The Glidden Company Annual Report

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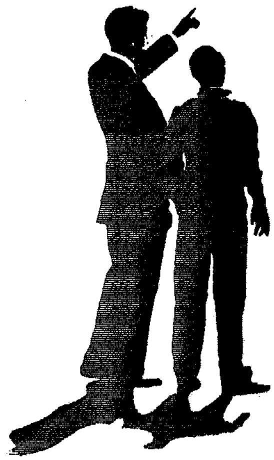

The Glidden Company Annual Report 1959

GLD30480

The young man pictured at the right and in other sections of this annual report is one of the 21,000 people who own The Glidden Company. He is John Engstrom, whose father, Andrew G. Engstrom, is a member of the company's research staff in Cleveland.

John became a joint owner of the company in 1957 when, on his own initiative, he invested some of his newspaper-route savings in a share of Glidden stock. Since then, he has taken a deep interest in the workings of our free competitive economy. Two shares of United Air Lines have been added to his budding portfolio, and he is now saving money to buy additional Glidden stock.

Besides being a capitalist, John is a normal, active boy of 14 with a liking for athletics and science. A sophomore at Chagrin Falls High School, near Cleveland, he is a member of the wrestling team (100-pound class), a better-than-average tennis player, an accomplished musician, and an excellent student. Last year, he constructed a "mechanical ear" for which he received state-wide honors in a high school science contest.

John is intensely interested in "his" company, and spent a part of his summer vacation learning more about it.

Those of us who had an opportunity to meet him found it a personally rewarding experience. His penetrating questions made us take another look at ourselves and our jobs. Of a research worker he asked, "Where do you get your ideas for new products?" And of a data processing man, "How much money does this equipment save each month?" After listening to a long explanation about the future of the paper industry, he inquired as to the number of pounds of titanium dioxide in a ton of paperboard. Dwight Joyce was asked, "Exactly what does the president do?"

John, like other shareholders, seemed to be most interested in "What's new with Glidden?" We hope you, along with John, will enjoy learning what's new.

The Glidden Company 42nd Annual Report fiscal year ended August 31. 1959

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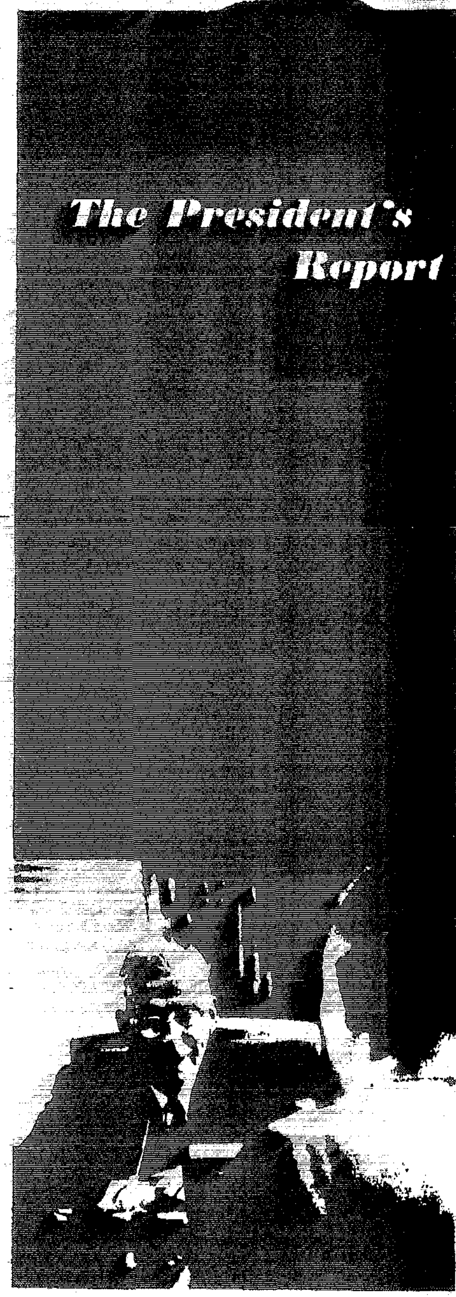
The President's Report



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Financial Highlights

	1959	1958	Change
Net sales	$195,764,389	$217,352,681	−10%
Income before taxes	$ 15,925,531	$ 12,350,062	+29%
Net income	$ 7,633,531	$ 6,063,062	+26%
Per share	$3.31	$2.64	
Dividends	$ 4,609,795	$ 4,596,340	—
Per share	$2.00	$2.00	
Depreciation and amortization	$ 6,579,313	$ 5,838,032	+13%
Per share	$2.85	$2.54	
Expenditures for plant and equipment	$ 7,607,001	$ 9,214,395	−17%
Working capital	$ 58,248,341	$ 52,572,371	+11%
Current ratio	4.45 to 1	3.64 to 1	
Shareholders' equity	$ 90,678,607	$ 87,303,838	+ 4%
Per share	$39.29	$37.99	
Number of shareholders	20,993	22,405	− 6%
Number of employees	6,023	6,353	− 5%

We expect these opportunities to come from internal development and also from the acquisition of other products or businesses. In either event, having just spent five years eliminating low-profit investments, we do not intend to move into major new commitments unless they measure up to our profit standards.

