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GAF Corporation Annual Report 1970

GAF Corporation
Annual Report [illegible]

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The Annual Meeting of GAF shareholders will be held on April 16.

Management Committee of GAF Corporation

1. Edward J. Williams Executive Vice President Administrative Services
2. Juliette M. Moran Vice President Communications Services
3. [illegible]
4. [illegible]
5. [illegible]

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Financial Highlights

For the Year (in thousands)	1970	1969
Net Sales	$598 706	$606 254
Net Income	14 694	11 068
Dividends		
Common	5 434	5.395
Preferred	3 795	3 793
Capital Expenditures	25 186	22 090
Depreciation	20 923	19 973

At the Year End (in thousands)		
Working Capital	205.315	197 950
Total Borrowings	167 201	187 314
Shareholders Equity	296.050	290 154
Current Ratio	3 4 1	3 0 [illegible]
No of Employees	19 8	[illegible]

Per Common Share Statistics		
Net Income	80	54
Common Dividends	40	40
Shareholders' Equity	15 33	14 91

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Financial Review

Sales

Sales in 1970 were 1.2 percent lower than in 1969. As indicated in the table below the Company's product mix changed slightly in 1970 as a result of [illegible] within each of the operating divisions.

	1970 Sales	% of Total	1969 Sales	% of Total
Chemicals	$154,886,000	25.9	$163,313,000	[illegible]
Photo Products	136,465,000	22.8	144,031,000	[illegible]
Business Systems	85,189,000	14.2	76,041,000	[illegible]
Building Materials	176,086,000	29.4	175,728,000	[illegible]
Industrial Products	46,080,000	7.7	47,141,000	[illegible]
	$598,706,000	100.0	$606,254,000	[illegible]

Net Income

Income from operations in 1970, before extraordinary items, reflected the major increases in labor and material costs prevalent in all areas of the Company's operations in 1970. Price increases for the most part failed to equal these rises in costs and there was a marked effect on the operating margins of our five product groups.

The table presented below indicates the direct operating margins of the Company's five product groups. The Company has not maintained records that would permit it to allocate corporate expenses to these groups on other than an arbitrary basis. Corporate costs including interest of $11,641,000 in 1970 and $10,712,000 in 1969 amounted to $30,441,000 and $30,212,000 in the respective years.

	1970 Operating Margin	% of Total	1969 Operating Margin	% of Total
Chemicals	$18,407,000	40.2	$22,561,000	[illegible]
Photo Products	(3,005,000)	(6.6)	6,657,000	[illegible]
Business Systems	4,377,000	9.5	4,317,000	[illegible]
Building Materials	18,197,000	39.7	16,601,000	[illegible]
Industrial Products	7,862,000	17.2	[illegible]	[illegible]
	$45,838,000	100.0	$59,312,000	[illegible]

In addition to the economy-related profit deterioration that occurred in 1970, our Chemicals and Photo Products operations had the added burden of costs related to facility expansion and the introduction of new products.

The new addition to the Linden, N.J. chlorine-caustic plant, which represented a doubling of capacity, was in start-up at the year-end. Although construction was substantially complete in 1969, the plant was extensively modified during the year 1970. This unit reduced

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operating earnings by $1 000 000 even though no depreciation was taken in 1970 because of its start-up status. The plant started its drive toward normal operations in January 1971 and it is believed the modifications remaining can be accomplished without major interruption of operations.

Photo Products losses are primarily related to photographic films and papers, where major changes in the product line and manufacturing techniques have occurred during recent years. Manufacturing expenses at the Binghamton plant were up substantially because of operating problems related to new film and paper coating machines and the new products for which this equipment was installed. Approximately 55 per cent of the Binghamton production is now for products introduced during the last three years. Consumer photo products, other than film and paper, remained profitable in 1970 although seasonal Christmas sales of these products were below our expectations. 1970 also saw an inventory correction for these products, which resulted in lower production levels with an attendant increase in costs. Inventories at the end of 1970 were balanced.

Extraordinary Items

Income from extraordinary items resulted from the sale of properties without the loss of the operations involved.

In 1970 the Company approved a consolidation plan of its English subsidiary to combine at one location the operations of its three production facilities located in London. On November 27, 1970 GAF (Great Britain) Limited took the first step of this consolidation by selling its headquarters building in London. After allowing for all taxes and associated costs, a profit of $3 923 000 or 29 cents per common share was realized on this transaction. The proceeds from the sale of $5 340 000 in excess of a down payment ($534 000) are due on March 31, 1971. They will be used to pay for a new existing facility for which a purchase contract was signed in December 1970.

As of June 30, 1970 the Company sold its Amiben production facilities at Texas City, Texas, to Amchem Products, Inc., its only customer. At the same time, the Company leased the facilities and continues to operate them to manufacture Amiben for Amchem. As the sole manufacturer of this agricultural chemical, GAF will continue to reflect these operations in its results, utilizing the leased facilities for this purpose. Proceeds from the sale of $10 000 000 were received on July 22, 1970. After allowing for all taxes and associated costs, and the abandonment of certain related plant facilities at Linden, New Jersey, a profit of $2 377 000 or 17 cents per common share was realized on this transaction.

Capital Expenditures

Plant and equipment expenditures totaled $25 156 [illegible] in 1970, compared with $22 090 000 in 1969. Capital projects approved at year-end 1970 for which funds will be expended in 1971 and later years totaled $32 060 000.

Financial Condition and Capital Structure

The Company maintained a strong financial condition throughout the year. Effective financial management resulted in an increase in working capital and an improvement in the current ratio. The current ratio at the year-end was 3.4:1 compared with 3.0:1 a year ago. The debt equity ratio at 32:68 was an improvement over 1969's 34:66. During 1970 our total loans outstanding were reduced by $20 113 000, of which $7 889 000 was long-term debt.

In May 1970 the Company converted $40 million under its revolving credit agreement into four-year Term Loans with interest at 1/4 of 1 per cent over the floating prime rate. The loans are repayable in 16 equal quarterly installments and at the end of the year the outstanding amount had been reduced to [illegible].


