous fiber glass filament, work began on two additional tanks—the fifth and sixth—to keep pace with the growing European demand. Silenka now is the leading quality producer in western Europe and will have the capacity to serve at least 35 per cent of that market.

Demand for the Fiber Glass Division's products should remain at a high level throughout 1969 while continued research and development seek to expand existing markets and create new ones.

*Registered Trademark of Union Carbide Corporation

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TRADEMARKS

These registered trademarks of PPG Industries, Inc. are used in this report: PPG Industries (monogram), *Duracron*, *Glass-Flex*, *Herculite*, *Hercuvit*, *LHR Solar bronze*, *Manor Hall*, *Pittsburgh*, *Plymaster*, *Powercron*, *Power-Prime*, *Rez*, *Selectrofoam*, *Textrafine*, *Tiera*, *Twindow*.

Other trademarks of PPG Industries appearing in this report are: *Duranar*, *Pels*, *Pittment*, *Rigiduct*

FINANCIAL REVIEW

Sales and Earnings

Sales and earnings for the year 1968 exceeded 1967 by 10.7 per cent and 11.0 per cent, respectively. All major product lines contributed to the growth in sales except oil and gas which had revenues only slightly below the previous year. Fiber glass recorded the highest rate of growth followed by glass, chemicals, and coatings and resins, in that order. The following tabulation shows the relative contribution of each product line to total sales for the year 1968 compared with 1967. The only changes that occurred were an increase of one percentage point for fiber glass and a corresponding decrease for oil and gas.

	1968	1967
Total Sales	\$1,045,044,000	\$943,400,000
Major Product Lines		
Glass	35%	34%
Chemicals	15%	14%
Coatings and Resins	12%	11%
Fiber Glass	10%	9%
Oil and Gas	8%	9%
Export and Foreign	2%	1%
Total	100%	100%

A quarterly breakdown of sales and earnings per share for the year 1968 is shown below:

	Sales	Earnings Per Share
First Quarter	\$239,763,000	\$1.53
Second Quarter	266,407,000	1.54
Third Quarter	264,246,000	1.55
Fourth Quarter	273,828,000	1.62
Total Year	\$1,044,044,000	\$2.57

Following the seasonally low first quarter, sales and earnings maintained a rather steady pace during the remaining three quarters of the year. The increase in earnings per share from \$2.14 in 1967 to \$2.57 in 1968 was attained despite the imposition of the 10 per cent federal surtax which reduced earnings in 1968 by the equivalent of \$1.18 per share.

Property

A summary of total property as of December 31, 1968 and 1967 is presented below:

	1968	1967
Land	\$15,681,000	\$15,681,000
Buildings	\$24,927,000	\$24,927,000
Equipment	\$1,045,044,000	\$943,400,000
Other	\$1,045,044,000	\$943,400,000
Total	\$1,190,652,000	\$1,127,002,000

Funds required to complete capital projects approved prior to December 31, 1968 approximated approximately \$185,000,000 per year and

Working Capital

Working capital was maintained at satisfactory levels throughout the year and at year end the current ratio was 2.0 to 1 compared with 2.5 to 1 at the end of 1967.

Current liabilities increased approximately \$42,000,000 and reflected primarily an increase in notes payable to banks. This is discussed in the financing

arrangements section of this review.

A comparison of inventories by major components at December 31, 1968 and 1967 is shown below:

	1968	1967
Raw materials	\$108,213,000	\$106,128,000
Work in process	26,825,000	21,216,000
Finished goods	43,101,000	38,908,000
Supplies	17,796,000	20,475,000
Total	\$195,935,000	\$186,727,000

Inventories are stated generally at the lower of cost or market, with cost being determined at average or standard, excluding certain fixed expenses.

Deferred Income Taxes

The Corporation continues its election of the accelerated method of depreciation for its depreciable assets, and straight-line method for accounts receivable, but uses accelerated methods as well as straight-line for income tax purposes. The tax effects resulting from these differences in depreciation have been reflected in a deferred tax account. In future years, when recorded depreciation exceeds depreciation included in the tax returns, the amounts so deferred will be used to reduce earnings.

