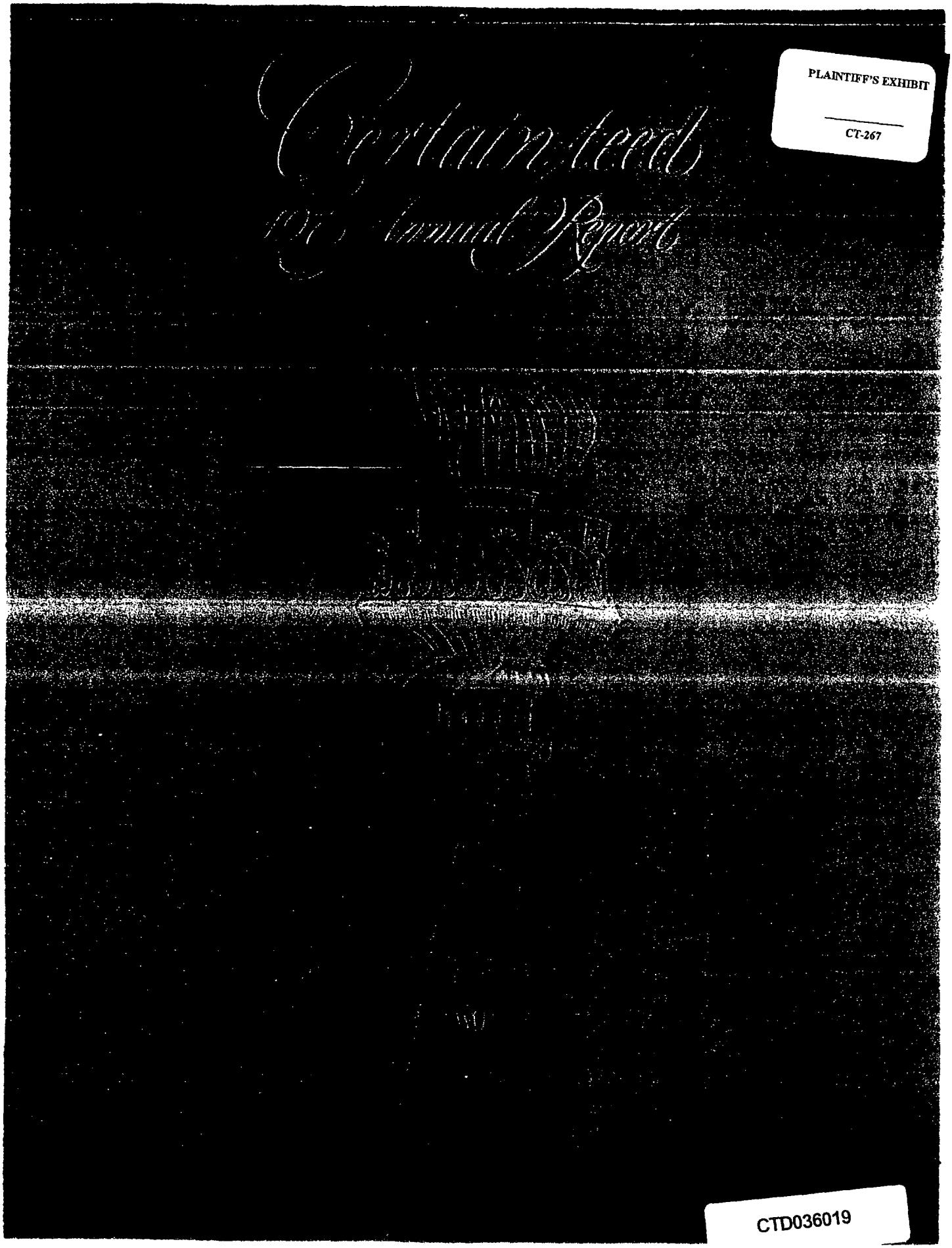

PLAINTIFF'S EXHIBIT
CT-267

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About the Cover

The arm of the Statue of Liberty as displayed during the Philadelphia Centennial Exposition in 1876. A gift from the people of France to the people of America, the Statue was financed by the French people – no contribution was asked for or received from the French Government. Costs of building the pedestal were paid by private contributions in the United States. Eighty percent of the money collected to construct the pedestal was contributed in amounts of less than one dollar.

On December 2, 1916, the French Ambassador, Jules J. Jusserand stated, "The statue was raised, not to man, famous and useful as he may have been, not to a nation great as she may be. It was raised to an idea – an idea greater than any man or any nation, greater than France or the United States – the idea of Liberty!"

CTD036020

The Heritage of Ten Generations

It has been 200 years since a small band of patriots challenged the authority of their King and made a commitment to truths that changed history. By a dedication to individual justice, their idealism also proved to be practical... as a colonial wilderness and two distant monarchies became models of constitutional government. Just as important, cultural, social, and economic achievements reached unprecedented heights and benefited the general citizenry as never before.

Today, the United States, Great Britain, and France enjoy this heritage of individual accomplishment. Fortunately for us, free enterprise was revitalized at Concord, came of age during the industrial revolution and exists to this day in countless numbers of voluntary, international, collaborative efforts. Certain-teed is just one example which has prospered from this legacy. And management shares with investors here, in England and France the view that private initiative rather than governmental edict more effectively propels an organization toward excellence. Demonstrating these beliefs is the surest way to fulfill management's stewardship.

In every walk of life, we should take seriously the admonition of John Quincy Adams. "We are friends of liberty everywhere in the world, but custodians only of our own."



CTD036021

Review of 1975 Objectives

In Certain-teed's 1974 Annual Report, Management identified its "three most important objectives" for 1975. As a measure of Corporate performance, these objectives are again presented along with data reflective of 1975 accomplishments.

"First, maintaining profitable growth in our basic operations."

- Income from continuing operations more than doubled—1974, $13,390,000; 1975, $29,647,000.

"Second, strengthening our financial condition."

- Improved balance sheet liquidity.
- All short and medium term debt refunded by long-term debt.
- Increased, but unused, borrowing capacity.
- Attainment of unqualified opinion from independent auditors.

"Third, concentrating Corporate resources by eliminating commitments unrelated to primary businesses."

- Realtec Incorporated—Certain-teed's only remaining real estate activity:
  - —Treated as discontinued operation as of December 31, 1975.
  - —Reserves established to allow total disengagement within two years.
- Certain-teed carpet operation liquidated.
- Redeployment of assets and strengthened financial conditions permitted reactivation of fiber glass reinforcements project.
- Roofing capacity expansion program begun.

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CTD036022

5 Year Financial Analysis

ANALYSIS OF SALES AND INCOME
(Dollars in Thousands)

	1971	1972	1973	1974	1975
Net Sales by Group:					
Shelter Materials	$ 96,544	$104,001	$118,900	$143,730	$157,089
Insulation	65,221	83,391	116,334	141,929	159,355
Building Materials Distribution	76,395	90,050	96,679	95,845	90,419
Pipe & Plastics	62,652	69,766	86,386	102,752	93,580
Utility & Agricultural Systems	17,220	33,157	44,067	60,381	52,048
Gustin-Bacon	9,921	11,240	13,370	13,729	—
Other	—	—	445	763	489
Total Net Sales	**$327,953**	**$391,605**	**$476,181**	**$559,129**	**$552,980**
Operating Profit by Group:					
Shelter Materials	$ 15,989	$17,139	$ 20,289	$ 21,127	$ 27,203
Insulation	2,360	11,575	16,050	11,734	30,214
Building Materials Distribution	6,074	6,863	9,124	5,340	3,809
Pipe & Plastics	7,306	8,904	8,755	12,430	5,956
Utility & Agricultural Systems	743	1,296	2,255	4,988	2,922
Gustin-Bacon	1,122	1,374	1,137	1,915	—
Total Operating Profit	**33,594**	**47,151**	**57,610**	**57,534**	**70,104**
Corporate Administration	(2,647)	(3,654)	(4,498)	(7,187)	(6,633)
Interest Expense, Net of Interest Income	(2,627)	(3,100)	(7,054)	(14,511)	(12,337)
Income/(Loss) Applicable to Investments	377	789	1,205	(8,020)	(260)
Other, Net	(149)	765	145	813	362
Income From Continuing Operations Before Income Taxes	28,548	41,951	47,408	28,629	51,236
Income Taxes	13,378	19,088	20,937	15,239	21,589
Income From Continuing Operations	**$ 15,170**	**$ 22,863**	**$ 26,471**	**$ 13,390**	**$ 29,647**