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Chemicals

The chemical industry, caught between spiraling costs and lower prices stemming from overcapacity, keenly felt the effects of the economic slowdown of 1970. GAF's broad line of specialty products, however, helped buoy the Company's position in the generally depressed chemical market.

Through its diversified line of high-pressure acetylene derivatives, surfactants, dyestuffs and pigments, industrial organic and textile chemicals, GAF was able to withstand some of the business decline and in some instances post sales gains.

The latex operations at Chattanooga, Tenn., chlorine-caustic at Linden, N.J., and acetylene chemical products at our Calvert City, Ky., and Texas City, Tex., plants were successful in bucking chemical market trends and made significant sales advances.

The versatile and diverse chemicals produced only by GAF in the United States from reactions of acetylene with other chemicals under high pressure continued to penetrate new market areas in 1970 and achieved higher sales levels. A multimillion dollar expansion to substantially increase capacity to produce acetylene chemicals at the Texas City plant was completed on schedule at the close of 1970, and start-up operations have begun.

Growth potential for the GAF® polyvinylpyrrolidone (PVP) and vinyl ether (Gantrez® polymer) families of products seems unlimited as their spectrum of uses and applications grows in a variety of industries. These products, adaptable to a wide range of end uses, have become essential to the manufacture of cosmetics and toiletries, adhesives, detergents, plastics, rubber, coatings and paints, paper, inks, textiles, printing, pharmaceuticals, foods, beverages and many other products.

One important introduction in the area of acetylene chemicals in 1970 was Gafquat® 755 copolymer, a highly effective hair-conditioning agent which was accepted by the cosmetics industry for use in a number of leading hair grooming formulas. In another area of major interest, an older product, Gantrez AN resin, is being tested as a replacement for phosphates [illegible] builders in detergents.

At Chattanooga, where GAF produces its styrene-butadiene latices for carpet backing, paper coating and building product uses, two recent plant expansions were hard pressed to meet the growing demand for this group of products. Significant new compounds designed with flame retardant or self-extinguishing properties for the drapery, upholstery and tufted carpet markets were introduced in 1970 and initial marketing success indicates that additional expansion of the latex operations will be necessary in 1971.

GAF sales of dyes and pigments in 1970, reflecting the downward economic situation, were further depressed by an increase in imports into the United States brought about by a 1967 tariff reduction program. Some 200 products were eliminated from the dyestuff line in the last year, but notable success was achieved in developing and providing quality dyes for nylon and polyester fibers. In addition, a new GAF Blancophor PD optical brightener was accepted by a major manufacturer of laundry detergents for a new household product for washing synthetic fiber fabrics.

In the surfactant area, GAF was able to offset lower sales volume in 1970 through several price increases and thereby maintain profits comparable to the preceding year. The Company looks for increased sales in the year ahead upon a return to normal market conditions.

GAF's principal agricultural chemical product, Amiben, a soybean herbicide made for Amchem Products, Inc., showed reduced sales in 1970. However, this merely reflected an inventory adjustment on the part of the marketer, since sales to farmers continued to increase as they have every year since the product was introduced. Significant GAF sales increases therefore are forecast for 1971.

E. J. O'Leary, Jr., Senior Vice President [illegible]
[illegible] Scheckowitz, Director, Advertising [illegible]


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In another development concerning agricultural chemicals, GAF Cepha® plant growth regulator being test-marketed by Amchem under their trademark Ethrel™ has attracted considerable attention for stimulating latex flow in rubber trees in Malaysia. In addition, Cepha is also being tested as a growth regulator to aid in the mechanical harvesting of a variety of crops including pineapples and tomatoes. The first semiworks production of the product by GAF was successfully undertaken in 1970.

GAF's chemical operations were consolidated to form the Chemical Division during 1970 by merging the former Dyestuff and Chemical Division with the textile chemical operation to achieve greater marketing coverage, improve manufacturing efficiency, and reduce costs. In view of the general economy, extra stringent efforts were undertaken at all plants to drastically reduce overhead—without impairing efficiency.

Pollution abatement was a major concern throughout 1970. Some of the major projects undertaken include:

- Initial work at the Linden waste treatment plant for which $6.5 million was earmarked in 1970. This plant will be completed in 1972. The efforts to control air pollution in the Linden area are continuing and are on schedule.

- Preliminary planning with Sterling Drug, Inc. and Rensselaer County Sewer District No. 1 to cooperate in alleviating pollution of the Hudson River through a municipal waste treatment facility. The capital expenditure will be in excess of $1 million.

- GAF, along with other industries in the Calvert City area, contracted with International Pollution Control to provide a central waste disposal facility. A program also has been established for water pollution abatement to meet the anticipated future new standards of both Kentucky and the Federal Government.

- GAF, as a member of the Textile Dye Institute, has joined in an industry effort to find scientific answers to the questions concerning the biodegradability of dyes and their effects on the environment.

[illegible]

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Photo Products

The GAF photo sales group, consisting of the consumer and industrial divisions and Lenco Photo Products, Inc., a wholly owned distribution subsidiary, did not match the growth rates of previous years in 1970. This, in combination with continuing start-up costs to produce new sensitized products, had an adverse impact on earnings. Sales were affected by consumer reluctance to spend in a year of unsettled monetary questions, and the heavy reduction in the government's photographic expenditures. Plant production problems also restricted our ability to fully meet customer requirements for certain products.

During the year the GAF photo group management strengthened basic operations, improved manufacturing efficiency, and redirected marketing efforts into higher-volume, more profitable areas.

GAF has expended much effort and money in its drive for success in the highly competitive photographic field and is convinced that the rewards of this investment will be substantial. Further, it is believed that the program to develop a GAF brand-concept for film, still and movie cameras, slide and motion picture projectors and viewers has begun to bear fruit.

Consumer Photo Division

In the consumer area, GAF, through its increased sale of photographic film and hardgoods, was able to improve its position in the industry. Domestic film sales, bolstered by the new GAF® Color Print Film and a [illegible] television advertising schedule, were well ahead of the previous year. The line of GAF® slide projectors also benefited from increased advertising and promotion.