Capital Outlays Continue High

During 1959, some $7.6 million was spent on new property and plant facilities. The principal expenditures were for projects designed to increase capacity, improve operations and reduce production costs at our existing plants. On the basis of current plans, we estimate that capital outlays in 1960 will run between nine and ten million dollars.

Research Activities Productive

As you can see from the divisional reports, our product research efforts have been quite productive. Research is keyed to building new markets and to meeting the needs of our customers through new products and product improvement. Research and development expenditures for the year were up about 8%. A 12% increase has been budgeted for the current year.

In June, we acquired a 38-acre parcel of property located south of Cleveland, on which we plan ultimately to build a central research laboratory.

Operations Outside United States Broadened

Sales and profits of The Glidden Company, Ltd., showed improvement for the year. In order to broaden our position in Canada, we are starting a branch expansion program, similar to that which has been so successful here in the United States. As part of this, we have recently acquired several distributing organizations in the provinces of British Columbia and Ontario. We are continuing to explore other methods by which we can expand and diversify our activities in the growing Canadian economy.

The development of Glidden International, our unconsolidated overseas subsidiary, is continuing. Paint branches have been opened in Panama and Puerto Rico, and we have a minority interest in a new Guatemalan paint company, which eventually plans to serve the entire Central American area. Since most of our experience in the overseas field has revolved around paint exports and licensing, Mr. A. D. Duncan has been given the additional responsibility of further developing our international activities.

Outlook Promising

The steel strike has had some effect on sales and also on certain raw material supplies. This will probably be reflected in lower earnings for our first quarter. Looking over the entire year, though, I believe the outlook is promising.

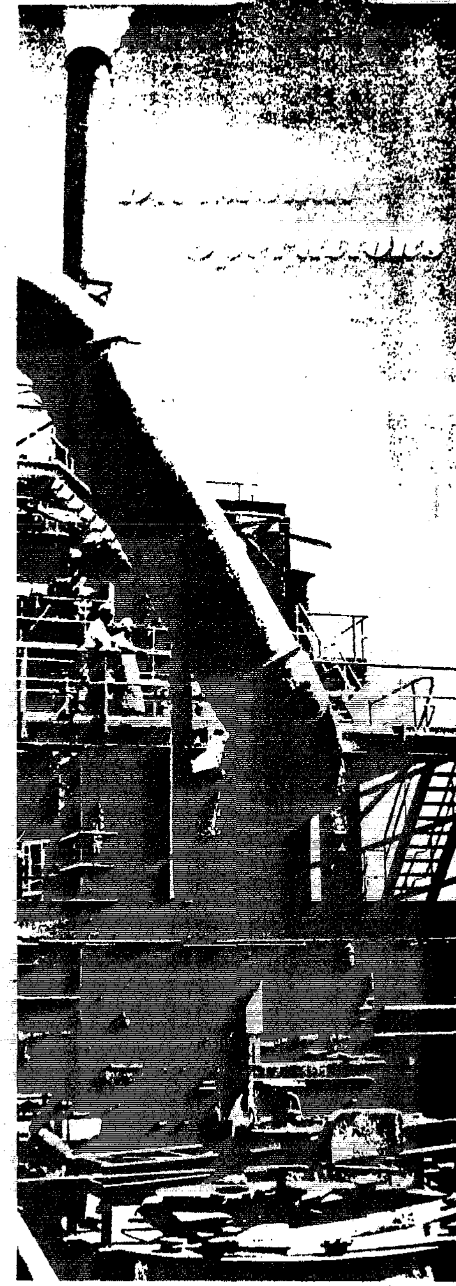
Last year we began to receive the benefits from the many changes which have been made during recent years, and the company is in a strong, sound position.

Barring any unforeseen change in the national economy, operations in 1960 should show further improvement in both sales and profits.

Dwight P. Joyce

Chairman and President

November 10, 1959



Paint *division*

Vice President: Alexander D. Duncan

PLANTS

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

PRODUCTS

Interior Paints and Enamels; House Paints; Floor Paints and Enamels; Stains; Varnishes; Lacquers; Tinting Bases; Product Finishes for Metal, Wood and Other Surfaces; Maintenance and Anti-Corrosive Finishes; Marine and Yachting Finishes; Polyester Resins and Coatings; Epoxy Resins

For the fifth year in a row, sales of the Paint Division established a new record high. Increasing 14%, they were $88,664,828 compared to sales of $77,453,500 in 1958. Divisional earnings also reached an all-time high.

Sales gains were made in both the consumer and industrial categories. As the result of an expanded marketing program, sales of consumer products were up 12%. Improved business conditions within the durable goods industries set the stage for a 19% increase in sales of industrial finishes and related items.