CTD036023

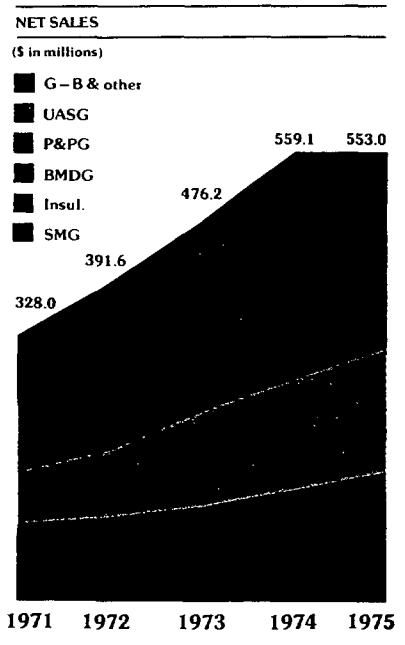
Chairman's Letter

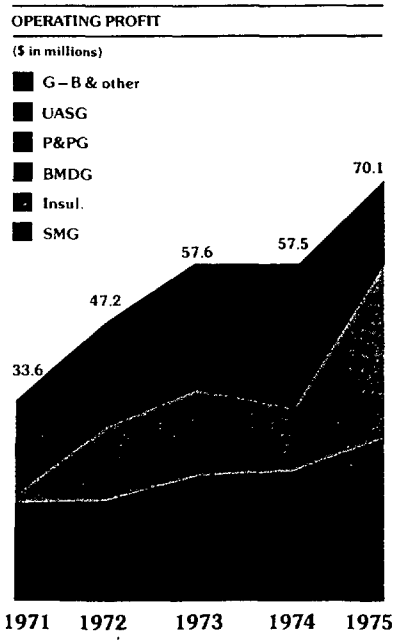
For well over a year, energies have been applied to various objectives... several of them specifically described in last year's Annual Report. Management's central theme may be summarized succinctly, "Remove the debris of corporate diversions so that resources may be intensified in areas of exceptional performance." This is a simple directive which is not easily executed. And with the added commitment to become a premier company in all respects, the combined goals were hardly modest. Yet, Certain-teed's results in 1975 can be measured against this backdrop.

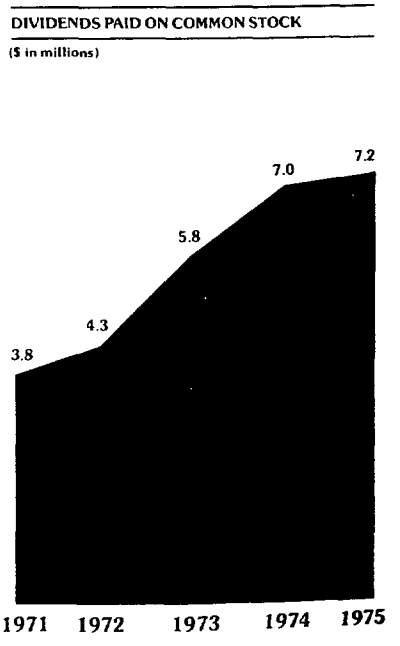
External recognition of our basic strengths was inevitable as historic difficulties receded and operating results were more visible. Operating profit, for example, reached record levels in 1975; and net income compared favorably, not only with the 1974 figures, but also when contrasted with the reported progress of competitors. The fact that life signs in the general economy were not robust made the accomplishments all the more impressive. And at the year end, the per share market price of Certain-teed had responded by closing at 15¼ ... sharply higher than the 6⅝ posted a year earlier.

As in every period, the performance was not uniformly encouraging. Record sales and earnings did occur in roofing and insulation though piping and plastic activities remained at disappointing levels throughout the year. (But here the adverse impact was moderated by the successful start-up of our polymer plant at Lake Charles, Louisiana). Given these facts, consolidated results gained momentum as the year progressed. By the end of the third quarter, the unaudited figures validated earlier expectations and exhibited an extraordinarily attractive balance sheet. A specific date, September 30, 1975, therefore, can be identified as a turning point which permitted several positive and significant decisions in the fourth quarter.

Planning horizons were raised to reflect the new realities. As our products gained in customer acceptability,







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expansion of existing plant capacities became a pressing need... more urgent in roofing because insulation production was bolstered in September, 1975 by the opening of our new fiber glass facility located at Athens, Georgia. The capital program accelerated further with heavy expenditures devoted to new products ...such as fiber glass bonded mat. But the most important evidence of our more aggressive stance was the decision to reactivate construction of our continuous strand fiber glass project in Wichita Falls, Texas. While the full benefits from these actions will not be felt until 1977, this competitive positioning is essential if we are to maintain attractive growth rates.

During the fourth quarter also, we announced the addition of a new Director unaffiliated with either management or principal shareholding interests... a move consistent with intentions described at the Shareholders' Meeting. And finally, organizational strengthening proceeded as executives were added to cope with extensions in the corporate outreach. The guideline remains, though, to retain a reputation for overhead costs lower than general industry levels.

The accounting treatment of Realtec Incorporated (Certain-teed's remaining participation in real estate) is consistent with our earlier announced intention to dispose of this subsidiary at the earliest possible moment.

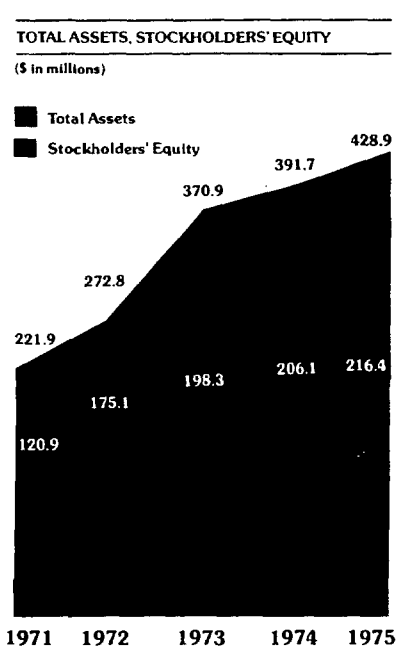
With these accomplishments, it is gratifying that our independent auditors were able to express an unqualified opinion on our 1975 financial statements.

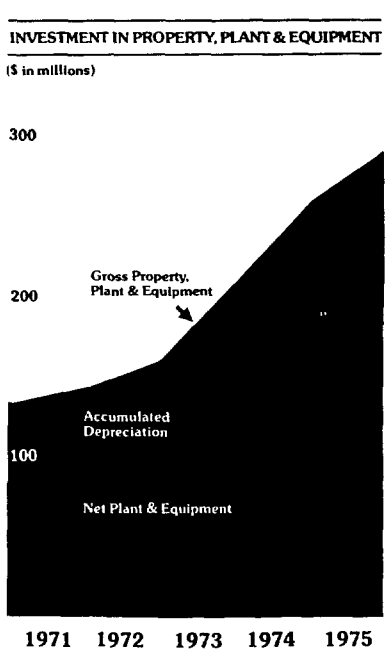
As to 1976, we earlier expressed concerns on our ability to maintain margins with constantly rising costs while operating in highly competitive markets. These factors are present today. Yet, we have taken bold actions and are sufficiently confident to project commensurate rewards.

