Certain-teed

PRODUCTS CORPORATION

CERTAIN-TEED
BUILDING PRODUCTS

1947 Annual Report

Certain-teed Products Corporation

Board of Directors

RAWSON G. LIZARS, *Chairman*

HENRY W. BREYER, JR.
THOMAS F. BROWN
H. B. CAMPBELL
ELMER G. DIEFENBACH
ALBERT J. HETTINGER, JR.
HERBERT W. HIRSH
JOHN VALENTINE LIZARS
HAMILTON PELL

Executive Committee

ELMER G. DIEFENBACH, *Chairman*

RAWSON G. LIZARS • THOMAS F. BROWN

HENRY W. BREYER, JR.

Officers

RAWSON G. LIZARS	*Chairman of the Board and President*
PAUL E. FISCHER	*Vice President*
JOHN VALENTINE LIZARS	*Vice President*
C. KENNETH HOBSON	*Vice President & Comptroller*
JOHN J. HARTNETT	*General Sales Manager*
ANDREW R. CRAVEN	*Assistant Vice President*
ARTHUR O. GRAVES	*Secretary*
MELLOR HARGREAVES	*Treasurer*

Transfer Agent

BANKERS TRUST COMPANY, NEW YORK

Registrar

THE NEW YORK TRUST COMPANY, NEW YORK

General Counsel

CLAUSEN, HIRSH & MILLER, CHICAGO

Auditors

S. D. LEIDESDORF & CO., CHICAGO

CTD035841

Ardmore, Pennsylvania,
March 15, 1948.

To the Stockholders of
Certain-teed Products Corporation:

There are submitted herewith consolidated balance sheet of Certain-teed Products Corporation and wholly owned subsidiary companies at December 31, 1947, and related statements of consolidated profit and loss and consolidated surplus accounts for the year then ended, certified by Messrs. S. D. Leidesdorf & Co.

Sales and Earnings

The year 1947 witnessed many new records for your Company. Net sales were larger than for any year in its history, amounting to $48,707,089 compared with $34,959,302 in 1946.

Net earnings, after an appropriation of $718,155 as a reserve for contingencies, were $6,149,720, equal to $3.75 per share of Common stock. Net earnings were also the largest in the Company's history. In 1946 comparable net earnings were $3,890,269, equal to $2.35 per share of Common stock.

Working Capital and Funded Debt

The working capital of the Company at December 31, 1947 was $10,089,193. This compares with working capital at December 31, 1946 of $8,825,796.

The Company's funded debt has been reduced to $3,550,000 at December 31, 1947, the lowest since 1928.

Earned Surplus

It is to be noted that your Company's earned surplus at December 31, 1947, amounting to $8,727,631, was the largest in its history and compares with $3,860,598 at December 31, 1946.

Taxes, Wages and Salaries

Your Company has paid to the United States and Canadian Governments or has accrued the largest amount of taxes in any one year in its history.

With the exception of total compensation paid to management, wages and salaries for all classes of employees were substantially higher than have been paid heretofore.

New Properties, Additions and Betterments

In 1947, the Company provided out of earnings the largest sums ever spent or set aside for expansion and betterments.

The gypsum plaster mill and board plant at Sigurd, Utah, referred to in our report to stockholders of July 28, 1947, is nearing completion. This plant is the property of the Western Gypsum Company, in which your Company owns a majority stock interest. Your Company will, therefore, for the first time be able to make plaster and board products available to the Mountain States, Northern California and the Pacific Northwest. In due course, earnings from this investment will be reflected in those of your Company.

There was completed and placed in operation an addition to the Company's gypsum board plant at Grand Rapids, Michigan, which will make available increased supplies of these vital products to our customers and further increase sales.

Substantial capital expenditures have also been made at the Company's properties in York, Pennsylvania, East St. Louis, Illinois, Blue Rapids, Kansas, and Dallas, Texas, which it is expected will improve our ability to serve our customers and result in increased sales.

Early in 1948 the Company completed and now occupies its own General Office building at Ardmore, Pennsylvania. The Management believes this move will result in substantial economies.

Dividends

During 1947, dividends amounting to $67,500 were paid or declared on the 4½% Prior Preference stock, and dividends amounting to $1,215,187.87 were paid or declared on the Common stock—a greater amount by $486,188.32 than was paid or declared in 1946.

The Board of Directors and the Management wish to express their thanks to the Company's many loyal and able employees whose cooperation and efforts have contributed to the 1947 results.

Respectfully submitted,

Parson G. Lizars

Chairman of the Board.