GAF View-Master® three-dimensional viewers and stereo [illegible] did not reach the sales success of 1969. [illegible] special "Moon Shot" packets received enthusiastic [illegible] the new GAF Talking View-Master® [illegible] achieved their sales forecast. [illegible] which adds the dimension of sound to the [illegible] viewer, was introduced to a national market [illegible] the Christmas buying season and indications [illegible] retail dealers were pleased with the sell-[illegible] consumers.

The designation of GAF as the official film of Disneyland at Anaheim, Calif., in October 1970, and the soon-to-be-completed Disney World near Orlando, Fla., has opened new sales horizons for all GAF consumer [illegible]. The GAF-Disney agreement [illegible] some 55 retail outlets at the vacation lands, which are expected to attract more than 17 million visitors annually.

In another unusual event, GAF presented the White House with specially designed GAF View-Master Presidential Chests to be given to foreign dignitaries as souvenirs of their visits to the United States. The chests, containing 60 reels of three-dimensional color photographs of "Americana" from each of the 50 states, were accepted by Mrs. Nixon in the White House Library.

The division also undertook several actions to combat mounting operating [illegible]. Personnel reductions were made throughout the [illegible] and the Portland, Ore. manufacturing plant was able to improve efficiency with several cost-saving practices in product assembly. A division-wide program also was initiated to reduce high inventories.

Industrial Photo Division

The Industrial Photo Division was able to equal its 1969 civilian sales and posted international sales gains over the previous year, but the cutback in Federal spending resulted in lower government sales in 1970.

Both graphic and medical [illegible] important segments of the product line, made significant advances. In both instances the GAF rate of sales growth in 1970 was greater than the overall industry. However, industrial X-ray products sales were affected by the sluggish general economy and reduced Federal defense outlays. Sales to [illegible] photofinishers and commercial [illegible] houses were reduced by [illegible] problems encountered [illegible] paper products. One of the [illegible] costs inherent in these operations is [illegible] charges in perfecting these [illegible] complex products [illegible] efforts were [illegible] the solution of these problems [illegible]

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in the coating areas of the Binghamton, N.Y. plant — and progress has been made by better utilization of manpower and resources and by eliminating obsolete equipment and processes.

Two government contracts let during the year for medical X-ray film alone will ultimately account for approximately $5 million in sales. Several smaller government awards also were won by GAF for graphic film and aerial film.

Sales of the medical X-ray line benefited from the introduction of a new improved Gaf-X* film, which was found impressive by radiologists. A new dental film on polyester base and able to withstand high temperature processing, also was marketed successfully in 1970. In addition, two new GAF* films on polyester base were introduced to industrial users.

Much of the increased sales in the graphic arts area can be attributed to new high definition GAF* lithographic films on polyester and acetate bases, which supplement earlier GAF innovations in that field.

Several new products also were introduced for the professional photo market in 1970. They include COM film (computer output microfilm), a new emulsion system for the identification and charge card markets, an improved color print paper for photofinishing and the school photography field, and a new color paper processor to fill the needs of small to intermediate size photo laboratories.

In keeping with the need for tighter operating costs, the Industrial Photo Division re-evaluated its low volume, low profit products and eliminated many of these from its catalog. A number of improved production systems, control techniques and silver recovery methods were developed and installed during the year to reduce operating expenditures.

In March, a new divisional general manager was appointed and the plant organization was streamlined. These changes have resulted in more effective quality control and improved technical service, and at the same time, a significant reduction in operating expense.

Pollution does not constitute a major problem for the photo products plants, but all state and local regulations concerning environmental aspects have been reviewed. A program of regular monitoring of the plant wastes and effluents has been instituted.

Lenco Photo Products, Inc.

The Lenco Photo Products subsidiary also felt the impact of a slower economy in 1970. It was a year, however, of internal restructuring and strengthening of the national sales organization. The base was established for adding new major product lines in the year ahead to supplement Lenco's line catalog of photographic supplies and equipment, 8mm home movies, tape player recorders, and stereo sound systems. At the end of 1970 the Lenco subsidiary took on responsibility for a larger share of the sales effort for GAF Sawyer [illegible] brand slide projectors. We believe that this change [illegible] result in improved sales for these products at [illegible] cost to GAF.

Business Systems

Business austerity programs in 1970 took the [illegible] from domestic sales of office equipment and supplies. GAF's Office Systems Division, whose products principally consist of GAF* electrostatic copying machines, toners and paper, diazo reproduction equipment and sensitized materials, business forms and micrographic film systems, undertook wide-reaching efforts to maintain sales, but it could not contend with the drastic cutbacks in aerospace, automotive and general business spending.

The market for diazo equipment, used widely by engineers and architects, encompasses a [illegible] manufacturers, as well as the U.S. Government, and these sales fell well below 1969. In addition, increased manufacturing costs could be only partially offset by price increases in diazo materials and machines. The GAF* 365 and 310 Rollfeed Diazoprinters, featuring unique convenience devices, were introduced [illegible]

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the last quarter and customer response indicates improved 1971 sales in this area

In the electrostatic copier line GAF was able to improve its overall marketing position in 1970. This was due mainly to the introduction in late 1970 of the GAF* 500 Copier Duplicator, a high speed machine which affords low cost top quality reproduction. The new copier, with its specially designed GAF lightweight paper and toner, has had excellent initial sales results. An expanded distribution system, which grew from 95 to [illegible] dealers during the year, will help the new machine achieve its full market potential. The GAF office copier line now offers six different models, ranging from the GAF 400 Copier for the low-volume user to the new GAF 500 Copier Duplicator which can produce 40 quality copies a minute.

Business forms manufactured at the GAF plant in [illegible] range from simple salesbooks to highly sophisticated computer-oriented documents. Sales from [illegible] product group almost reached the record 1969 level.

[illegible] high speed diazo microfilms were developed by GAF in 1970 and introduced to help round out [illegible] quality line of micrographic products.

Building Materials

[illegible] on a depressed housing market and tight [illegible] money, which paralleled the nation's economic decline, [illegible] building products group matched its previous [illegible] sales. Although housing starts were down [illegible] in 1970, GAF turned in a fine marketing [illegible] on the strength of its quality lines of [illegible] roofing, floor tile and sheet vinyl floor covering.