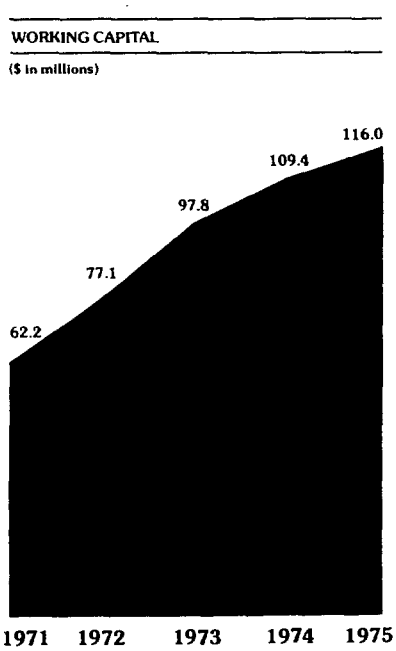


Donald E. Meads
Chairman and Chief Executive Officer

March 24, 1976







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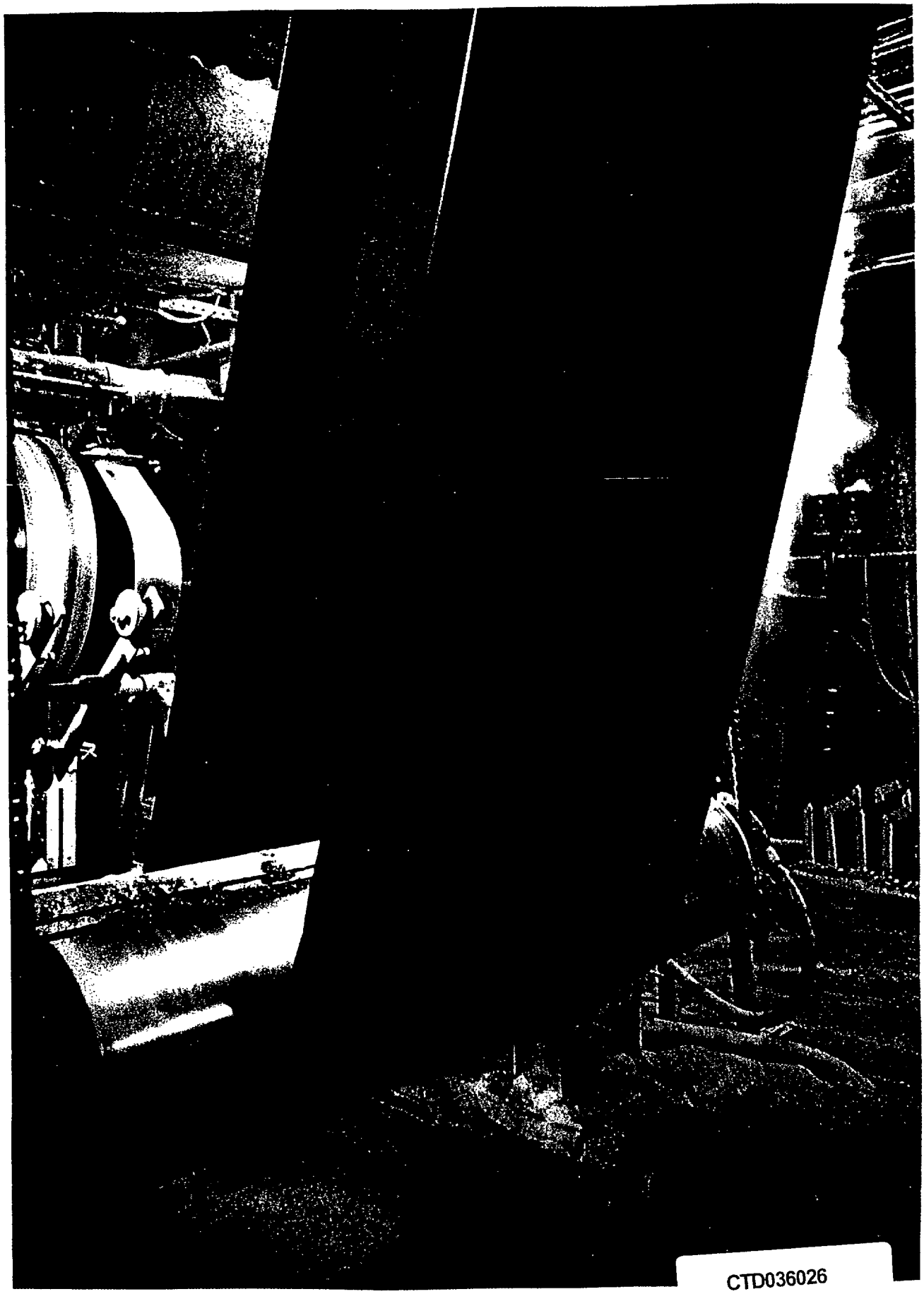
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Review of Operations

In 1975 new construction activity was at the lowest level in more than a decade. Certain-teed faced stiff competition for smaller markets and intense pressures were put on profit margins.

In facing these challenges, Management emphasized fundamentals: Improving productivity in every operation · Initiating and constantly monitoring cost reduction/ avoidance programs · Reducing overhead. Operating results reflect the success of these programs. While net sales declined 1%, group operating profit increased 22% to more than $70,000,000, the highest in the company's history.

1975 operating profit is particularly favorable when compared with competitive results and demonstrates that Certain-teed can perform well during adverse business cycles. The fact remains, however, that progress was not uniform. While our insulation and shelter materials operations achieved significant increases in profitability in 1975, profits in the remaining three operations were negatively affected by very adverse market conditions.

Industrial and Building Products

Shelter Materials— *Includes manufacturing and marketing of roofing products and marketing of residential insulation products, ceiling panels, and vinyl siding.*

Asphalt roofing products' sales and profits reached record levels in 1975. Sales of $157 million exceeded 1974 by 9%, while operating profits increased by 29%.

Continuing strong demand for re-roofing coupled with significant savings in marketing and administrative overhead areas and sharply improved productivity also contributed to the performance records.

Sales of fiber glass residential building insulation were strong as national interest in the availability and cost of energy for heating and air-conditioning homes continued to stimulate demand.

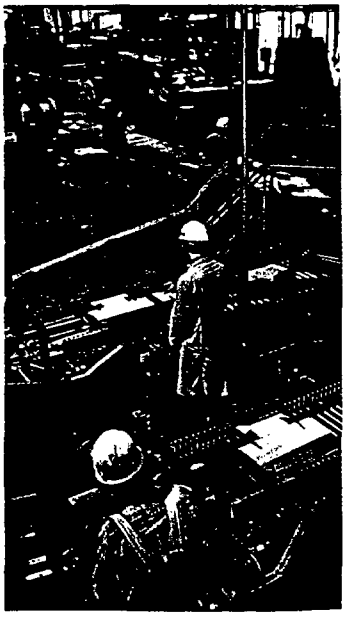
Plans were announced for a major expansion of roofing capacity. A new plant will be constructed at Oxford, North Carolina with start-up scheduled for early 1978. Construction is now underway to expand roofing production at Savannah, Georgia and Avery, Ohio.

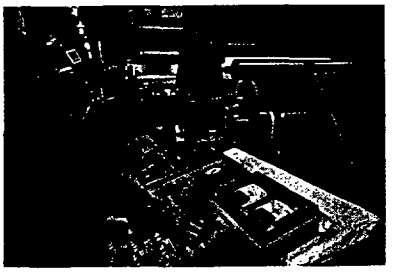
To support plans for expansion of new products, especially fiber glass roofing, technical research and development and engineering capabilities have been increased.

Although re-roofing will again account for the major portion of our roofing sales in 1976, growth in the number of new houses built and in residential remodeling should improve sales of roofing, fiber glass ceiling panels and vinyl siding. Emphasis will continue on higher margin top-of-the-line proprietary shingles where Certain-teed has pioneered market development and holds a leading position.













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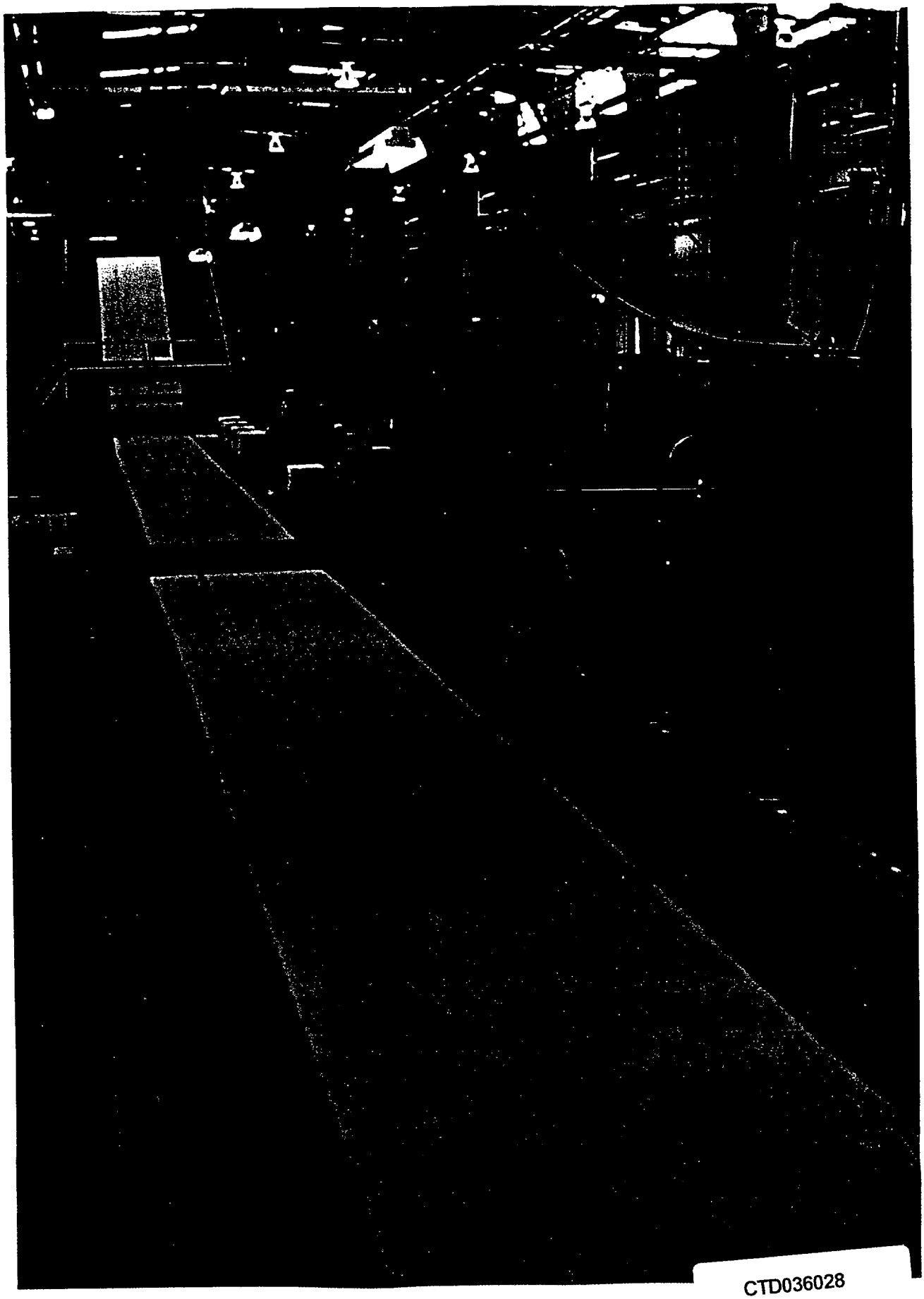