Investment Credit

The investment credit is the tax credit in which the Corporation is entitled to receive. In 1968 capital additions amounted to \$4,230,000, which yields a 4.45 per cent. However, the Corporation follows the accounting practice of amortizing the investment credit over the estimated useful lives of the property to which it applies. As a result, the credit for earnings resulting

from amortization of the accumulated investment credits amounted to \$2,067,000, or about \$10 a share. The balance in the deferred investment credit account at December 31, 1968 amounted to \$17,959,000, equivalent to \$.88 per share, which will be credited to earnings in future years.

Amortization of Intangible Assets

Several companies have been purchased in prior years for prices in excess of book values of the acquired companies. This excess is being amortized generally over a ten-year period in accordance with Corporation policy. During 1968, the amount amortized against net earnings was \$2,867,000, equivalent to \$.14 per share. The unamortized balance of goodwill will be written off against earnings over the next four years.

Pension and Retirement Plans

The major portion of the Corporation's various pension plan costs, as accrued are paid to trust funds and insurance companies who administer these funds for future payments to retired employees. Costs absorbed by the Corporation under these plans during 1968 amounted to \$14,700,000. These costs provide for current service and amortization of prior service costs over a 30-year period, or less in some cases. The inventory value of these pension fund assets amounted to more than \$200,000,000 at the end of 1968.

Financing Arrangements

In addition to the use of bank loans and long-term borrowings, several other methods of financing new facilities were utilized during 1968. An industrial revenue bond issue for \$6,600,000 was sold to finance the new Huntsville, Alabama, aircraft and specialty glass plant. Long-term leases were negotiated for new containers, railroad tank cars and other transportation equipment, with a total value of approximately \$8,000,000. At various times during the year, the Corporation sold short-term commercial paper at

advantageous rates. No commercial paper obligations were outstanding at year end.

At December 31, 1968, long-term debt consisted of the following:

5 1/2% debentures due in 1991 for which sinking fund payments of \$6,250,000 will be made in each of the years 1972 to 1991	\$125,000,000
4 1/2% term bank loan payable in equal installments in 1970 to 1972	\$7,500,000
Various other debts, primarily loans made by consolidated subsidiaries	28,666,000
Total	\$161,166,000

Under a Revolving Credit Agreement with a group of banks, the Corporation can borrow a total of \$130,000,000 until April 1971, at which time the amount of the loan is to be converted into a term loan payable in equal installments during the following five years. At December 31, 1968, the amount borrowed under this credit arrangement was \$48,100,000 and is included in "Notes payable—banks" on the balance sheet.

Capital Stock

At the annual meeting of the shareholders on April 18, 1968, approval was given (1) to authorize a new class of 5,000,000 shares of Cumulative Preferred Stock without par value, and (2) to increase the number of authorized shares of Common Stock from 12,500,000 shares (par value \$10.00 per share) to 25,000,000 shares (par value \$5.00 per share). At December 31, 1968, none of the cumulative preferred shares had been issued.

On November 22, 1968, the shareholders increased the number of authorized shares of Common Stock from 25,000,000 shares to 50,000,000 shares, set the par value of Common Stock of the Corporation at \$2.50 per share, and approved a 2 for 1 Common Stock split. This amendment and stock split became effective on November 27, 1968 and the additional shares were

mailed to shareholders on December 27, 1968.

Changes in Common Stock issued and Common Stock in Treasury for the year ended December 31, 1968 are as follows:

Common Stock Issued		
Shares	Amount (Thousands)	
Balance January 1, 1968	10,785,964	\$208,101
Shares issued under stock option and incentive compensation plans	75,370	4,749
Stock split	10,860,864	—
Balance December 31, 1968	21,722,198	\$212,850

Common Stock in Treasury		
Shares	Amount (Thousands)	
Balance January 1, 1968	624,854	\$42,915
Shares issued under stock option and incentive compensation plans	(2,144)	(145)
Stock split	622,710	—
Balance December 31, 1968	1,245,420	\$42,770

Pending Legal Proceedings

The Internal Revenue Service has asserted Federal income tax deficiencies for the years 1960 through 1963 in the total amount of \$17,339,000 which involve many complex and technical problems. The deficiencies are being contested in the Tax Court. The returns for 1964, 1965, and 1966 are under examination by the Internal Revenue Service. It is the opinion of management that any deficiencies finally determined by the courts are not expected to have a material effect on the earnings or financial position of the Corporation and that adequate provision for Federal and state tax deficiencies for the years 1960 through 1966 has been made in the Corporation's accounts.