Building Products Division

[illegible] GAF building products in 1970 were strong [illegible] compared favorably with the previous year. The [illegible] reflected generally lower selling prices in the [illegible] the year, but these reduced prices were offset in part by a change in shipping practices which resulted in lower GAF distribution costs.

The principal reason for the level sales over the past two years is the division's concentration on the asphalt re-roofing and remodeling market. Marketing emphasis on industrial roofs also provided GAF with large increases in the coated roll roofing business in this area. GAF extended its newly instituted special Sentinel* System inspection and maintenance service. The program replaces the Company's previous bonding plan.

Price advances on the asphalt roofing line were made effective on August 15 and November 15, 1970. These increases, of 5 per cent and 3 per cent respectively, were necessary to offset rising raw material costs.

Another area of fast-[illegible] commercial activity is GAF* canal bulkhead corrugated sheeting for use in waterfront property development and land reclamation projects. Several major builders have selected these products for use in vast resort area housing developments and GAF expects to supply large quantities of the bulkheads over the duration of the long-term projects. In this connection, the Building Products Division introduced a new improved asbestos cement bulkhead in March of 1970.

Other modifications and new products introduced during the year include improved Stratalite siding and Santona* membrane wall covering, especially designed for mobile homes and modular housing industries.

Reacting to severe pressure of rising operating costs, the division conducted a cost reduction program which resulted in more than $3 million in savings during the year. The major increases in the cost of asphalt and fuel, which began to be felt the second half of the year, will of course affect all of 1971.

With a 20 per cent or higher increase in housing starts predicted for 1971, GAF is carrying out a major inventory build-up in the winter months of 1970-71 so that this market can be serviced. This program should help alleviate seasonal layoffs and the costly overtime

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requirements necessary to handle summer and fall demands

Increased emphasis on air water and land pollution had a significant effect on capital expenditures of the Building Products Division during the year Total authorizations for 1970 increased to more than $4 million The projects include

- The installation of new incinerators at our Dallas plant to completely eliminate asphalt fumes and odors from discharge
- The scheduling of similar units for the Bound Brook N J and Denver facilities in early 1971 .
- The installation of major effluent control equipment at Joliet, Ill which, when completed in 1971 will make its water wastes substantially free of pollutants
- Construction of pipelines and sewerage basins to tie our South Bound Brook plant disposal system into the community sewerage treatment facility

Floor Products Division

Total sales for GAF* floor coverings during 1970 just about equaled the previous year

The Floor Products Division's flair for combining stylish, high-fashion patterns colors, and textures with durable and easy-to-clean surfaces led to the continued acceptance of GAF® floor products by the nation's leading retail distributors In all, more than 250 color/design pattern combinations were added to the division's line of products during the year

Included in these introductions were 26 patterns in the GAF Sure-Stik* floor tile line These pressure-sensitive, adhesive-backed vinyl asbestos floor tiles for simple do-it-yourself installation were marketed nationally for the first time in 1970 Another new addition in 1970 was Foamcraft* sheet vinyl flooring which contains an extra-deep cushion of vinyl foam for greater warmth quietness, and softness underfoot The new line and its attractive styling were well received and served as a catalyst to further sheet vinyl sales in the second half of the year

Significant strides also were made in opening new wholesale distributorships in Milwaukee Minneapolis Fargo Omaha, Des Moines, Jacksonville and Washington D C

The $10 million-plus expansion announced in late 1969 to substantially increase GAF's capacity to produce sheet vinyl at the Whitehall Pa. plant is on schedule and is expected to be on stream in early 1972 Major investments have also been made to increase capacity at each of GAF's four floor tile plants and to enable them to produce Sure-Stik tile and indexed tile

Another program to improve operations in 1970 was the modification of equipment at the Vails Gate N Y and Long Beach Calif plants to provide increased production of Thru-Chip* floor tile a product in which colored particles are pressed completely through the tile for permanent design effect under heavy traffic conditions This equipment is also being installed at the Houston plant, with completion scheduled for the last quarter of 1971

In the environmental area the Floor Products Division recently installed air pollution abatement equipment at the Whitehall plant Water pollution and waste disposal control equipment in connection with the new plant there is being worked out with appropriate state and local authorities

Dust control apparatus is being installed also at the Vails Gate and Joliet plants and a recycling process for effluent has been successfully installed at Vails Gate

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[illegible] Clement, Vice President – Floor Products

Joseph G. Ha[illegible], Vice President – Building Products

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Industrial Products

The GAF* Industrial Products Division, which serves a large number of industries, was particularly vulnerable to the economic downturn of 1970. But despite the general industry retrenchment and the prolonged strike in the automotive industry—to which GAF supplies a substantial amount of sound deadening and vibration control materials—the Division was capable of continuing its strong profit performance with an effective marketing effort in its mineral and filtration products operations.

The Division's Mineral Products group, whose primary products are roofing granules and asbestos fibers, made its relatively good showing in the face of roofing industry work-stoppages and the low level of housing starts. An important factor in the increase in mineral products sales is the new GAF Customer Design Center, established late in 1969 at Bound Brook, N.J. The facility provides customers with the opportunity to mix blends of colored granules in pilot batches to suit specific needs. The Center also has resulted in production-time savings for the customer.

In the fast-growing filtration field, the successful performance of the GAF* pressure vessel, introduced in the latter part of 1969, has resulted in the expansion of

R. Power Fraser, Vice President—Industrial Products

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this product line. A new Flexiflo* multi-bag pressure vessel filtration system has the capacity of either two or four single units. Both systems, which use GAF* Snap-Ring* filter bags of felt, have a wide variety of filtration applications for many fluids in such fields as chemicals, food products, process water, dyestuff and pigments, plastisols, paints, and coatings.

Overall sales for the GAF* felt product line — which encompasses wool and synthetic fiber felts, filter products, and asbestos paper and millboard — were down slightly from 1969. The plate glass industry's continuing trend away from felt polishing wheels was a major contributing factor. Increased sales in other areas, such as synthetic fiber felts for filter media, however, were able to offset some of the decline. Asbestos paper and millboard continued strong and ended 1970 substantially ahead of the previous year.