Earnings Hit New High

Earnings increased 30% over the previous year to set a new record for the Paint Division. Most of this increase came from the industrial product group, reflecting the benefits of greater sales volume and operating efficiencies placed in effect during 1958.

While the profit improvement in the consumer product group was relatively small, progress was made toward building a stronger organization for the future. Heavy expenses connected with opening new branches, more extensive advertising and new product development combined to temporarily slow down the earnings growth.

Branch Expansion Accelerated

In the last 12 months, 24 new branches were opened, representing an increase of about 20% in the branch distribution network. A similar increase is planned for 1960. Experience has proved that new branches materially improve the profit potential as soon as they have had an opportunity to develop their local markets.

The domestic paint business of the former General Paint Corporation, acquired in June, 1958, has been successfully integrated into the division's West Coast operations. Some $3½ million of the year's sales increase was made possible through this acquisition, which has been converted to a profitable operation in the first year.

Many New Products Marketed

The fact that the company's paint sales have consistently increased at a greater rate than those of the total paint industry can be directly traced to a highly successful product development and marketing program. 1959 was no exception.

Spred House Paint, a new latex-emulsion paint for exterior wood siding and other surfaces, was introduced with strong advertising support in about 50 test markets, and received an excellent consumer reception. Full-scale national marketing is planned for the coming year. Consumers familiar with the many advantages of Spred Satin, the interior latex-emulsion paint, have found that this new house paint has all of these same advantages. In addition, it can be applied over damp surfaces, and its blister resistance offers a solution to the peeling problem on many exterior wood surfaces. Both Spred House Paint and its companion emulsion primer are products of Glidden research.

A new water-reducible coating is being used to prime hard-to-get-at places on the Thunderbird and Lincoln bodies. Over 7,000 gallons of paint are circulated through this huge dipping tank.

The growing market for polyester resins is providing an important new source of income for the Paint Division. Here, a new resin, reinforced with glass fibers, is being tested on laboratory production equipment.

An important breakthrough in anti-corrosive finishes for industrial maintenance was made with the development of Rustmaster primer, which will be marketed nationally in 1960. Using a Glidden-developed wetting oil, this new primer penetrates through rust, and provides the metal surface with longer-lasting protection.

Excellent reception was given to the introduction of Ripolin Yachting Finishes last year, and other new items will be added to this line during the coming year. Glid-Tile, a liquid polyester coating which looks like ceramic tile when applied over concrete block construction, is gaining in acceptance after a broad product education and introduction program.

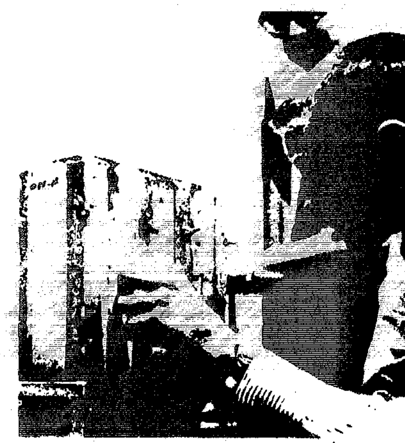
Work on water-reducible industrial coatings continues, and a number of new uses have been developed – the most notable being their use as a primer on the unitized bodies of the Lincoln and Thunderbird automobiles. Other new industrial products brought out in 1959 included the Glidfoam series of polyester resins for manufacturing rigid and flexible foams, and a group of improved can coatings.

Resin Capacity Added

Additional resin capacity is now being installed at the Chicago, Cleveland, San Francisco and Toronto plants, and will be placed in operation during early spring. Involving a capital investment of about $1,200,000, the new reactors will enable the division to meet the growing demand for polyester products and also to manufacture many of the latices and other resins developed for use in its paint products.

Over the last ten years, sales of the Paint Division have increased at an average annual rate of 6.4%. The ever-expanding market for home, commercial and industrial maintenance coatings combined with increasing demand for product finishes and plastic materials offer many opportunities for continuation or even betterment of this favorable rate of growth.

Blister tests, made under extreme moisture conditions, indicate the superiority of Spred House Paint over conventional paints for exterior wood siding. This new latex-emulsion paint will be marketed throughout the country next spring.



Durkee Famous Foods *division*

VICE PRESIDENT: Harvey L. Slaughter

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

PRODUCTS:
Bulk Shortenings; Baker's Margarine; Hard Butters; Specialty Edible Oil Products; Food Emulsifiers; Margarine Oils; Refined Vegetable Oils; Coconut; Spices, Seasonings and Herbs; Dehydrated Onion Products, Flavor Extracts; Food Colors; Cake Decorations, Meat Sauce; Margarine, Mayonnaise; Salad Dressings, Salad Oils, Package Shortening

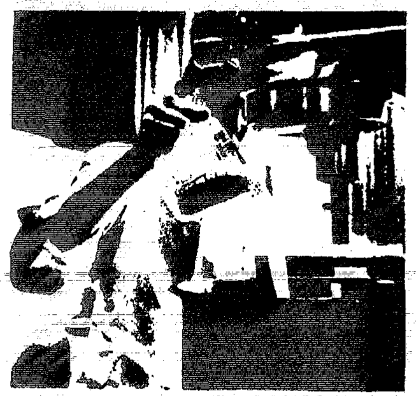
Sales were $78,305,989, declining from $85,500,700 in 1958. In part, this sales decline reflects lower costs for the crude oils used as raw materials, since the selling prices of shortening and oil products fluctuate with changes in these costs. It also reflects a reduction in export business. Otherwise, physical volume of products shipped remained about the same as in the previous year.