ACCOUNTANTS' OPINION

PPG INDUSTRIES, INC.

We have examined the financial statements of PPG Industries, Inc. and its consolidated subsidiaries for the year ended December 31, 1968. 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 did not examine the financial statements of certain Canadian subsidiaries consolidated and certain

jointly owned foreign companies the statements in which are carried at equity, but we were furnished with reports of other accountants as their opinion on the financial statements of such companies for the year. Our opinion expressed below, insofar as it relates to the amounts included for such companies, is based solely upon such reports. In our opinion, the accompanying consolidated balance sheet and summaries of consolidated earnings, earnings retained for use by the business, and sources and uses of funds present fairly the financial position of PPG Industries, Inc. and consolidated subsidiaries as of

December 31, 1968 and the results of their operations and sources and uses of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the accounting year.

HASKINS & SELL

Pittsburgh, Pennsylvania
January 31, 1969

SOURCES AND USES OF FUNDS

SOURCES:

	1968	1967
Net earnings	\$ 43,298,000	\$ 43,495,000
Depreciation and depletion	44,209,000	46,613,000
Amortization of intangible assets	2,867,000	2,867,000
Deferred income taxes and investment credit	10,393,000	6,451,000
Increase in long-term debt	1,193,000	27,103,000
Proceeds from sale of stock	4,894,000	161,000
Repayment of advances by jointly owned companies	136,000	7,995,000
Decrease in working capital	21,278,000	26,450,000
Other sources—net	7,747,000	1,972,000
Total Sources	\$ 141,015,000	\$ 163,107,000

USES:

Expenditures for property and investment	\$ 113,500,000	\$ 136,700,000
Cash dividends paid	27,515,000	26,407,000
Total Uses	\$ 141,015,000	\$ 163,107,000

SUMMARY OF CONSOLIDATED EARNINGS AND EARNINGS RETAINED FOR USE IN THE BUSINESS

EARNINGS FOR THE YEAR

	Year Ended December 31, 1968	Year Ended December 31, 1967
Net Sales	\$ 1,044,042,000	\$ 942,905,000
Equity In Net Earnings Of Jointly Owned Companies	1,399,000	1,577,000
Other Earnings	13,498,000	11,603,000
Total	1,058,941,000	956,085,000

Costs And Expenses

Cost of sales	228,881,000	652,524,000
Selling, general and administrative expenses	148,825,000	136,204,000
Depreciation and depletion	44,209,000	46,613,000
Taxes—exclusive of taxes on income	26,052,000	24,249,000
Interest expense	13,206,000	10,578,000
Other charges—net	4,107,000	3,582,000

Total	385,478,000	873,750,000
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Earnings Before Taxes On Income And Minority Interest	673,462,000	82,335,000
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Less—Domestic And Foreign Taxes On Income

Payable for the year	34,954,000	30,949,000
Deferred taxes—investment credit	7,183,000	2,633,000
Deferred taxes—other	15,383,000	3,918,000

Total	57,520,000	37,400,000
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Earnings Before Minority Interest	615,942,000	44,935,000
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Less—Minority Interest In Earnings Of

Consolidated Subsidiaries	1,664,000	1,440,000
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Net Earnings (Per Share: 1968, \$2.37; 1967, \$2.14)	\$ 43,298,000	\$ 43,495,000
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EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance At January 1	442,189,000	\$ 425,101,000
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Net Earnings	43,298,000	43,495,000
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Total	485,487,000	468,596,000
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Cash Dividends (Per Share: 1968, \$1.35; 1967, \$1.20)	27,515,000	26,407,000
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Balance At December 31	\$ 457,972,000	\$ 442,189,000
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Note: Reference is made to "Notes To Financial Statements" on Pages 24 and 25.