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Certain-teed Prod

and wholly owned

CONSOLIDATED BALANCE SHE

ASSETS

CURRENT ASSETS:		
Cash		$ 3,728,732.36
U. S. Government securities, at cost, plus accrued interest (quoted market $1,074,341.44)		1,070,522.60
Dominion of Canada Victory Loan Bonds, at cost, plus accrued interest (quoted market $222,851.25)		215,774.69
Other marketable securities, at cost, less reserve to reduce to quoted market		320,743.75
Receivables—		
Customers	$ 4,521,102.56	
Other	96,914.49	
	4,618,017.05	
Less—Reserves for doubtful items, discounts, and allowances	364,844.33	4,253,172.72
Merchandise inventories at the lower of cost or market—		
Raw materials and supplies (Note 2)	2,778,430.28	
Finished goods and goods in process	1,050,411.66	3,828,841.94
Total current assets		13,417,788.06
U. S. GOVERNMENT SECURITIES, AT COST, PLUS ACCRUED INTEREST (quoted market $1,003,983.55; appropriation for construction program)		1,000,000.00
INVESTMENT IN CAPITAL STOCK AND MORTGAGE NOTES OF SUBSIDIARY COMPANY, NOT CONSOLIDATED		1,300,000.00
DEFERRED CHARGES AND OTHER ASSETS		575,087.52
PROPERTY, PLANT, AND EQUIPMENT (adjusted at December 31, 1939 to the lower of cost or appraised values plus subsequent additions, at cost, including $52,922.06 of non-operating properties after depreciation reserves):		
Land	560,287.30	
Buildings, machinery, and equipment (less depreciation reserves of $10,843,615.08)	9,712,050.63	
Gypsum and gypsite deposits (less depletion reserves of $110,499.52)	329,530.37	10,601,868.30
GOODWILL, TRADEMARKS, PATENTS		1.00
FUNDS RESTRICTED UNDER WAR CONTRACTS:		
Cash in special bank accounts (subject to lien of United States)	7,441.35	
Advances received, less disbursements	7,441.35	—
		$26,894,744.88

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The notes to financial statements appended hereto are an integral

ucts Corporation

subsidiary companies

ET AS AT DECEMBER 31, 1947

LIABILITIES

Current Liabilities:			
Accounts payable and accrued expenses			$ 1,991,326.06
Dividends payable			503,084.70
Fifteen-year 3½% Sinking Fund Debentures, current installment due February 1, 1948			225,000.00
Accrued interest on funded debt			51,770.85
Accrued taxes other than taxes on income			383,427.72
Federal and Canadian taxes on income (after deduction of $3,876,000.00 of U. S. Treasury tax notes, at cost)			173,985.72
Total current liabilities			3,328,595.05
Fifteen-Year 3½% Sinking Fund Debentures, due February 1, 1960 ($225,000.00 Principal Amount to be retired annually) less installment due within one year, shown above			3,325,000.00
Reserves:			
For product guarantees		$ 152,752.87	
For contingencies		1,551,155.27	1,703,908.14
		5451	
Capital stock and Surplus:		4296	
Capital stock—			
4½% cumulative Prior Preference stock, par value $100.00 per share (Note 3)—			
Authorized, 50,000 shares.			
Issued and outstanding, 15,000 shares		1,500,000.00	
Common stock, par value $1.00 per share—			
Authorized, 2,000,000 shares.			
Issued and outstanding, 1,620,699 shares (Notes 5 and 6)		1,620,699.00	
		3,120,699.00	
Capital surplus, per accompanying statement	$6,688,911.55		
Earned surplus from October 1, 1944, per accompanying statement	8,727,631.14	15,416,542.69	18,537,241.69
			1551
			20088
			$26,894,744.88

part of this statement and should be read in conjunction herewith.

Certain-teed Products Corporation

and wholly owned subsidiary companies

COMPARATIVE STATEMENT OF CONSOLIDATED PROFIT AND LOSS

	Year Ended December 31, 1947	1946
NET SALES	$48,707,088.58	$34,959,301.50
COST OF GOODS SOLD, SELLING, ADMINISTRATIVE, AND GENERAL EXPENSES	37,882,627.11	28,314,967.87
OPERATING PROFIT	10,824,461.47	6,644,333.63
OTHER INCOME	686,798.59	587,381.54
	11,511,260.06	7,231,715.17
OTHER DEDUCTIONS	370,636.85	167,347.38
	11,140,623.21	7,064,367.79
INTEREST ON 3½% SINKING FUND DEBENTURES	124,906.27	132,781.25
	11,015,716.94	6,931,586.54
PROVISION FOR FEDERAL AND CANADIAN TAXES ON INCOME	4,147,841.19	2,608,318.00
PROFIT FOR THE YEAR, BEFORE APPROPRIATION TO RESERVE FOR CONTINGENCIES	6,867,875.75	4,323,268.54
APPROPRIATION TO RESERVE FOR CONTINGENCIES (Note 7)	718,155.27	433,000.00
AMOUNT TRANSFERRED TO EARNED SURPLUS (Note 2)	$ 6,149,720.48	$ 3,890,268.54

The notes to financial statements appended hereto are an integral part of this statement and should be read in conjunction herewith.