Since last February, edible oil prices have been extremely competitive, resulting in a slight reduction of profit margins and lower divisional earnings for the year. These competitive conditions have been created by an excess in the industry's capacity to produce commodity-type products, such as salad and margarine oils.

The results of Durkee's long-standing research and technical service programs have held the effects of this competition to a minimum. The division will continue to emphasize the development of specialized products and services as a means of commanding satisfactory profit margins.

New Products Introduced

Typical of these product development activities is Fluid Flex, a pourable cake shortening now being introduced to the baking industry. This new and completely different product offers the baker many cost-saving advantages in handling and batch preparation; it also permits longer shelf life and greatly improves cake texture—all of which are important to the bakery trade.



Developed in the Durkee laboratories, Fluid Flex is being introduced to commercial bakers. Its liquid properties offer many cost saving advantages over regular solid shortenings.

The development of Flex was made possible, in part, by the division's work on food emulsifiers, an entire series of which has been developed in the Durkee laboratories. Consisting of edible fatty materials, these emulsifiers were introduced last year and already have become an important part of the product line. They are being used increasingly in prepared mixes, candy, bread and frozen desserts—having permitted many improvements in the quality of these products.

Durkee's Instant Minced Onion is now being placed in national distribution following successful market introduction in key cities. Packaged in both consumer and institutional sizes, this dehydrated onion product offers convenient use at only a slight premium in cost.

Marketing of the entire line of Durkee products to the institutional trade—restaurants, hotels, cafeterias, etc.—will be intensified this year. Additional personnel have been trained and assigned to cover this growing market, and a broad advertising program is planned.

Production Facilities Improved

In its first full year of operation, the new coconut and condiment plant at Bethlehem, Pennsylvania, showed a good gain in profits over the previous year. While there is still room for improvement, the operating efficiencies for which this change was made have begun to produce results.

Additional semi-continuous deodorizers have been installed at each of the three edible oil refineries to improve quality and lower production costs. This equipment will also provide an increase in productive capacity for specialty items. Further modernization and cost reduction projects are planned for the current year.

Heart Disease and Diet

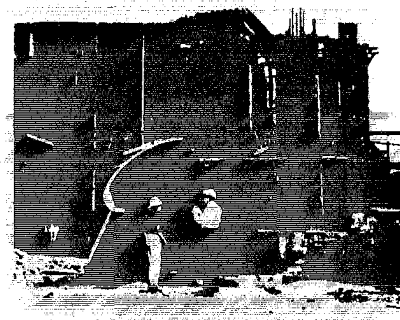
Considerable publicity is currently being given to the possible connection between heart disease and human consumption of certain types of fat. A recent government survey of research studies on this subject indicates that there is still no conclusive evidence of any such relationship. Whatever the outcome of this medical research, it should have little effect upon the Durkee edible oil business. For a number of years, the division has conducted research on both saturated and unsaturated fats, and is prepared to produce the type of fat products that will best satisfy the requirements of the human body.

On the basis of current plans and industry conditions, the outlook for the Durkee division during the coming year is favorable, and there is every reason to look for improved profits from this division.

Chemicals Pigments Metals *division*

Improvement in the general economy, together with stepped-up marketing activities, produced a new all-time high in divisional sales. Recovering from a low point created by the recent recession, sales were $19,402,410 compared to $14,068,264 in the previous year. Both titanium dioxide pigments and the metal powder group of products contributed to this 38% sales increase.

With higher sales volume and new production efficiencies plus the elimination of major start-up and relocation expenses, divisional earnings were more than 2½ times greater than a year ago. They approached the record level set in 1956, when the division profited from an acute shortage of titanium dioxide, a rising copper market, and considerably lower depreciation charges.



Construction of additional productive capacity at the Adrian Joyce Works is now under way to meet the increasing demand for titanium dioxide pigments.

Titanium Dioxide Growth Resumes

After a three-year interruption created by the recession and inventory adjustments, sales of titanium dioxide appear to have resumed the growth trend established during the past 15 years. It is expected that industry-wide production in 1959 will compare favorably with the peak levels of 1956. There is now a healthy amount of excess capacity in the industry, which is providing an incentive for product development and should stimulate further growth. The division's production and sales of titanium dioxide increased at a greater rate during the year than that of the industry—the result of more aggressive marketing efforts and improvement in quality made possible by the new plant.