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Review of Operations
continued

Insulation *— Includes manufacturing of all Certain-teed fiber glass and organic insulation products and marketing of industrial, commercial, equipment and automotive insulation products.*

Sales and profits of insulation products reached record levels in 1975. Sales were $159 million, up 12% over 1974, due primarily to strong re-insulation demand in existing homes and non-residential buildings and increased industrial requirements. As a result of the contribution of each of the major profit centers — residential, industrial and automotive products — and a vigorous cost-reduction program, operating profit exceeded $30.2 million.

Several other milestones were achieved during the year. Most significant was the outstanding start-up of a new fiber glass manufacturing facility at Athens, Georgia and the profit contribution it has made. Last year also witnessed a major turnaround at our new automotive products plant in Corbin, Kentucky and the successful introduction of several new insulation products.

Strong growth in sales and operating profit is expected to continue through 1976. Many major markets, particularly housing and automotive, are in the early stages of recovery. In addition, construction has begun on a new bonded mat facility at Athens, Georgia. This plant, which is expected to begin operations in 1977, will produce the base mat for a new generation of roofing shingles.

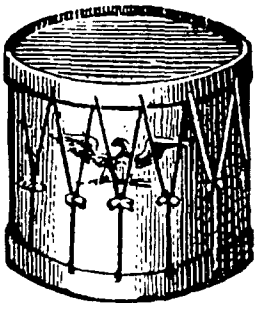
As the economic benefits of insulation are more fully recognized as fuel costs continue to rise, further growth for fiber glass insulation product lines is anticipated.

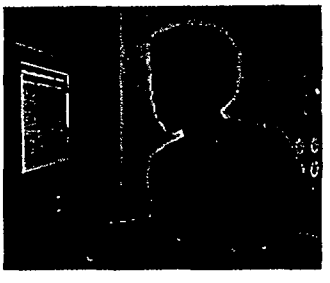
Fiber Glass Reinforcements *— Includes manufacturing and marketing of fiber glass reinforcements for a wide variety of applications in automotive, consumer goods, construction materials, appliances, marine, and pipe and vessel components.*

Reactivation of the company's reinforcements operation announced in November, 1975, represents a major step forward into a strong and rapidly growing market. Certain-teed will manufacture and market a full line of versatile continuous strand fiber glass reinforcement products. In various forms, the products have application in a wide variety of plastic and non-plastic applications.

Certain-teed fiber glass reinforcement production will utilize technology developed by Compagnie de Saint-Gobain-Pont-a-Mousson, a recognized world leader in glass and fiber glass technology.

A 600,000 square foot manufacturing facility, now under construction in Wichita Falls, Texas is scheduled for completion in early 1977. Certain-teed's experience in selling Saint-Gobain-Pont-a-Mousson reinforcements in the United States already provides the company with marketing experience and a distribution base for these products.

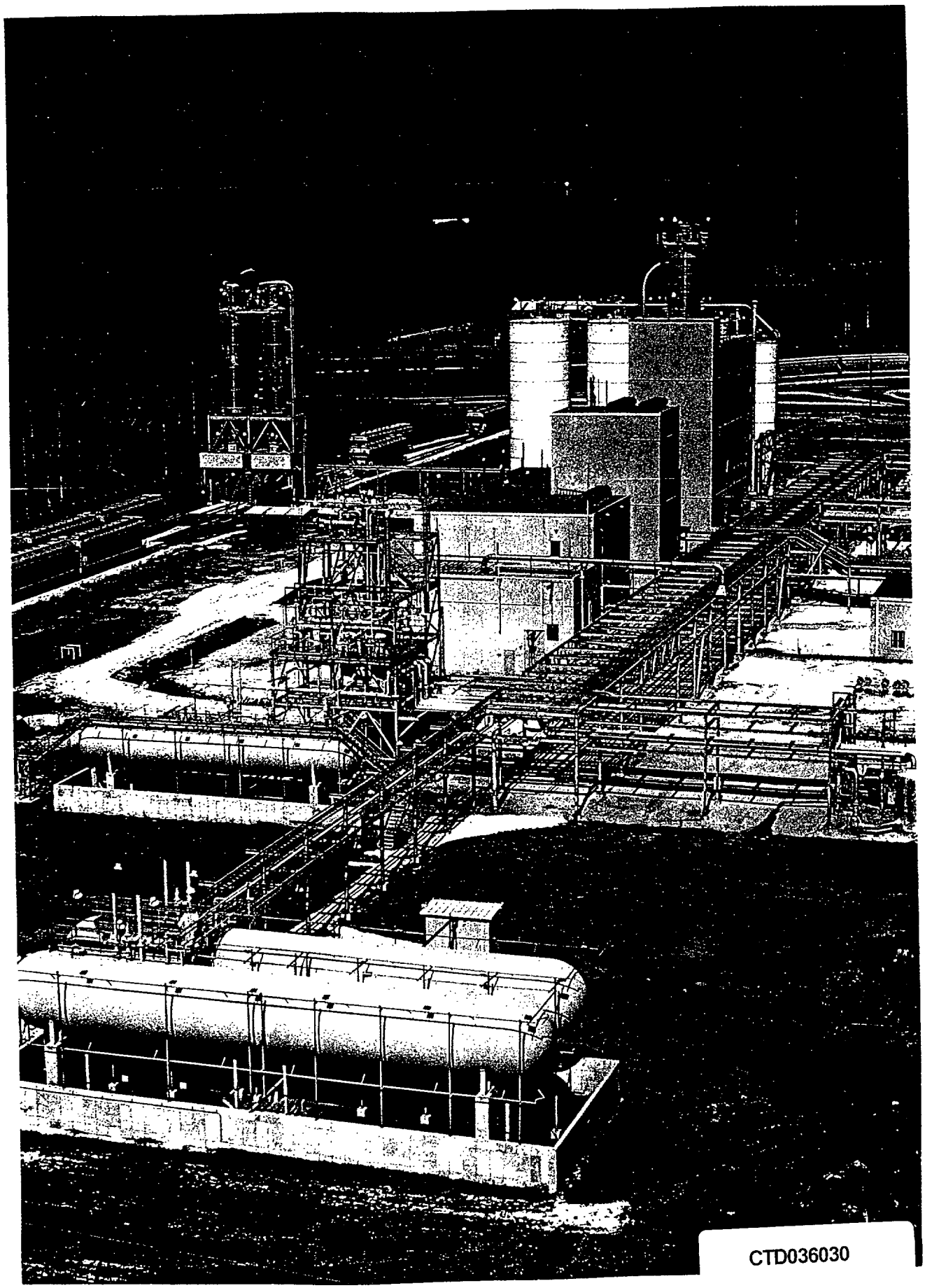








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Review of Operations
continued

Piping Systems

During 1975, markets for pipe and related products were seriously depressed due to low levels of new construction and reduced expenditures for water and sewer systems for municipalities. Anticipated projects for upgrading of waste water treatment facilities under the federally funded EPA Program did not materialize. As a result, intense competition developed for smaller available markets, putting pressure on profit margins.

Pipe & Plastics— *Includes production and marketing of PVC polymer, PVC extrusion machinery, and asbestos cement and PVC pipe and fittings. Also includes manufacturing of vinyl siding.*

Results of the company's pipe and plastics operations were mixed in 1975. While profitability of PVC pipe operations declined precipitously, asbestos cement pipe performance remained strong in spite of significantly lower sales.

Sales of PVC pipe increased approximately 20% in physical units but only 4% when measured in dollars reflecting the market price deterioration which occurred in 1975. At the same time, raw material prices increased with an especially sharp escalation at year-end for vinyl chloride monomer.

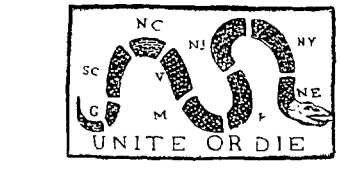
In 1975 a new polymer facility was successfully brought on stream with full rated capacity being achieved in the fourth quarter. The raw materials produced by this operation represent a significant cost reduction which should yield improvement in future profitability of PVC pipe sales.