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CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	December 31, 1968	December 31, 1967
Cash	\$ 39,274,000	\$ 40,589,000
United States Government and other marketable securities—at lower of cost or market (Quoted market value: 1968, \$3,726,000; 1967, \$8,773,000)	3,722,000	8,770,000
Notes and accounts receivable (less estimated losses: 1968, \$4,251,000; 1967, \$4,379,000)	165,288,000	144,424,000
Inventories	193,795,000	186,827,000
Prepayments and other current assets	9,979,000	11,033,000
Total Current Assets	<u>412,058,000</u>	<u>391,643,000</u>

INVESTMENTS

Investments in jointly owned companies—at equity	36,068,000	35,293,000
Investments in subsidiaries not consolidated—at cost or less	9,690,000	8,017,000
Other—at cost or less	9,739,000	6,942,000
Total Investments	<u>55,497,000</u>	<u>50,252,000</u>

PROPERTY—AT COST

Land, buildings, machinery and equipment, etc.	1,199,489,000	1,134,267,000
Less accumulated depreciation and depletion	594,085,000	585,199,000
Property—Net	<u>605,404,000</u>	<u>549,068,000</u>

OTHER ASSETS

Excess of cost of investments in consolidated subsidiaries over equities in net assets—unamortized balance	11,165,000	14,032,000
Deferred charges	10,628,000	9,635,000
Total Other Assets	<u>21,794,000</u>	<u>23,667,000</u>
Total	<u>\$1,094,753,000</u>	<u>\$1,014,630,000</u>

Note: Notes made to "Notes to Financial Statements" on Pages 26 and 27.

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation—The consolidated financial statements include all majority owned domestic, Canadian, and European subsidiaries. The Corporation's investments in jointly owned companies located in the aforementioned geographical areas are included in the financial statements at equity.

The Corporation's equity in the net assets of subsidiaries not consolidated was approximately \$1,225,000 less than the investments therein at December 31, 1968. This includes an investment in Sherbro Minerals Limited which exceeds the underlying equity in that company

by \$4,925,000. Sherbro is in the developmental stage and the losses sustained are considered by management to be temporary.

2. Stock Option Plans—As of December 31, 1968, the Corporation had reserved 160,870 shares of its common stock for issuance upon exercise of employee stock options. These shares were under option at prices ranging from \$22.53 to \$30.02 per share. Options on 151,340 shares were exercised in 1968. The foregoing shares and prices have been adjusted for the stock split indicated on page 24 in the Financial Review section.

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LIABILITIES

CURRENT LIABILITIES

Notes payable—banks
Current maturities of long-term debt
Accounts payable and sundry accruals
Domestic and foreign taxes on income
Total Current Liabilities

LONG-TERM DEBT

5% Sinking Fund Debentures
4 1/2% Term Loan
Other

Total Long-Term Debt

DEFERRED CREDITS

Deferred income tax
Investment credit—unamortized balance
Other

Total Deferred Credits

ACCUMULATED PROVISIONS

Maintenance and repairs
Insurance and unfunded and uninsured pensions
Foreign operations

Total Accumulated Provisions

MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES

CAPITAL AND RETAINED EARNINGS

Cumulative preferred stock—authorized 5,000,000 shares, without par value; no shares issued
Common stock—authorized 50,000,000 shares, par value \$2.50 each; issued 1968, 21,721,988 shares; 1967, 21,671,908 shares

Earnings retained for use in the business

Less common stock in treasury (1968, 3,245,420 shares; 1967, 1,249,708 shares) at cost

Capital and Retained Earnings

Total

December 31,
1968

52,804,000
7,951,000
113,353,000
19,700,000
201,110,000

125,000,000
17,500,000
20,065,000
169,165,000

36,180,000
17,959,000
1,793,000
56,938,000

6,623,000
3,253,000
543,000
10,899,000

24,688,000

212,850,000
462,872,000
(42,770,000)