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Certain-teed Products Corporation

and wholly owned subsidiary companies

STATEMENT OF CONSOLIDATED SURPLUS ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1947

	Capital Surplus	Earned Surplus From October 1, 1944	Combined Surplus
BALANCE, DECEMBER 31, 1946	$7,152,219.57	$ 3,860,598.53	$11,012,818.10
AMOUNT TRANSFERRED FROM STATEMENT OF PROFIT AND LOSS (Note 2)	—	6,149,720.48	6,149,720.48
EXCESS OF ADDITIONAL ASSESSMENTS FOR FEDERAL TAXES ON INCOME FOR YEARS PRIOR TO OCTOBER 1, 1944 OVER RESERVES PROVIDED THEREFOR	*472,233.02*	—	*472,233.02*
EXCESS OF CONSIDERATION RECEIVED OVER PAR VALUE OF 700 SHARES COMMON STOCK ISSUED UNDER INCENTIVE PLAN	8,925.00	—	8,925.00
	6,688,911.55	10,010,319.01	16,699,230.56
DEDUCT—DIVIDENDS PAID OR PAYABLE:			
4½% cumulative Prior Preference stock, $4.50 per share	—	67,500.00	67,500.00
Common stock, $.75 per share	—	1,215,187.87	1,215,187.87
	—	1,282,687.87	1,282,687.87
BALANCE, DECEMBER 31, 1947	$6,688,911.55	$ 8,727,631.14	$15,416,542.69

Italics denote red figures.

The notes to financial statements appended hereto are an integral part of this statement and should be read in conjunction herewith.

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Certain-teed Products Corporation

and wholly owned subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1947

1. Net assets of Canadian subsidiary companies included in the accompanying consolidated balance sheet aggregate $1,877,737.57, of which $1,038,401.91 represents net current assets, including cash of $351,972.94. Under regulations promulgated by the Canadian Foreign Exchange Control Board, the amount which may legally be withdrawn from the Canadian subsidiaries is substantially less than the net current assets of $1,038,401.91 stated above.

The consolidated net profit of $6,867,875.75, before appropriation to reserve for contingencies, includes net profit of $469,088.08 (stated in U. S. Dollars) of the Canadian subsidiary companies.

All balance sheet and profit and loss accounts of the Canadian subsidiary companies are carried at par of exchange.

2. In prior years it has been the policy of the parent company to value its raw materials at the lower of cost or market. During the year under review, the parent company adopted the policy of valuing certain items in its raw materials inventory on the last-in, first-out method, resulting in a reduction of $160,910.83 in the valuation of its raw materials at December 31, 1947. The result of this change in policy is a reduction of $99,764.71 in net profit.

3. The 4½% cumulative prior preference stock is redeemable at call upon not less than 60 days' notice, or in event of voluntary liquidation at $105.00 per share and unpaid cumulative dividends.

4. The parent company is a defendant in the following litigation:
An anti-trust suit now in process of appeal by the Government involving the company's activities in the gypsum industry.

Other litigation to which the parent company is a party is not deemed to be of material significance.

5. The declaration of dividends on the common stock is subject to certain restrictions under the terms of the Trust Indenture covering the 3½% sinking fund debentures. As at December 31, 1947 the dividend restrictive terms of the indenture had been met and consequently at that date the restrictions were inoperative.

6. The company has adopted an Incentive Plan, approved by its stockholders, whereby it may from time to time, within five years from July 1, 1946, grant to its officers and key employees options to purchase not in excess of 50,000 shares in the aggregate of its authorized but unissued shares of common stock. Each officer or key employee to whom an option is granted shall have a period of sixty months within which to exercise the option. Pursuant to the plan, officers and key employees have been granted options to purchase at $13.75 per share 34,200 shares of common stock of the Company.

During the year under review 700 shares of the common stock were issued under this plan.

7. Appropriation to reserve for contingencies during 1947 amounted to $1,000,000.00 against which charges amounting to $281,844.73 were applied for interest on prior years' Federal income taxes, etc., included in other deductions.