In addition, a substantial effort has been mounted to upgrade profitability by improvements in product mix designed to seek higher technology, high-margin products and systems to replace commodity-type items. This program is centered on capital intensive specialty pipe for urban water distribution, irrigation, and sewer application.

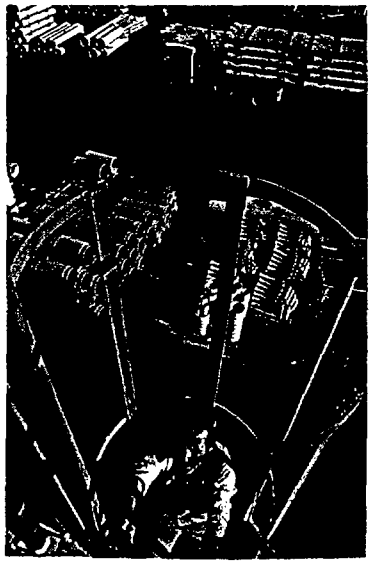
In 1975 demand for asbestos cement pipe dropped about one-third. However, manufacturing cost reductions and improvements in mix managed to offset raw material cost increases preserving profit margins.

Strong performance was achieved at the Certain-teed/Daymond operation (corrugated plastic tubing) and Productos Mexalit (asbestos cement operation located in Mexico). Certain-teed holds a 50% interest in Certain-teed/Daymond and a 49% interest in Productos Mexalit.

Utility and Agricultural Systems— *Includes distribution of fluid handling products, including Certain-teed asbestos cement and PVC pipe used for construction and maintenance of potable and waste water systems. Also includes manufacturing and fabrication of certain system components.*

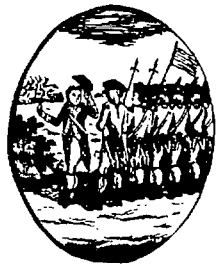












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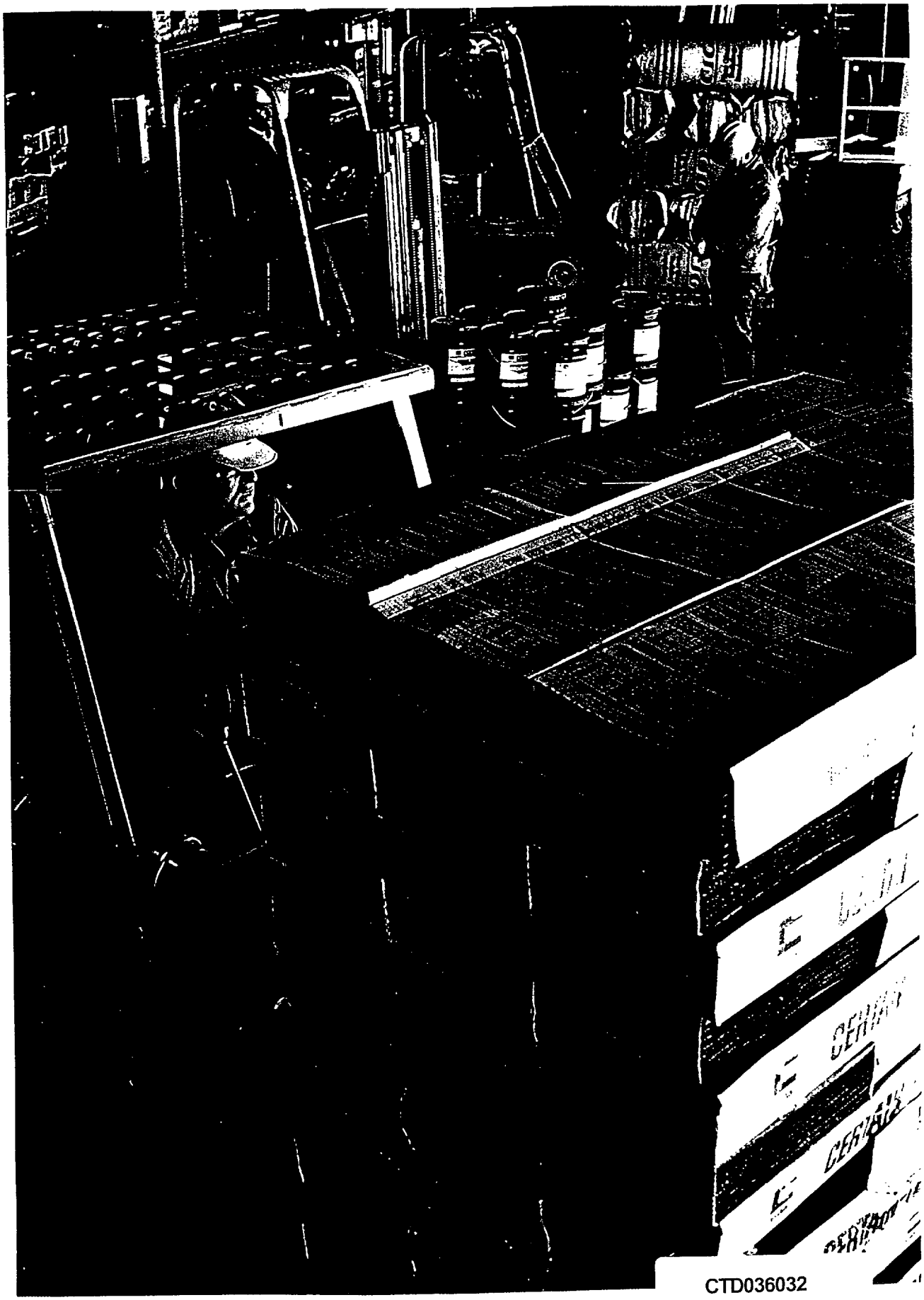

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Review of Operations
continued

In order to improve operations during 1975, operating units located in the Southwest and West Coast were organized into two regional operations, which permitted improvements in sales coverage and operating efficiencies. A major marketing program was launched to redirect and increase sales for waste water treatment, a market which has shown strong growth and profit opportunities. Gross margin levels were also preserved in 1975 through broadening the customer base and expanding product lines to include higher margin speciality products.

Improvements in inventory management and purchasing were made during the year by the addition of a materials management function to the Group's staff. Inventories were reduced by approximately 20% and purchasing economies helped offset price competition.

During 1976, competition is expected to remain intense, with demand remaining below industry capacity. Income and return on investment for Utility and Agricultural Systems Operation will improve, however, through continuation of cost reduction programs instituted in 1975 and maintaining a lean operation with increasing improvements in asset management.

Building Materials Distribution

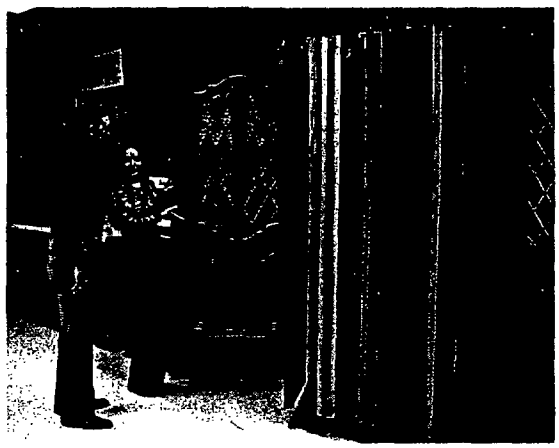
Includes distribution of a full line of building materials, including Certain-teed roofing, residential insulation, ceiling lay-in panels, and vinyl siding to building supply dealers. Also includes manufacturing of wood and metal doors and windows and plastic moldings.

Building Materials Distribution results were negatively affected by the low level of new residential construction in 1975. The slackening in demand resulted in competitive pricing pressures and inventory liquidations by retailers. However, volume increases were noted in the fourth quarter as a resurgence in new single family housing began. Emphasis was placed and continues on the remodeling and repair market and on distribution of consumer do-it-yourself products.

Millwork operations were hampered by high material costs. Cost reduction/avoidance programs set in motion in late 1974 involving control of manpower, spending, and working capital investment were continued. The Durawood PVC Moldings Operation was consolidated into a single plant operation reducing both investment and operating costs.

Continuation of the current upward trends in new single family housing should have a positive impact on both distribution and millwork operations in 1976. Concurrently, management is directing sales efforts toward higher margin product lines to improve profitability. New forecasting techniques are being employed to improve production planning, and programs and procedures have also been put in place to better control pricing and inventory levels. Strong merchandising and sales programs have been initiated to better service the requirements of retail customers.