Expansion Continues

In order to adequately meet the needs of titanium dioxide users, further expansion of the Adrian Joyce Works was started last February. Costing several million dollars, this expansion program is designed to eliminate critical bottlenecks between various stages of production and will provide progressive increases in plant capacity over the next few years.

Options have recently been exercised to purchase several large tracts of property in central New Jersey which contain substantial deposits of high-grade ilmenite—the ore used in producing titanium dioxide. Mining operations will be set up to provide a major portion of the division's ore requirements. Present plans call for completion of the necessary plant by the end of 1961. In addition to obtaining this long-term source for ore, further domestic deposits are being explored. Current requirements are adequately covered by contracts with overseas sources.

Projects completed during the year included a new divisional laboratory and titanium ore processing facilities. Located adjacent to the Adrian Joyce Works in Baltimore, the new laboratory will serve as a focal point for all divisional product development and technical service activities. The ore facilities were placed in operation in April and give the plant more flexibility in the types of ore it can process.

Other Products Show Improvement

With the comeback in automotive and appliance production, sales of metal powders used by these industries were substantially higher. The increased earnings from these operations made an important contribution to the division's improved performance.

Lithopone and color pigment sales increased slightly. These products, however, are minor in relation to titanium dioxide and metal powders.

During 1957 and 1958, the Chemicals-Pigments-Metals Division incurred exceptionally heavy expenses in overhauling virtually its entire production facilities. In 1959, it began to obtain the benefits from these moves, and further improvement is anticipated for the coming year.

New uses for titanium dioxide in the paper industry are slated for greater attention at the recently completed laboratory of the Chemicals-Pigments-Metals Division in Baltimore.

Net Income

Net income after all taxes and charges was $7,633,531 equal to $3.31 per share, compared to $6,063,062 or $2.64 in 1958. On a comparative quarterly basis, net income was:

Quarter Ended:	1959 Amount (000)	1959 Per Share	1958 Amount (000)	1958 Per Share
November 30	$1,754	$ .76	$1,190	$ .52
February 28	1,278	.56	916	.40
May 31	2,137	.92	1,682	.73
August 31	2,465	1.07	2,275	.99

Net income in 1958 absorbed a non-recurring charge of 25 cents per share to cover the loss taken on abandonment of the St. Helena titanium dioxide plant. It also included net income of $987,461 equal to 43 cents a share contributed by the Chemurgy Division.

Depreciation

Depreciation and amortization charges against income totalled $6,579,313, increasing 12.7% over 1958 charges of $5,838,032. These charges included $4,479,257 taken against properties operated by the company and $2,100,056 taken against the former Chemurgy Division properties now leased to Central Soya Company. It is estimated that total depreciation charges in fiscal 1960 will be about $6,800,000.

Cash Flow

Cash flow generated from operations increased 8.4%. Total cash flow in 1959 was $14,212,844 equal to $6.16 a share, compared to $13,116,333 or $5.71 in 1958.

Dividends

Dividends totalled $4,609,795, based upon the regular $2.00 annual rate. In fiscal 1959, 60.4% of net income was distributed to shareholders as dividends.

During the 1959 calendar year, the following quarterly dividend payments were made:

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

The indenture, under which the company's 4¾% Sinking Fund Debentures are issued, restricts the payment of dividends after August 31, 1958, to consolidated net income earned subsequent to that date plus $10,000,000. At August 31, 1959, $13,023,736 was free of such restriction.

Property, Plant and Equipment

Capital expenditures for new property, plant and equipment totalled $7,607,001 in 1959, compared with $9,214,395 for 1958. The percentage of the 1959 total invested in each division was:

Paint	15.0%
Durkee Famous Foods	13.7
Chemicals-Pigments-Metals	57.1
Organic Chemical	14.2

The production and grain storage facilities of the former Chemurgy Division are being leased to the Central Soya Company under an agreement which provides that Central pay an annual rental of $2,175,000, plus property taxes and insurance, during the three-year term which began September 1, 1958. Central also has an option to purchase these properties on August 31, 1961, for $8,550,000, payable in cash. At that time, the properties will have an unamortized cost on the company's books of approximately $7,437,000.

Inventories

Inventories at August 31, totalled $39,588,415 compared to $36,771,649 at the end of the 1958 fiscal year. The principal increase occurred in the Paint Division as a result of higher sales levels and the addition of new branches.

Inventories are valued at the lower of cost or market, using the average cost method on the major portion, and the last-in, first-out method on certain edible oils and other commodities. At August 31, 1959, inventories carried on a LIFO basis amounted to $1,943,535, which was approximately $689,000 less than replacement market.

Working Capital

Working capital of $58,248,341 at the year end represented a new high. The ratio of current assets to current liabilities was 4.45 to 1.

Long-Term Debt

On November 1, 1958, the company issued $30,000,000 of 4¾% Sinking Fund Debentures, payable $1,500,000 annually from 1964 to 1983. The proceeds were used to pay all other outstanding borrowings. Company funds were sufficient to finance seasonal requirements, and it was not necessary to do any short-term borrowing during the year.