Sound control products, sold by GAF primarily to the automotive and allied industries, bore the brunt of the 10-week General Motors strike. A general cutback in auto production, which slumped to a nine-year low, aggravated the marketing situation. The outlook for 1971 indicates a strong comeback, however, and the Division has geared its research and development programs to increase its capabilities in the field of sound deadening products.

A widespread expansion of the Division's distribution channels was responsible for a sizable increase in its insulation and construction products. Calsilite* high temperature insulation material achieved greater market penetration through these outlets. In addition, GAF* corrugated asbestos cement sheets, used for cooling towers as well as general building, met with notable success in new power plant construction.

Contract manufacturing of machine parts, conducted by the Division primarily at its Vestal, N.Y. plant, also made gains over 1969. GAF's reputation for high quality workmanship and an intensive marketing effort in this area accounted for the increase.

Throughout the year, emphasis was placed on cost-reduction activities and notable results were achieved in production rates, overhead expenses, raw material and maintenance costs, control of waste, and personnel utilization.

In November 1970, GAF began to phase out its operations at the Delta, Pa., roofing granules facility, which includes a quarry and crushing and grinding mill. This move, which will have no significant effect on sales and earnings since the operations are being transferred to other GAF installations, [illegible] made in view of the investment needed to pro[illegible] proper environmental controls at Delta.

Increased concern about the environment also stepped up the timetable in several pollution abatement projects. New air and water control equipment was installed at the Bound Brook, N.J., Chairman, Pa., Hyde Park, Vt. and Glenville, Conn. operations.

International Operations

GAF's continuing growth in foreign markets was especially gratifying in 1970. Sales of $86,182,000 abroad, a 25 per cent increase over the previous high of $68,975,000 in 1969, not only helped to compensate for weaker domestic sales but also extended GAF brands into several new territories.

Total international sales, consolidated in the Financial Review under the Company's five sales groups, include exports of GAF products manufactured in the United States and all business from operating subsidiaries, affiliates, and independent distributors in more than 100 countries throughout the world.

GAF Export Corporation, organized in 1969 to market U.S.-produced goods in the Western Hemisphere, completed its first full year with successful results. It opened its first branch office in Puerto Rico at mid-year to handle selected photo and building products.

Although Canada suffered a general economic slowdown in 1970, GAF's Canadian operations had record

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James M. C[illegible], Vice President – International Operations

sales in several product areas. Notable among these were office copiers, X-ray film and floor products.

In Europe, a vigorous sales effort was paced by substantial increases in chemicals and office systems products. The program of direct chemicals marketing was expanded into France, Switzerland and Denmark. Business in these markets continues to grow.

In the office systems area, significant increases were achieved in newer markets such as Sweden, Belgium and Germany, as well as in the established United Kingdom and Netherlands sales areas. Introduction of new diazo machines and electrostatic copiers contributed to the overall European growth as did an

improved range of sensitized products. The latter products, manufactured at the United Kingdom and Holland plants, have had excellent consumer acceptance in their home markets as well as throughout the continent. GAF also now offers electrostatic copy paper manufactured in London, England and [illegible].

The photo products business in Europe, while ahead of 1969, was slowed in its growth rate due to new taxes levied to control inflation in several European countries. These taxes cut consumer spending on many photographic items considered as luxuries.

In Italy, GAF Italiana S.[illegible] completed its first year of operation and had particular success with sales in the

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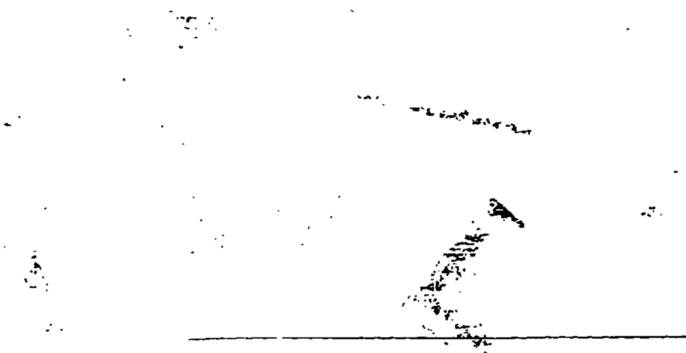

GAF View-Master® Anatomic Atlas, which had wide distribution within the country's medical profession.

Other new products introduced in Europe in 1970 included GAF® Color Print and Color Slide Film in Norway and Sweden, and GAF Color Print Film in Belgium and France. In addition, the new GAF Foamcraft® and Super-Softred® floor products were entered in the marketplace in both Ireland and the United Kingdom.

A major expansion and consolidation program also was undertaken by GAF (Great Britain) Limited at the close of 1970. Under the plan, the Company sold its headquarters building in London and purchased a new site at which a combined office and manufacturing complex will be located. The move from the three present production facilities now located in London will begin in 1971 and continue through 1972 to insure a smooth transition.

In Australia, Consolidated Reprographics Ltd., a company in which GAF acquired majority holdings in 1969, posted record sales gains in 1970.

Corporate Staff Departments

Corporate Staff Departments at GAF, established to provide every necessary service (except marketing and manufacturing) to the Corporation and the various operating divisions, play a key role in the effective functioning of GAF. They provide expertise and counsel necessary to proper decision-making by operating managers in matters concerning finance, law, research and development, engineering, purchasing, personnel, distribution, advertising and promotion, market research, patents, environmental engineering, planning and economic evaluation, and public relations.

The Research and Development Department was the wellspring for almost every product and process innovation introduced by GAF during the year, many of which are included in the review of divisional activities. With skilled scientists, technicians and specialists located in major plants and the central research laboratories at Easton, Pa., the department continues to further the horizons of the Company through new and improved products.

The Commercial Development Department, during 1970, undertook the preparatory work in evaluating GAF's completely new line of photo resists and high resolution plates. These products, which could have widespread application in the microelectronics industry, are undergoing intensive review, including the establishment of distribution channels and technical service operations.