Management's Discussion and Analysis of the Summary of Operations

From 1973 to 1974 physical volume gains occurred in the Company's sales of insulation products and wholesale building materials, yet three-fourths of the change in over-all sales dollars is attributable to price inflation, reflecting the significant cost increases experienced by the Company during 1974. In 1975, physical sales units were lower than 1974 in the Company's pipe manufacturing and building materials and other distribution activities. Physical units sold in the balance of the Company's operations in 1975 were approximately the same as the prior year. However, a pattern of volume improvement began emerging in mid-1975 as the most severe effects of the recent recession on the Company are generally felt to have occurred from mid-1974 to mid-1975.

Costs of sales were up sharply in 1974 as shortages developed in many areas, especially raw materials with a high petroleum derivative content. For example, the price of asphalt oils used in the manufacture of roofing products and PVC resins used in the manufacture of plastic pipe doubled from 1973 to 1974. To counter the squeeze on margins, attention in 1974 was directed toward enrichment of product mix.

While costs and selling prices generally increased in 1975 over 1974 averages, little change is evident from beginning of year levels. Company management correctly gauged this condition early in the year and, with heavy emphasis on factory cost performance, was successful in lowering cost of goods sold (as a percent of sales) by 3 percentage points in 1975. This was accomplished while absorbing start-up expenses of the Company's new PVC polymer plant in Louisiana, a new insulation facility in Georgia, and the Company's new roofing plant in Minnesota. The cost/price relationship was particularly under stress in our PVC pipe business, as the shortages of 1974 evaporated and competitive forces drove prices below production costs. The Company was able to offset this condition, in large measure, because of an earlier move to integrate into production of PVC resins from which our pipe products are made.

Although selling and administrative expenses increased in absolute dollars in 1974 over levels of the previous year, they remained constant as a percentage of sales. In 1975 these expenses measured in both dollars and sales percentages remained essentially unchanged as management's objective of holding the line on expenses in the face of inflationary pressure was successful.

Interest expense rose sharply in 1974 as a result of higher interest rates and the Company's increased spending for facilities expansion. A reduction in interest expense in 1975, however, was accomplished by the replacement of short and medium term borrowing with long-term loans with three insurance companies at more favorable rates, and a temporary slowing of the Company's capital expansion programs.

Other income in 1975 is largely from royalties. In 1974 this source of income was overshadowed by the write-off or provision for reserves against a number of the Company's investments.

The Company's provision for income taxes includes current and deferred federal and state income taxes, less the effect of the investment tax credit. In 1974, the tax provision was affected by certain losses on investments against which tax benefits are not presently available. In 1975, the effective tax rate was measurably lower as business transactions fell within the scope of ordinary rates and investment tax credits materialized on new plant start-ups. For a further explanation of the calculation of the provision for income taxes refer to note 5 to the financial statements.

Stock Market Information

		1974			1975		
		Stock Price		Dividends	Stock Price		Dividends
		High	Low	Paid	High	Low	Paid
The prices of the Company's	1st Quarter.	19⅜	14⅛	$.15	10½	7⅛	$.15
Common Stock on the New York	2nd Quarter.	17⅞	8	$.15	12⅜	9⅝	$.15
Stock Exchange and dividends paid	3rd Quarter.	9¾	7	$.15	13⅜	9½	$.15
during 1974 and 1975 are as follows:	4th Quarter.	9¾	6⅝	$.15	16⅛	9¾	$.15

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5 Year Summary of Operations

Consolidated Summary of Operations
Five years ended December 31, 1975
Dollars in thousands, except for per share data.

	1971	1972	1973	1974	1975
Net sales	$327,953	$391,605	$476,181	$559,129	**$552,980**
Cost of goods sold	257,598	305,251	372,314	448,604	**427,691**
Selling and administrative expenses	38,463	44,762	53,278	63,165	**63,934**
	296,061	350,013	425,592	511,769	**491,625**
	31,892	41,592	50,589	47,360	**61,355**
Interest expense	(3,264)	(3,640)	(9,383)	(15,900)	**(13,632)**
Interest income	637	540	2,329	1,389	**1,295**
	(2,627)	(3,100)	(7,054)	(14,511)	**(12,337)**
Other income/(deductions)—net	(717)	3,459	3,873	(4,220)	**2,218**
Profit before income taxes	28,548	41,951	47,408	28,629	**51,236**
Income tax provision	13,378	19,088	20,937	15,239	**21,589**
Income from continuing operations	15,170	22,863	26,471	13,390	**29,647**
Discontinued operations:					
Income/(loss) from discontinued operations (less applicable income taxes)	(100)	784	(1,286)	(8,153)	**(3,485)**
Provision for estimated loss on disposition including provision for losses during phase out period (less applicable income taxes)	—	—	—	(12,659)	**(6,668)**
	(100)	784	(1,286)	(20,812)	**(10,153)**
Income/(loss) before extraordinary credit	15,070	23,647	25,185	(7,422)	**19,494**
Extraordinary credit:					
Tax benefit of subsidiary's loss carryovers	—	2,838	—	—	**—**
Net income/(loss)	15,070	26,485	25,185	(7,422)	**19,494**
Dividend requirements on convertible preferred stock	664	632	514	952	**560**
Net income/(loss) applicable to common stock and equivalents	$ 14,406	$ 25,853	$ 24,671	$ (8,374)	**$ 18,934**
Income/(loss) per common share:					
Income from continuing operations	$1.53	$2.05	$2.31	$1.04	**$2.08**
Income/(losses) from discontinued operations	(.01)	.07	(.11)	(1.74)	**(.72)**
Extraordinary credit	—	.26	—	—	**—**
Net income/(loss)	$1.52	$2.38	$2.20	$(.70)	**$1.36**
Income/(loss) per common share—assuming full dilution:					
Income from continuing operations	$1.41	$1.86	$2.14	$1.01	**$1.99**
Income/(losses) from discontinued operations	(.01)	.06	(.11)	(a)	**(.68)**
Extraordinary credit	—	.23	—	—	**—**
Net income	$1.40	$2.15	$2.03	(a)	**$1.31**
Cash dividends per common share	$ .40	$ .43	$ .53	$ .60	**$ .60**

(a) Per share amount is not presented for 1974 since the items entering into the computation would decrease net loss per share.

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Quarterly Highlights

	1974 Three Months Ended			
	March 31	June 30	September 30	December 31
Net Sales	$131,701,000	$148,839,000	$155,441,000	$123,148,000
Income/(Loss) From Continuing Operations	3,683,000	5,777,000	5,975,000	(2,045,000)
(Loss) From Discontinued Operations	(1,060,000)	(13,976,000)	(971,000)	(4,805,000)
Net Income/(Loss)	$ 2,623,000	$ (8,199,000)	$ 5,004,000	$ (6,850,000)
Shares Outstanding (b):				
Primary	11,886,000	11,852,000	11,848,000	11,946,000
Fully diluted	12,761,000	12,717,000	12,759,000	12,762,000
Earnings/(Loss) Per Common Share:				
Primary:				
Continuing operations	$ .30	$ .48	$ .49	$(.23)
Net income/(loss)	$ .20	$ (.71)	$ .41	$ (.60)
Fully diluted:				
Continuing operations	$ .29	$ .45	$ .47	(a)
Net income/(loss)	$ .20	(a)	$ .39	(a)

	1975 Three Months Ended			
	March 31	June 30	September 30	December 31
Net Sales	$115,433,000	$139,209,000	$156,394,000	$141,944,000
Income From Continuing Operations	3,830,000	8,084,000	10,667,000	7,066,000
(Loss) From Discontinued Operations	(570,000)	(1,128,000)	(793,000)	(7,662,000)
Net Income/(Loss)	$ 3,260,000	$ 6,956,000	$ 9,874,000	$ (596,000)
Shares Outstanding (b):				
Primary	12,272,000	13,958,000	13,942,000	13,962,000
Fully diluted	14,807,000	14,881,000	14,825,000	14,892,000
Earnings/(Loss) Per Common Share:				
Primary:				
Continuing operations	$ .27	$ .56	$ .76	$ .49
Net income/(loss)	$ .22	$ .49	$ .70	$ (.05)
Fully diluted:				
Continuing operations	$ .26	$ .54	$ .72	$ .47
Net income/(loss)	$ .22	$ .47	$ .67	(a)

(a) Per share amount is not presented since the items entering into the computation are "anti-dilutive."

(b) Year to date weighted average.