Common Stock

Common stock outstanding at August 31, 1959, consisted of 2,307,850 shares. At the beginning of the 1959 fiscal year, options were outstanding for 87,510 shares of stock pursuant to a restricted stock option plan for key management employees, approved by shareholders in 1952. During the year, options for 7,050 shares were granted, options for 9,680 shares were exercised, and options for 2,240 shares were cancelled. At the close of the year, options were outstanding for 82,640 shares. Option prices in all cases were not less than 95% of the market value of the shares at the time such options were granted. Unoptioned shares available for the granting of options totalled 5,650 shares at the beginning of the year and 840 shares at the close of the year. Subsequent to August 31, 1959, the Board of Directors terminated authority to grant options under the 1952 plan.

At the annual meeting to be held December 10, 1959, shareholders will be asked to approve a proposed stock option incentive plan for 100,000 shares of common stock.

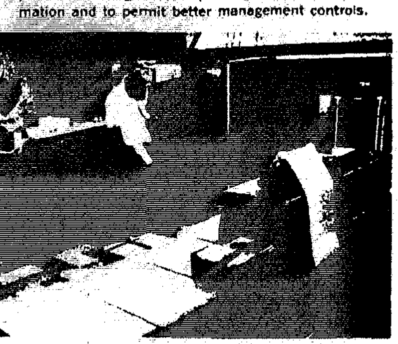
Wages and Salaries

Wages, salaries and employee benefits totalled $36,436,403 in 1959 and were 18.6% of sales. Employee retirement funds deposited with bank trustees now total $12,934,346. The retirement plans are non-contributory, the company paying the entire cost. At August 31, 1959, the unfunded liability for past service costs under the plans was estimated to be $4,700,000, and the annual current service cost (which does not include funding of the past service cost) was estimated to be $890,000.

Taxes

Taxes on income were $8,292,000, equal to $3.59 per share. Taxes other than on income amounted to $1,757,647.

Medium-sized computers, installed at key regional points, are being used to speed up the flow of information and to permit better management controls.



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Consolidated Balance Sheets

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY

August 31, 1959, and August 31, 1958

assets

	1959	1958
CURRENT ASSETS		
Cash	$ 8,868,172	$ 9,295,760
Short-term securities—at cost	7,957,140	—0—
Trade accounts receivable, less allowances of $511,868 (1958—$519,108)	16,904,805	17,277,354
Inventories and trade receivables of Chemurgy Division	—0—	6,654,687
Inventories—generally at the lower of accumulated-average cost or replacement market:		
Raw materials and work in process	$ 19,212,522	$ 18,152,557
Finished goods	20,375,893	18,619,092
	$ 39,588,415	$ 36,771,649
Other current accounts and investments	1,094,742	1,900,305
Prepaid insurance and other expenses	708,912	608,840
TOTAL CURRENT ASSETS	$ 75,122,186	$ 72,508,595
PROPERTY, PLANT AND EQUIPMENT		
Land—at cost	$ 4,189,075	$ 3,484,284
Buildings—at cost	23,163,987	22,839,453
Machinery and other equipment—at cost	46,941,888	41,085,010
	$ 74,294,950	$ 67,408,747
Less accumulated depreciation, depletion and amortization	25,018,408	21,154,185
	$ 49,276,542	$ 46,254,562
Chemurgy properties leased to Central Soya Company—net	11,630,175	13,737,369
TOTAL PROPERTY, PLANT AND EQUIPMENT—NET	$ 60,906,717	$ 59,991,931
OTHER ASSETS	1,523,549	739,536
	$137,552,452	$133,240,062

liabilities and shareholders' equity

	1959	1958
CURRENT LIABILITIES		
Notes payable to banks	$ —0—	$ 5,500,000
Accounts payable	7,676,924	6,467,609
Accrued taxes, insurance, royalties and interest	1,549,489	1,439,805
Dividend payable	1,153,925	1,149,085
Taxes on income—estimated	6,493,507	5,379,725
TOTAL CURRENT LIABILITIES	$ 16,873,845	$ 19,936,224
LONG-TERM DEBT		
4¾% Sinking Fund Debentures (payable $1,500,000 annually 1964—1983)	$ 30,000,000	$ —0—
Notes payable to banks	—0—	26,000,000
TOTAL LONG-TERM DEBT	$ 30,000,000	$ 26,000,000
SHAREHOLDERS' EQUITY		
Common Stock, par value $10 per share:		
Authorized—3,000,000 shares		
Reserved for options—83,480 shares (1958—93,160)		
Outstanding—2,307,850 shares (1958—2,298,170)	$ 23,078,500	$ 22,981,700
Additional amount paid in	10,116,005	9,861,772
Earnings retained for use in the business, including retained earnings of Canadian subsidiary $5,072,840 (1958—$4,673,967)	57,484,102	54,460,366
TOTAL SHAREHOLDERS' EQUITY	$ 90,678,607	$ 87,303,838
	$137,552,452	$133,240,062

See earlier sections of this report for information regarding Chemurgy properties, dividend restrictions, stock options and retirement plans.