The Advertising and Promotion Department, in a major change in the marketing of GAF consumer photo and floor covering products in 1970, selected the internationally famous actor Henry Fonda to serve as GAF's television and radio advertising spokesman. The success of this effort, measured by in-depth marketing surveys, prompted the Company to renew the arrangement for 1971.

The Personnel Relations Department assisted in the Company's cost reduction program in 1970 through its activities utilizing and developing GAF's human resources.

The Industrial Relations group in 1970 negotiated 34 labor contracts and 27 pension agreements. During the year, the Company was affected by two extended work stoppages: a 77-day strike at the Mobile building products plant and a 54-day lockout in the Tampa building products plant. There also was a one-and-a-half-day walkout of maintenance employees at the Calvert City, Ky., chemicals plant and a four-hour wildcat disruption at the Glenville, Conn., felt plant.

The Personnel Department also continued its equal opportunity programs during the year with the number of minority group employees increasing by 162 to 2,084, or 10.5 per cent of GAF's total employees.

GAF 12481


GAF 12482

Organizational Changes

In August of 1970 GAF implemented a top management reorganization plan to give divisional and staff general managers more flexibility in carrying out increasingly complex day-to-day operations. Under the plan, a management committee consisting of Chairman and President Dr. Jesse Werner, Executive Vice Presidents Philip B. Dalton and Edward J. Williams, Senior Vice President E. J. O'Leary, and Vice President Juliette M. Moran was formed to enable closer coordination of Company activities and permit increased sharing of special skills and talents. The new program also established regular monthly forums at which all upper echelons of management meet for discussion of and action on appropriate subjects.

Five new officers were elected during 1970:

- J. Stokes Clement was elected Vice President, replacing retiring Julien O. Heppes as officer in charge of GAF's Floor Products Division. Mr. Heppes subsequently was retained as a Company consultant in the field in which he has been recognized as a pioneer and acknowledged leader for many years.
- Joseph G. Hall was elected Vice President, assuming the post previously held by Frederick K. Sweeney in the Building Products Division. Mr. Sweeney's retirement followed more than three decades as an executive in the building materials business.
- John L. Harrigan was advanced to Vice President with responsibility for the Office Systems Division. He had served as divisional general manager since November 1969.
- In the financial area, the Company appointed a new controller and a new treasurer. W. Richard Margerm assumed the controllership and Jay R. Olson was elected treasurer.

Directors and Officers

Directors

Jesse Werner, Chairman
T. Roland Berner
John B. Bridgwood
Philip B. Dalton
Bailey K. Howard
Wm. Peyton Marin
E. J. O'Leary
Donald L. Sanders
Howard S. Turner
Edward J. Williams
Sumner H. Williams

Corporate Officers

Jesse Werner President
Philip B. Dalton Executive Vice President
Edward J. Williams Executive Vice President
E. J. O'Leary Senior Vice President
J. Stokes Clement Vice President
James M. Cloney Vice President
Edwin R. Cowherd Vice President
Thomas A. Dent Vice President
R. Power Fraser Vice President
Joseph G. Hall Vice President
John L. Harrigan Vice President
Juliette M. Moran Vice President
James C. Murphy Vice President
Robert L. Myers Vice President
Jay R. Olson Treasurer
Herbert L. Abrons Secretary and Counsel
W. Richard Margerm Controller

[illegible] Director Public Relations
[illegible] Cow General Manager Personnel Relations
[illegible] M. Moran Vice President—Communications Services

GAF 12483

Jesse Werner

Jesse Werner Chairman of the Board and President

[redacted]

5598 706

15 397
8 393
14 694

34
80

3 795
–
5 434
40
25 186

183 347

1970

289 784
84 469
205 315
231 233
560 187
136 411
296 050

19 773

GAF 12486

[redacted]

$598 705 735
1 431 391
600 137 126
435 993 193
101 980 209
12 676 892
22 448 654
11 640 834
584 739 782
15 397 344
2 681 102
4 989 631
566 512
7 104 221
8 393 123
6 300 481
14 693 604
222 975 315
3 795 279
5 433 911
$228 439 729
$ 34
46
$ 80

GAF 12487

GAF Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

ASSETS

	December 31 1970	1969
Current Assets:		
Cash and marketable securities (securities at cost which approximates quoted market value)	$ 13 997 022	$ 19,683,[illegible]
Accounts receivable—trade, less allowance for doubtful accounts—1970, $2,035,531; 1969, $1,903,304	112 034 878	110,643,2[illegible]
Accounts receivable—other	9 174 938	6,229,[illegible]
Inventories, at the lower of cost (principally average) or market (Note 3)	146 905 960	152,2[illegible]
Prepaid expenses	4 564.234	4,6[illegible]
Future Federal income tax benefits	3 106.767	4,2[illegible]
	289 783 799	297,76[illegible]
Other Investments and Advances, at cost (Note 1)	1 573 235	4,059,[illegible]
Property, Plant, and Equipment, at cost:		
Land, land improvements, and mineral properties	15 509 641	13,809,45[illegible]
Buildings and building equipment	107 278 150	109,228,0[illegible]
Machinery and equipment	300 622 420	307,327,2[illegible]
Construction in progress	15 800 647	5,781,2[illegible]
	439 210 858	436,146,[illegible]
Less accumulated depreciation, amortization, and depletion	207 977 880	200,298,[illegible]
	231 232 978	235,847,[illegible]
Goodwill, [illegible] ...demarks, etc. (Note 1)	37 597 321	36,523,[illegible]
	$560 187 333	$574,19[illegible]

See Notes to Consolidated Financial Statements

[redacted]	$ 14 908 466
	12 177 100
	31 643 096
	15 960 765
	6 779 971
	—
	84 469 398
	136 410 500
	3 705 000
	28 703 983
	3 266 179
	7 582 193
	3 953 839
	13 598 828
	50 057 684
	228 439 729
	296 050 080
	$560 187 333

GAF 12489

[illegible] and Consolidated Sub[illegible]
[illegible] Financial Statements

[illegible] – In the accompanying [illegible] of all significant subsidiaries [illegible] have been [illegible] appropriate rates of exchange. Net [illegible] included in consolidated net [illegible] 710 at December 31, 1970 and [illegible] (including an extraordinary [illegible] 2) for 1970 and $1,223,553 for 19[illegible]

[illegible] Australian subsidiary, in which [illegible] in 1969, are included in [illegible] financial statements. The Company's equity in [illegible] of this subsidiary for the period prior to consolidation [illegible] months in 1969), $61,486, is included in Other Income for 1970. The equity of minority shareholders in the net assets of this subsidiary, $1,159,693 at December 31, 1970, is included in Other Liabilities, and their equity in net income for 1970, $215,060, has been applied as a reduction of Other Income.