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
CHICAGO
ST. LOUIS

FIRST NATIONAL BANK BUILDING
CHICAGO 3

TELEPHONE STATE 0282

HARRY L. OPPENHEIMER, C. P. A.
RESIDENT PARTNER

BOARD OF DIRECTORS,
CERTAIN-TEED PRODUCTS CORPORATION,
Chicago, Illinois.

We have examined the consolidated balance sheet of CERTAIN-TEED PRODUCTS CORPORATION AND WHOLLY OWNED SUBSIDIARY COMPANIES as at December 31, 1947 and the related statements of consolidated surplus and profit and loss for the year then ended; have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In prior years it has been the policy of the parent company to value its raw materials at the lower of cost or market. During the year under review, the parent company adopted the policy of valuing certain items in its raw materials inventory on the last-in, first-out method, resulting in a net reduction of $99,764.71 in current year's net profit.

In our opinion, the accompanying consolidated balance sheet and related statements of surplus and profit and loss, together with the notes to financial statements, present fairly the consolidated position of CERTAIN-TEED PRODUCTS CORPORATION AND WHOLLY OWNED SUBSIDIARY COMPANIES as at December 31, 1947 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change in the parent company's policy described in the preceding paragraph, were applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

Chicago, Illinois,
February 19, 1948.

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Certain-teed Products Corporation

and wholly owned subsidiary companies

COMPARATIVE CONDENSED BALANCE SHEET

ASSETS:	1947	1946	1945	1944
Current assets	$13,417,788	$11,886,300	$ 9,633,386	$ 9,663,452
U. S. Government Securities, at cost (Appropriation for Construction Program)	1,000,000	—	—	—
Investment in Capital stock and Mortgage Notes of subsidiary company, not consolidated	1,300,000	—	—	—
Operating property, Plant and Equipment (less reserves)	10,548,946	8,876,934	6,757,326	6,686,379
Non-operating Property and Equipment (less reserves)	52,922	160,467	230,358	101,923
Other investments, deferred charges and miscellaneous assets	575,089	821,752	556,176	621,300
Total	$26,894,745	$21,745,453	$17,177,246	$17,073,054

LIABILITIES:				
Current liabilities	$ 3,328,595	$ 3,060,504	$ 2,151,350	$ 1,733,808
Reserves	1,703,908	1,000,232	616,909	317,262
Fifteen year 3½% Sinking Fund Debentures	3,325,000	3,550,000	3,775,000	—
Twenty year 5½% Sinking Fund Gold Debentures	—	—	—	5,000,000
Capital stock	3,120,699	3,121,899	3,291,299	4,505,260
Surplus	15,416,543	11,012,818	7,342,688	5,516,724
Total	$26,894,745	$21,745,453	$17,177,246	$17,073,054
Working capital	$10,089,193	$ 8,825,796	$ 7,482,036	$ 7,929,644
Cash and Government securities	$ 6,015,030	$ 5,228,065	$ 5,407,590	$ 5,471,678

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General Offices

120 E. Lancaster Avenue
Ardmore, Pa.

District Sales Offices

ATLANTA, GEORGIA
BALTIMORE, MARYLAND
CHICAGO, ILLINOIS
CLEVELAND, OHIO
DALLAS, TEXAS
EAST ST. LOUIS, ILLINOIS
GRAND RAPIDS, MICHIGAN
KANSAS CITY, MISSOURI
NEW YORK, N. Y. (EXPORT SALES)
NIAGARA FALLS, NEW YORK
PHILADELPHIA, PENNSYLVANIA
RICHMOND, CALIFORNIA
ST. PAUL, MINNESOTA
THOROLD, ONTARIO, CANADA

Roofing Plants

EAST ST. LOUIS, ILLINOIS
KANSAS CITY, MISSOURI
YORK, PENNSYLVANIA
MARSEILLES, ILLINOIS
NIAGARA FALLS, NEW YORK
RICHMOND, CALIFORNIA
SAVANNAH, GEORGIA
DALLAS, TEXAS

Gypsum Mines and Plants

FORT DODGE, IOWA
GRAND RAPIDS, MICHIGAN
BLUE RAPIDS, KANSAS
ACME, TEXAS
AKRON, NEW YORK

Fibreboard Plant

BUFFALO, NEW YORK

Fibreboard, Boxboard and Newsprint Plant

THOROLD, ONTARIO, CANADA

CERTAIN-TEED

BUILDING PRODUCTS

ASPHALT ROLL ROOFING
ASPHALT SHINGLES and SIDINGS
GYPSUM PLASTERS
GYPSUM WALLBOARD and LATH
FIBRE WALLBOARD
BUILDING INSULATION
ACOUSTICAL TILE