Consolidated Income

and earnings retained for use in the business

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY
Years ended August 31, 1959, and August 31, 1958

income	1959	1958
Net sales	$195,764,389	$217,352,681
Operating costs:		
Cost of products sold	$142,534,797	$168,979,340
Selling and administrative expenses	36,803,888	34,148,467
	$179,338,685	$203,127,807
INCOME FROM OPERATIONS	$ 16,425,704	$ 14,224,874
Other income and (deductions):		
Interest expense	$ (1,339,918)	$ (1,562,025)
Rental income—Chemurgy properties	2,175,000	—0—
Depreciation—Chemurgy properties	(2,100,056)	—0—
Royalties and other items—net	764,801	902,452
Abandonment of St. Helena plant	—0—	(1,215,239)
	$ (500,173)	$ (1,874,812)
INCOME BEFORE TAXES ON INCOME	$ 15,925,531	$ 12,350,062
Taxes on income—estimated:		
Federal	$ 7,696,000	$ 5,818,000
Dominion and state	596,000	469,000
	$ 8,292,000	$ 6,287,000
NET INCOME	$ 7,633,531	$ 6,063,062

Provision for depreciation and amortization, including Chemurgy properties, was $6,579,313 (1958—$5,838,032)

earnings retained for use in the business

	1959	1958
Balance at beginning of year	$ 54,460,366	$ 52,993,644
Net income	7,633,531	6,063,062
	$ 62,093,897	$ 59,056,706
Cash dividends declared—$2.00 per share	4,609,795	4,596,340
Balance at end of year	$ 57,484,102	$ 54,460,366

Summary of Source and Disposition of Funds

THE GLIDDEN COMPANY AND CANADIAN SUBSIDIARY
Years ended August 31, 1959, and August 31, 1958

source of funds	1959	1958
Net income	$ 7,633,531	$ 6,063,062
Charges to income which did not involve current expenditures:		
Depreciation and amortization	6,579,313	5,838,032
Abandonment of St. Helena plant	—0—	1,215,239
TOTAL FROM OPERATIONS	$ 14,212,844	$ 13,116,333
Sale of debentures	$ 30,000,000	—0—
Less payments of bank loans	26,000,000	1,500,000
	$ 4,000,000	$ (1,500,000)
Sale of 9,680 shares of Common Stock under option plan	351,033	—0—
	$ 18,563,877	$ 11,616,333

disposition of funds	1959	1958
Dividends declared	$ 4,609,795	$ 4,596,340
Expenditures for property, plant and equipment	7,607,001	9,214,395
Other changes	671,111	(1,666,641)
Increase (decrease) in working capital	5,675,970	(527,761)
	$ 18,563,877	$ 11,616,333

Accountants' Report

Shareholders and Board of Directors
The Glidden Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Glidden Company and its Canadian subsidiary for the year ended August 31, 1959. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements of the preceding year.

In our opinion, the accompanying balance sheet, statements of income and earnings retained for use in the business, and summary of source and disposition of funds present fairly the consolidated financial position of The Glidden Company and Canadian subsidiary at August 31, 1959, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst
Certified Public Accountants