633,052,000

11,094,753,000

December 31,
1967

15,382,000
10,373,000
106,884,000
26,778,000
169,417,000

125,000,000
23,393,000
19,640,000
167,573,000

32,956,000
10,795,000
1,803,000
46,348,000

6,517,000
3,475,000
543,000
9,538,000

24,984,000

208,407,000
442,189,000
(42,915,000)

607,375,000

11,014,630,000

Commitments and Contingencies—Lease commitments as of December 31, 1968 which are for periods in excess of two years have aggregate annual rentals of approximately \$9,400,000. The Corporation is contingently liable for approximately \$32,500,000 as a guarantor of lines of credit in connection with the financing of the sale of Corporation products and bank loans. As explained under Pending Legal Proceedings on page 24 in the Financial Review section, the Corporation is contesting assessments for income tax deficiencies for the years 1960 through 1963. In the opinion of management, the final

outcome of this and other pending litigation is not expected to have a material effect upon the financial position of the Corporation. Reference is made to pages 22 and 24 of the Financial Review section for additional information regarding contingent liabilities. Amounts required to complete capital projects approved prior to December 31, 1968 description of property, plant, equipment and related method of depreciation, method of accounting for investment credits and amounts borrowed, current position, assets and liabilities of long-term debt and changes in capitalization.

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TEN-YEAR DIGEST

EARNINGS (Millions of Dollars)	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Net Sales	1,944.0	2,425.5	2,417.7	2,672.5	2,772.8	2,775.8	2,866.7	2,902.7	2,928.0	2,906.9	2,906.9
Earnings Before Income Taxes	85.8	85.9	92.0	100.2	92.3	93.3	85.7	86.8	92.0	85.8	85.8
Income Taxes	47.5	37.4	47.5	40.8	43.3	45.6	43.7	42.2	44.4	41.7	41.7
Net Earnings	38.3	48.5	44.5	59.4	49.0	47.7	42.0	44.6	47.6	44.1	44.1
Depreciation And Depletion	44.2	48.5	48.5	43.0	44.1	45.1	45.7	45.1	45.8	44.0	44.0
Dividends	17.3	24.4	25.2	28.2	28.8	28.5	28.0	27.7	22.3	21.8	21.8
BALANCE SHEET (Millions of Dollars)	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Current Assets	412.8	391.6	404.5	400.8	394.2	410.8	403.5	389.3	287.2	268.4	268.4
Current Liabilities	201.1	158.4	150.8	150.8	148.2	147.1	147.1	87.2	95.9	108.8	108.8
Working Capital	210.3	232.2	253.7	250.0	246.0	263.7	256.4	202.1	191.3	159.6	159.6
Plant And Equipment (Less Depreciation)	605.4	543.5	540.7	501.6	478.3	465.2	468.7	414.7	321.3	333.3	333.3
Total Assets	1,024.9	1,014.8	999.7	999.2	975.5	976.1	920.5	820.7	624.8	619.3	619.3
Long-Term Debt	189.2	189.0	189.0	189.0	189.0	189.0	189.0	189.0	189.0	189.0	189.0
Capital And Retained Earnings	835.7	825.8	810.7	810.2	786.5	787.1	731.5	631.7	435.8	430.3	430.3
Expenditures For Property And Investment	113.2	118.2	118.2	118.2	118.2	118.2	118.2	118.2	118.2	118.2	118.2
PER SHARE	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Net Earnings*	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01
Dividends*	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01
Equity*	21.74	21.74	21.74	21.74	21.74	21.74	21.74	21.74	21.74	21.74	21.74
Shares Outstanding—Average During Year (Thousands)	21,740	21,740	21,740	21,740	21,740	21,740	21,740	21,740	21,740	21,740	21,740
EMPLOYEES	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Number Of Employees (Thousands)	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Payroll And Benefits (Millions of Dollars)	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7

*Adjusted for 2 for 1 stock split in 1964 and 1 for 1 stock split in 1965.

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