Prior to 1970, the fiscal years of the Company's foreign [illegible] generally ended on November 30. In 1970, the fiscal year [illegible] subsidiaries was changed to December 31, and the 1970 consolidated financial statements include the results of their operations for the thirteen months then [illegible] consolidated net income of such companies for [illegible] month is not significant in relation to consolidated [illegible]

The Company's equity in the net assets of subsidiaries [illegible] ber 31, 1970 was $4,348,556 in excess of the cost of [illegible] in and advances to such subsidiaries. [illegible] amount was included in [illegible]

Goodwill, Patents, Trademarks [illegible]
[illegible] Income [illegible] 12

[illegible]

[illegible] 3,171 [illegible]
Londons [illegible]
of $143 [illegible]
in co [illegible]
uded in [illegible]
consol[illegible]
[illegible]nary [illegible]
to di[illegible]
to [illegible]
[illegible] – Investments [illegible]

[illegible] Goods	[illegible]
[illegible] Process	[illegible]
[illegible] and Supplies	39,[illegible]
[illegible]	$146,[illegible]

[illegible] December [illegible]
[illegible]sidiary, [illegible]
[illegible] Australian [illegible]
[illegible] Companies [illegible]
[illegible] plant [illegible]
[illegible] estimated [illegible]
[illegible]erties [illegible]
[illegible] Depreciation [illegible]
[illegible] and [illegible]
[illegible] and $1[illegible]
[illegible]axes [illegible]
[illegible] of [illegible]
[illegible] ext[illegible]
[illegible] tax ar[illegible]

GAF 12490

Bank

za

pany of New Jersey

First Na

111 Wall Street

New York, N.Y.

The Corpora

15 Exchange

Jersey City, N.J.

GAF 12495

$ 8 393 123
20 923 338
3 981 464
566 512
1 143 589
1 516 490
35 391 492
15 290 386
1 750 000
21 106
52 452 984
25 185 906
213 264
9 639 100
9 229 190
821 120
45 088 580
7 364 404
197 949 997
$205 314 401

GAF 12493

GAF 12492

...s	4,277,[illegible]
....	[illegible]
....	[illegible]177,100
....	$13[illegible],416,[illegible]

... per share (subject to future anti-dilution ... circumstances). The 5½% convertible ... are convertible into shares of common ... to April 2, 1976, at a conversion ... ubject to future anti-dilution ... ces).

... d under the provisions ... most restrictive of these provisions ... 00 and $265,390,000 of the ... cember 31, 1979 and 19... dividends.

... $1.20 convertible preferred stock ... umulative, is convertible, at any ... rate of 1¼ shares of common ... red. During 1979 there were ... ck into common stock ... preferred, which were ... ock.

GAF 12491

GAF Corporation is a diversified company which manufactures and distributes a wide range of products in five related consumer and industrial market areas, including chemicals, building materials, photography and equipment, office business systems and industrial products. The common bond uniting the product groups is chemical research and technology, from which GAF's conglomerate nature evolved.

Directory of GAF Products

GAF* Building Products

Asphalt roof shingles, asphalt roll roofing and siding, asphalt asbestos or tar built-up roofing felts, asphalt protective coatings and cements, TINA 200* roofing membrane, mineral fiber board roof shingles, sidings, mineral fiber panel bulkhead, building and roof insulations, Stratalite* match siding, ceiling, wall membrane and other products for the manufactured housing industry

GAF* Chemical Products

Surfactants – nonionic, anionic, cationic and amphoteric surface-active agents for use as detergents, emulsifiers, dispersants and wetting agents

Specialty Chemicals – processing and formulating agents including bactericides and fungicides, finishing agents, adhesive additives, sequestrants, antistatic agents, lubricants and solvents for use in various industries

Textile Chemicals – textile auxiliaries, flame retardants, carpet antistats, rubber latices for rug backings, fabric coatings and paper coatings, latex foam backing for drapery fabrics, latex adhesives for fabric lamination

High-Pressure Acetylene Derivatives – monomers, polymers, copolymers, solvents, organic intermediates and other chemicals derived from acetylene for use in cosmetic, petroleum, pharmaceutical, plastic, textile, adhesive and a variety of other industries

Industrial Organic Chemicals – complex cyclic and aliphatic compounds for use as active ingredients and as intermediates in the dye, pharmaceutical, agricultural and chemical processing industries

Heavy Chemicals – chlorine, caustic soda, muriatic acid, ethylene oxide and glycols

Iron Powders – microscopic-size spheres of iron used in VHF and UHF circuitry, transmitters, receivers, radar and in powder metallurgy

Ultraviolet Absorbers – ultraviolet-screening agents for plastics, textiles, pigments, rubber, adhesives and cosmetics

Dyestuffs – acid, azo, azoic, basic, condensation, chrome, direct, disperse, mordant, metalized, sulfur, vat and vat-ester dyes, fluorescent brighteners, oil-, spirit-, water-soluble dyes used in dyeing cotton, wool, silk, rayon, acetate, nylon, polyester, acrylics and other manmade fibers and blends; also paper and leather

Pigments – azo, benzidine, BON, carbazole, carbon, chrome, dianisidine, molybdate, naphthol, nitroso, oxide, PMA, phthalocyanine, PTA and pyrazolone pigments, lakes, dispersed powders, toners, dispersed pastes and press-cakes used in coloring paints, lacquers and other protective coatings, plastics, printing inks, rubber, solvents, oils, waxes and in melt spinning or dyeing of fibers