Cleveland, Ohio
October 14, 1959

A Ten-Year Comparison

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

	12 Months—August 31				10 Months August 31	12 Months—October 31				
	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
INCOME										
Net sales	$ 195,764	$ 217,353	$ 225,537	$ 226,290	$ 180,525	$ 209,084	$ 211,758	$ 205,113	$ 228,523	$ 188,608
Cost of products sold	142,535	168,979	176,874	177,538	142,047	167,845	170,492	164,890	186,333	151,878
Selling, administrative and general expenses	36,803	34,149	32,995	31,974	24,047	27,701	26,739	26,238	26,282	22,597
Income from operations	16,426	11,225	15,668	16,778	14,431	13,538	14,527	13,985	15,908	14,133
Income before taxes	15,926	12,350	15,387	16,451	14,325	14,235	14,834	14,204	16,001	14,438
Taxes on income	8,292	6,287	8,123	8,304	7,212	7,142	7,725	7,255	7,687	5,876
Net income	7,634	6,063	7,264	8,147	7,113	7,093	7,109	6,949	8,314	8,562
Dividends on common shares	4,610	4,596	4,594	4,592	4,589	4,582	4,578	5,134	4,512	3,910
Dividends on preferred shares	—	—	—	—	—	—	—	—	402	449
Earnings reinvested	3,024	1,467	2,670	3,555	2,524	2,511	2,531	1,815	3,400	4,203
Depreciation, depletion and amortization	6,579	5,838	5,046	2,870	2,235	2,333	2,185	1,965	1,731	1,754
FINANCIAL POSITION										
Working capital	$ 58,248	$ 52,572	$ 53,100	$ 35,696	$ 47,156	$ 51,226	$ 46,005	$ 46,475	$ 46,416	$ 38,420
Property, plant and equipment—net	60,907	59,992	59,517	53,414	39,993	34,493	33,234	31,394	30,894	26,922
Total assets	137,552	133,240	140,370	118,738	106,762	102,670	102,750	101,958	95,875	84,311
Long-term debt	30,000	26,000	27,500	7,500	9,000	10,500	7,000	8,500	10,000	—
Shareholders' equity	90,679	87,304	85,837	83,091	79,513	76,923	74,324	71,644	69,739	66,194
PER COMMON SHARE										
Net sales	$ 84.82	$ 94.58	$ 98.14	$ 98.56	$ 78.65	$ 91.16	$ 92.44	$ 89.78	$ 100.22	$ 95.66
Net income	3.31	2.64	3.16	3.55	3.10	3.09	3.10	3.04	3.65	4.11
Depreciation, depletion and amortization	2.85	2.54	2.20	1.25	.97	1.02	.95	.86	.76	.89
Dividends	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.25	2.25	2.10
Shareholders' equity	39.29	37.99	37.35	36.19	34.64	33.54	32.44	31.36	30.58	28.51
Price of Glidden common shares[1]—High	50.25	47.00	37.50	41.12	44.50	42.50	38.12	42.62	48.50	31.50
—Low	42.00	28.00	29.50	34.50	36.12	28.75	27.88	32.88	27.75	22.50
OTHER STATISTICS										
Expenditures for property, plant and equipment	$ 7,607	$ 9,214	$ 12,465	$ 16,637	$ 8,155	$ 4,021	$ 4,150	$ 3,043	$ 5,918	$ 3,330
% net income to shareholders' equity	8.4%	6.9%	8.5%	9.8%	8.9%	9.2%	9.6%	9.7%	11.9%	12.9%
% dividends to net income	60.4%	75.8%	63.2%	56.4%	64.5%	64.6%	64.4%	73.9%	57.0%	48.2%
Ratio of current assets to current liabilities	4.45	3.64	2.96	2.27	3.58	4.36	3.15	3.13	3.88	3.46
Common shares outstanding	2,307,850	2,298,170	2,298,170	2,295,990	2,295,350	2,293,455	2,290,794	2,284,739	2,280,238	1,971,623
Preferred shares outstanding	—	—	—	—	—	—	—	—	—	199,540
Number of shareholders	20,993	22,405	21,686	20,758	20,019	19,174	18,726	18,310	17,989	14,904
Number of employees	6,023	6,353	6,455	6,387	6,397	6,198	6,120	6,127	6,130	6,277
PRO FORMA *(excluding operations of Chemurgy Division for the fiscal years 1950–1958)*										
Net sales	$ 195,764	$ 185,380	$ 190,424	$ 190,483	$ 151,752	$ 169,823	$ 170,717	$ 164,283	$ 188,012	$ 155,497
Income from operations	16,426	11,923	13,590	13,956	12,706	11,362	12,414	11,779	10,203	11,692
Income before taxes	15,926	10,294	13,590	14,252	13,102	12,271	12,907	12,249	10,462	11,948
Net income	7,634	5,076	6,402	7,091	6,526	6,150	6,184	6,010	5,541	7,077

[1]Calendar years, except 1959 which is to October 15, 1959

Board of Directors

Dwight P. Joyce
Alexander D. Duncan
B. W. Maxey
John H. Weeks
R. D. Horner
W. G. Phillips
Willard C. Lighter
Harvey L. Slaughter
G. M. Halsey
W. D. Stallcup
G. S. Warner
W. P. Smith

Officers

Dwight P. Joyce, *Chairman of the Board and President*
Willard C. Lighter, *Executive Vice President*
B. W. Maxey, *Vice President—Finance*
Alexander D. Duncan, *Vice President*
Harvey L. Slaughter, *Vice President*
John H. Weeks, *Vice President—Personnel*
G. M. Halsey, *Vice President*
W. D. Stallcup, *Vice President*
William von Fischer, *Vice President—Research*
J. W. Pollard, Jr., *Vice President—Engineering*
R. D. Horner, *Secretary and General Counsel*
W. G. Phillips, *Treasurer*
G. S. Warner, *Controller*
R. K. Dutton, *Assistant Secretary*
D. E. Erskine, *Assistant Controller*

Corporate Data

Executive Offices
900 Union Commerce Building
Cleveland, Ohio

Trustee—*Sinking Fund Debentures*
First National City Trust Company
New York City

Transfer Agents—*Common Stock*
Chemical Bank New York Trust Company
New York City
The Cleveland Trust Company
Cleveland, Ohio

Registrars—*Common Stock*
The Chase Manhattan Bank
New York City
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, 1959, at ten o'clock in the morning, in the Euclid Ballroom of the Hotel Statler-Hilton, Cleveland, Ohio.

On a visit to the New York Stock Exchange, John Engstrom met Welles Murphey, the floor specialist in Glidden stock. In telling John about the specialist's role in security transactions, Mr. Murphey explained that he must execute orders that are given to him by other members of the Exchange, and must buy and sell for his own account in order to maintain fair and orderly markets in the stocks which he services.