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Consolidated Statement of Operations

CERTAIN-TEED PRODUCTS CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended December 31, 1974 and 1975

	1974	1975
Net Sales	$559,129,000	**$552,980,000**
Cost of Goods Sold	448,604,000	**427,691,000**
Selling and Administrative Expenses	63,165,000	**63,934,000**
Interest Expense, net of Interest Income	14,511,000	**12,337,000**
Other Deductions/(Income), net	4,220,000	**(2,218,000)**
	530,500,000	**501,744,000**
Profit Before Income Taxes	28,629,000	**51,236,000**
Income Tax Provision	15,239,000	**21,589,000**
Income from Continuing Operations	13,390,000	**29,647,000**
Discontinued Operations—Note 2:		
Loss from discontinued operations (less applicable income taxes)	8,153,000	**3,485,000**
Provision for estimated loss on disposition including losses during phase out period (less applicable income taxes)	12,659,000	**6,668,000**
	20,812,000	**10,153,000**
Net Income/(Loss)	$ (7,422,000)	**$ 19,494,000**
Earnings/(Loss) per Common Share—Notes 1 and 2:		
Primary:		
Continuing operations	$1.04	**$2.08**
Net income/(loss)	$ (.70)	**$1.36**
Fully diluted:		
Continuing operations	$1.01	**$1.99**
Net income/(loss)	(a)	**$1.31**

(a) Per share amount is not presented for 1974 since the items entering into the computation would decrease net loss per share.

The accompanying notes are an integral part of this statement.

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Consolidated Balance Sheet

CERTAIN-TEED PRODUCTS CORPORATION AND CONSOLIDATED SUBSIDIARIES
At December 31, 1974 and 1975

	1974	1975
ASSETS		
Current Assets:		
Cash	$ 9,058,000	$ 5,077,000
Short-term investments, at cost (approximate market)	4,400,000	38,625,000
Refundable Federal income taxes	7,467,000	–
Accounts and notes receivable	74,292,000	84,890,000
Less: Allowances for doubtful receivables ($2,445,000 and $3,354,000) and discounts and allowances	5,724,000	6,819,000
	68,568,000	78,071,000
Inventories—Note 1:		
Raw materials and supplies	24,758,000	21,707,000
Work in process	5,519,000	6,383,000
Finished goods	49,035,000	52,283,000
	79,312,000	80,373,000
Total current assets	168,805,000	202,146,000
Investments in ($13,907,000 and $12,159,000) and Receivables from Unconsolidated Subsidiaries and Associated Companies—Note 2	21,071,000	12,675,000
Property, Plant and Equipment, at cost—Notes 4 and 11(a):		
Land	4,958,000	4,817,000
Buildings	55,765,000	60,699,000
Equipment	157,856,000	198,916,000
Construction in progress	43,703,000	22,833,000
	262,282,000	287,265,000
Less: Accumulated depreciation	83,700,000	96,837,000
	178,582,000	190,428,000
Other Assets	5,865,000	4,654,000
Deferred Charges (including deferred Federal income taxes of $3,453,000 in 1975)	3,539,000	6,642,000
Patents, Patent Rights and Patent Applications, at amortized cost	13,820,000	12,329,000
	$391,682,000	$428,874,000

The accompanying notes are an integral part of this statement.

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	1974	1975
LIABILITIES		
Current Liabilities:		
Notes payable	$ 225,000	$ –
Trade accounts payable	39,366,000	45,844,000
Accrued Federal income taxes	–	14,326,000
Other accrued expenses	16,094,000	21,997,000
Current installments of long-term debt—Note 4	3,750,000	3,974,000
Total current liabilities	59,435,000	86,141,000
Long-Term Debt—Note 4	120,634,000	123,469,000
Other Noncurrent and Deferred Items—Note 7	5,525,000	2,878,000
Commitments and Contingent Liabilities—Notes 10 and 11		
STOCKHOLDERS' EQUITY—Notes 4, 8 and 9:		
Preferred Stock, $1 par value, authorized 4,000,000 shares:		
Designated as Series B Convertible, issued and outstanding 400,000 shares in 1974	400,000	–
Designated as Series C Convertible, issued and outstanding 1,000,000 shares (liquidation preference $20,000,000)	1,000,000	1,000,000
Common Stock, $1 par value, authorized 20,000,000 shares, issued 11,994,874 and 12,863,874 shares and issuable 240,000 and 200,000 shares	12,235,000	13,064,000
Capital in Excess of Par Value	100,064,000	99,794,000
Retained Earnings	92,389,000	102,528,000
Total stockholders' equity	206,088,000	216,386,000
	$391,682,000	$428,874,000

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Consolidated Statement of Stockholders' Equity

CERTAIN-TEED PRODUCTS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
Years ended December 31, 1974 and 1975

	Convertible Preferred Stock	Common Stock Issued and Issuable	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at December 31, 1973	$ 400,000	$12,152,000	$82,706,000	$107,764,000	$ (4,770,000)
Net loss	—	—	—	(7,422,000)	—
Sale of Series C Convertible Preferred Stock	1,000,000	—	19,000,000	—	—
Sale of Common Stock	—	96,000	(1,514,000)	—	4,770,000
Stock compensation plans	—	(13,000)	(128,000)	—	—
Dividends declared on Common Stock ($.60 per share)	—	—	—	(7,001,000)	—
Dividends declared on Series B Convertible Preferred Stock ($1.40 per share)	—	—	—	(560,000)	—
Dividend declared on Series C Convertible Preferred Stock ($.40 per share)	—	—	—	(392,000)	—
Balance at December 31, 1974	1,400,000	12,235,000	100,064,000	92,389,000	—
Net income	—	—	—	19,494,000	—
Conversion of Series B Convertible Stock	(400,000)	832,000	(432,000)	—	—
Stock compensation plans	—	(5,000)	144,000	—	—
Exercise of stock option	—	2,000	18,000	—	—
Dividends declared on Common Stock ($.60 per share)	—	—	—	(7,195,000)	—
Dividends declared on Series B Convertible Preferred Stock ($1.40 per share)	—	—	—	(560,000)	—
Dividends declared on Series C Convertible Preferred Stock ($1.60 per share)	—	—	—	(1,600,000)	—
Balance at December 31, 1975	$1,000,000	$13,064,000	$99,794,000	$102,528,000	$ —

The accompanying notes are an integral part of this statement.

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Consolidated Statement of Changes in Financial Position

CERTAIN-TEED PRODUCTS CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended December 31, 1974 and 1975

	1974	1975
Funds Provided From:		
Income From Continuing Operations	$ 13,390,000	$ 29,647,000
Add/(deduct) items not affecting working capital:		
Depreciation	13,582,000	16,268,000
Amortization of patents and other intangibles	3,131,000	1,723,000
Losses/(income) applicable to unconsolidated subsidiaries and associated companies other than those discontinued	1,909,000	(2,138,000)
Provision for loss on other investments and advances	4,485,000	–
Deferred taxes	(591,000)	1,746,000
Funds provided from continuing operations	35,906,000	47,246,000
Funds provided by discontinued operations—Note 2	14,483,000	1,842,000
Sales of Series C Convertible Preferred Stock—Note 9	20,000,000	–
Sale of Common Stock—Note 9	3,340,000	–
Shares of Common Stock issued as the result of the conversion of Series B Convertible Preferred Stock—Note 9	–	832,000
Increase in long-term debt	35,471,000	85,875,000
Disposals of property, plant and equipment	2,994,000	2,753,000
Sale of non-current assets of Gustin-Bacon Group, principally property, plant and equipment—Note 3	2,727,000	–
Decrease in other assets and deferred charges	3,986,000	1,330,000
Total funds provided	118,907,000	139,878,000
Funds Used For:		
Additions to property, plant and equipment	58,223,000	30,868,000
Dividends	7,953,000	9,355,000
Conversion of Series B Convertible Preferred Stock—Note 9	–	832,000
Reduction of long-term debt	16,285,000	83,040,000
Investments in and advances to unconsolidated subsidiaries and associated companies (principally those discontinued)	20,604,000	9,939,000
Non-current receivable resulting from sale of Gustin-Bacon Group	1,885,000	–
Other, net	2,382,000	(791,000)
Total funds used	107,332,000	133,243,000
Increase in Working Capital	$ 11,575,000	$ 6,635,000
Increase/(Decrease) in Working Capital by Element:		
Cash and short-term investments	$ (3,849,000)	$ 30,244,000
Refundable Federal income taxes	7,467,000	(7,467,000)
Accounts and notes receivable	(3,996,000)	9,503,000
Inventories	4,293,000	1,061,000
Accounts payable and accrued expenses	(7,605,000)	(12,381,000)
Notes payable, commercial paper and current installments of long-term debt	6,959,000	1,000
Accrued Federal income taxes	8,306,000	(14,326,000)
Increase in Working Capital	$ 11,575,000	$ 6,635,000

The accompanying notes are an integral part of this statement.

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Notes to Financial Statements

1. Significant accounting policies are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries except Valley Forge Corporation ("VFC") and Realtec Incorporated ("Realtec"). See Note 2 for additional information relative to discontinued operations of VFC and Realtec. The Company's investments in unconsolidated subsidiaries and associated companies (ownership interests of between 20% and 50%) are accounted for by the equity method, except that losses in the value of investments are provided for when, in the opinion of management, the losses are other than temporary. Significant intercompany items and transactions have been eliminated in consolidation and in recording equity in operating results of unconsolidated subsidiaries and associated companies.