GAF* Floor Products

Asphalt and vinyl asbestos resilient floor tiles, adhesives, cove base, sheet vinyl floorings, floor finishes and cleaners for residential and commercial uses

GAF* Industrial Products

Felt and Filter Products – wool and synthetic fiber felts and filter devices for air, liquid and gas filtration, pressure vessel filter systems, sealing and lubricating devices, plate-glass and metal polishing felts, piano felts, wool felts for apparel and interior design, felts for automotive, industrial and aerospace applications

Asbestos Products – asbestos fibers, asbestos insulating felts and boards, asbestos papers, corrugated asbestos cement sheets, nonwoven papermakers felts for paper, asbestos-cement pipe and wallboard manufacture

Automotive and Insulation Products – automotive sound deadening and insulation products, Calsilite* molded high-pressure pipe coverings and industrial insulations, electrical insulating tapes

Granules – mineral granules for roofing and other uses, inert fillers and slate flour

Contract Sales – contract manufacture of precision parts and equipment

GAF* Business Systems Products

Business Machines – GAF electrostatic copiers, papers, toners and supplies, duplicating machines and accessories

Business Forms – custom designed and printed data-processing forms, sales books, manifold-order books, single-copy forms, unitset forms, voucher and receipt books, Card-Set* forms and forms for autographic register and similar items

Diazo Reproduction Products – diazo copying machines and sensitized materials for engineering and business systems

Audio-Visual Products – overhead and slide projectors, overhead projection transparency series for pre-school through college instruction, custom transparency production service, materials and supplies

Micrographic Products – complete line of diazo microfilm, roll film duplicating equipment, microfiche film readers and diazo duplicating films

GAF* Photo Products

Consumer Products – still and movie cameras, slide projectors, movie projectors, color slide and print films, black-and-white films, papers, chemicals and accessories

Pictorial Products – View-Master* stereo viewers, picture reels and projectors, Pana-Vue* slide viewers and color slides for educational, entertainment and commercial uses

Graphic Arts Products – films, papers and chemicals for offset printing, photo-lithography, photoengraving, rotogravure, phototypesetting and silk-screen printing

Professional Products – color and black-and-white films, color and black-and-white papers, chemicals for portrait, school photography, photofinishing and industry, specialized materials for seismic recording, instrumentation, survey and oscillography, motion pictures, automatic processors for films and papers

X-Ray Products – medical and industrial X-ray films, chemicals and accessories, radiologic teaching aids

Directory of GAF Locations

Corporate Offices
140 West 51 Street New York N Y 10020

Plants[1], Research Laboratories[2] Principal Sales and Distribution Offices[3]

Northeast & Middle-Atlantic

Connecticut
[illegible]

Maryland
[illegible]

Massachusetts
[illegible]
Westwood[3]

New Jersey
Bound Brook[1]
South Bound Brook[1 2 3]
Gloucester City
Linden
Newark
Paterson

New York
Binghamton
[illegible]
Johnson City
Newburgh
New York City[3]
Rensselaer
[illegible]
West Seneca
[illegible]

Pennsylvania
[illegible]
Montgomeryville[3]
[illegible]
Philadelphia[3]
Pittsburgh
Reading[3]
[illegible]

Rhode Island
[illegible]

Vermont
Hyde Park

Midwest

Illinois
Chicago
[illegible]
Melrose Park[3]
[illegible]

Indiana
Indianapolis[3]
South Bend[3]

Iowa
Des Moines[3]

Michigan
Detroit[1 3]
Warren

Minnesota
Minneapolis[1 3]

Missouri
Annapolis
Kansas City
Maryland Heights[3]
St. Louis[1 3]

Ohio
Cincinnati[3]
Cleveland[3]
Columbus[3]
Elyria
Shelby
Toledo[3]
Youngstown[3]

Wisconsin
Milwaukee[3]
Pembine
Wauwatosa[3]

South & Southwest

Alabama
Huntsville
Mobile[3]

Florida
North Miami[3]
Orlando[3]
Tampa[1 3]

Georgia
Atlanta[3]
Dalton[1]
Fairmount[1]
Savannah[1 3]

Kentucky
Calvert City[1 2]

Louisiana
New Orleans[3]

North Carolina
Charlotte[3]

South Carolina
Greenville[3]

Tennessee
Chattanooga[1 3]
Knoxville[3]
Nashville[3]

Texas
Arlington[1 3]
Dallas[1 3]
Houston[1 3]
Texas City[1 2]

West & Northwest

California
Hollywood[3]
La Habra[1]
Long Beach[1 3]
Los Angeles[3]
South San Francisco[3]

Colorado
Denver[1 3]

Oregon
Portland[3]
Progress

Washington
Seattle[3]

Domestic Subsidiaries
GAF Export Corporation
New York N Y
Carolina Puerto Rico
Lenco Photo Products Inc
New York N Y

International Manufacturing and Marketing Subsidiaries
GAF Belgium N V
Sint-Niklaas Belgium
GAF Canada Limited
Mississauga Ontario Canada
GAF Great Britain Limited
London England
Manchester England
GAF Nederland N V
Den Holland
Consolidated Reprographics Ltd
Sydney Australia

Marketing Subsidiaries
GAF Deutschland GmbH
[illegible] Germany
[illegible] Germany
GAF France S A
[illegible] France
GAF Ireland Limited
[illegible] Ireland
GAF Italia S r
[illegible] Italy
GAF Norge A S
Oslo Norway
GAF Osterreich GmbH
Vienna Austria
GAF Svenska AB
Stockholm Sweden
GAF Switzerland A G
Zug Switzerland

Affiliate
Chemical Developments of Canada Limited
Pointe Claire Quebec Canada

GAF® Film-Processing Laboratories* and Photo-Equipment Repair Stations†
Appleton Wisconsin
Binghamton N Y
Chicago
Hollywood Calif
London England
Long Island City N Y
Mason City Iowa
Milwaukee Wisconsin
Portland Oregon
Sint-Niklaas Belgium
Union N J
GAF authorized film-processing laboratories and equipment-repair stations are located throughout the world

All photographs in this report are from transparencies taken on GAF® Color Slide Film

GAF 12497