Inventories

Inventories are stated at the lower of cost, principally last-in, first-out (LIFO), or market. If inventories were shown at current cost (determined principally by the average cost method) rather than at LIFO, inventories would have been $9,884,000 and $11,505,000 higher than reported at December 31, 1974 and December 31, 1975, respectively.

Depreciation

Depreciation on plant and equipment is computed by the straight-line method over their estimated useful lives ranging from 10 to 50 years for buildings and improvements and 3 to 20 years for equipment.

Income Taxes

Deferred income taxes have been provided for in the accompanying financial statements to reflect the results of timing differences in computing income/(loss) for financial reporting and income tax reporting. The principal timing difference applicable to continuing operations results from computing depreciation for financial reporting purposes by the straight-line method and for income tax reporting by accelerated methods. Useful lives used in the computations are approximately the same for both financial reporting and income tax reporting. Investment tax credits are accounted for on the "flow-through" method which recognizes benefits in the year income taxes are reduced.

Research and Development Costs and Intangibles

Research and development costs are charged to expense as incurred. The amount of such costs charged to expense during the periods presented was not material. Purchased patents are being amortized over their respective lives. Other intangibles are amortized over the periods estimated to be benefited.

Pensions

The Company has pension plans covering substantially all employees. Charges to income for costs incurred under the Company's pension plans, which include amortization of past service costs over 40 years, amounted to approximately $1,980,000 in 1974 and $2,861,000 in 1975. The actuarially computed value of vested benefits as of December 31, 1975 exceeded the pension plan assets and balance sheet accruals by approximately $4,100,000. It is the Company's policy generally to fund pension costs accrued. The Company expects to be able to comply with the Pension Reform Act of 1974 without any significant effect on the plans' costs or funding provisions.

Accounting Change in 1974

In order to more appropriately match current costs against current revenues, the Company, in 1974, adopted the last-in, first-out (LIFO) method of pricing the principal portion of its inventory, as compared to its previous practice of using average cost. The change reduced income from continuing operations in 1974 by $4,909,000 ($.41 per share). There is no cumulative effect on prior years since the applicable ending inventory as previously reported in 1973 was the beginning inventory for LIFO purposes.

Earnings/(Loss) per Common Share

Primary earnings/(loss) per common share is computed on the basis of the weighted average number of shares outstanding and issuable during each year including, in 1975, common stock equivalents, and after adjusting earnings/(loss) for the dividend requirements on preferred stock. Common stock equivalents are comprised of stock options and Series C Convertible Preferred Stock. In 1974, common stock equivalents were not included in the computation since the effect would be to reduce loss per share. Fully diluted earnings per share in 1975 is computed as described above, adjusted for the additional

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shares issuable upon conversion of Series B Convertible Preferred Stock outstanding during the year and after elimination of the dividend requirements on such preferred stock.

2. On February 13, 1976, the Company declared its intention to dispose of its interests in the properties of Realtec Incorporated ("Realtec"), a 95% owned unconsolidated subsidiary, which directly and through its wholly owned subsidiaries is principally engaged in real estate development in the southeastern United States. This action is consistent with the Company's objectives of concentrating its activities and resources in its basic manufacturing businesses. Since the Company is no longer operating any other construction or real estate development business, the effects of the operation of Realtec have been treated as a "discontinued operation" in the Company's statement of operations for its fiscal year ended December 31, 1975 in accordance with Opinion No. 30 of the Accounting Principles Board. In addition, the effects of the operation of Realtec, together with those of Valley Forge Corporation ("VFC"), a 71% owned unconsolidated subsidiary (see below), have been treated as a discontinued operation in a reclassified statement of operations for 1974.

Although no purchaser or purchasers for the aforementioned interests of Realtec have been identified, and although the method of disposition has not been precisely determined, the Company believes that economic conditions in the real estate and financial markets will enable it to complete the disposition program within the next two years. In this connection, the Company's Board of Directors decided, on the basis of its estimates, to provide a reserve for loss of $12,823,000. It is the Company's present intention to consummate any disposition in a manner which will entitle it to ordinary income tax deductions and, accordingly, it has estimated a credit for deferred tax benefits of $6,155,000 applicable thereto. Alternatively, it is also possible that the Company might attempt to sell its investment in the capital stock of Realtec and/or its subsidiaries provided equivalent after-tax economic value is realized.

Prior to disposition, it is the Company's intention that Realtec will continue its normal operations. The Company estimates that additional financial support to Realtec of up to $4,300,000 will be required through December 31, 1977, and it is possible that even more financial support may be required depending upon the timing and conditions of the disposition. No provision for losses resulting from additional financial support to be extended to Realtec by the Company has been made because of the Company's expectation of ultimately recovering such amounts.

During 1974, the Company purchased 97,038 shares of voting convertible preferred stock of Realtec in exchange for $5,000,000 cash and $4,700,000 of Realtec notes and during 1975 the Company purchased 27,962 shares of voting convertible preferred stock and 3,014,750 shares of common stock in exchange for $16,884,000 of Realtec's notes and accounts receivable. These transactions and minor purchases of Common Stock for cash during 1975 increased the Company's voting ownership from 57% on January 1, 1974 to 95% at December 31, 1975. The financial statements of Realtec will be included in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission.

During 1974, VFC sustained substantial operating losses which eliminated the Company's equity investment in VFC. In May 1974, the Company decided that it would not provide additional funds to VFC. Based on its evaluation of VFC's financial condition and prospects, the Company in 1974 wrote off $20,319,000 from VFC and Housing Securities, Inc., a VFC subsidiary, and was also required to discharge $5,000,000 of VFC's long-term debt by reason of a previous guaranty of such debt. The sum of these amounts ($25,319,000) is included as a provision for estimated loss on disposition of discontinued operations in the consolidated statement of operations for 1974. In July 1974, the Company received an opinion of counsel that, at such time as the Company realizes the economic losses on these items, the losses should entitle the Company to an effective deduction for Federal income tax purposes, and, although it is possible that the Internal Revenue Service may have a different viewpoint, the Company ultimately should sustain its position. In May 1975, Valley Forge Corporation filed a petition under Chapter XI of the Bankruptcy Act, and subsequently filed with the Court a statement of assets and liabilities indicating that debts substantially exceeded assets. Taking all factors into account, including the opinion of counsel, the Company has estimated a related tax credit of $12,660,000. VFC files annual reports on Form 10-K with the Securities and Exchange Commission.

Notes to Financial Statements
continued

The following is a summary of the losses related to "discontinued operations":

	1974	1975
Loss from discontinued operations:		
Valley Forge Corporation (including income taxes of $343,000)	$ 2,061,000	$ –
Realtec Incorporated (net of income tax benefit of $1,858,000 in 1974 and $3,217,000 in 1975)	6,092,000	3,485,000
	8,153,000	3,485,000
Estimated loss on disposition of discontinued operations:		
Valley Forge Corporation (net of income tax benefit of $12,660,000)	12,659,000	–
Realtec Incorporated (net of deferred income tax benefit of $6,155,000)	–	6,668,000
	12,659,000	6,668,000
Total loss from discontinued operations	$20,812,000	$10,153,000
Primary loss per share	$ 1.74	$ .72

3. In December 1974, the Company sold the net assets of its Gustin-Bacon Group for $7,000,000 cash and a long-term note receivable in the amount of $1,927,000, bearing a rate of interest of 10% per annum. The results of operations of Gustin-Bacon prior to the date of sale included in the consolidated statement of operations are not material.

4. Long-term debt, excluding amounts due within one year, consists of:

	1974	1975
Notes payable to banks with interest at 123% of prime, payable in 1976	$ 30,000,000	$ –
Revolving credit loans with banks with interest at 125% of prime adjusted quarterly	46,800,000	–
Notes payable to insurance companies with interest at 9¾% or 10% payable through 1987	20,342,000	18,270,000
Notes payable to insurance companies with interest at 10¼% payable from 1979 through 1995	–	85,000,000
Capitalized lease agreements with interest at 4½% to 8⅞% at December 31, 1975, payable through 1996	16,809,000	15,324,000
Other	6,683,000	4,875,000
	$120,634,000	$123,469,000

In connection with its short-term bank lines of $43,000,000 the Company maintains with various banks compensating cash balances averaging 10% of the outstanding loans and 10% of unused bank lines. As at December 31, 1975, $4,300,000 of the cash balance shown on the balance sheet represented compensating balances.

The Company has an agreement with a group of banks for a $65,000,000 revolving credit line expiring June 30, 1976, and convertible into a seven-year term loan on that date. The Company is obligated to pay a commitment fee of ½% of the undrawn amount. The rate of interest on any revolving and term loans is 125% of the Chemical Bank's prime rate or under certain conditions slightly higher.

During 1975, the Company borrowed $85,000,000 in long-term debt from three insurance companies and used the proceeds to retire indebtedness under the revolving credit agreement, and to repay bridge loans and other short-term debt.

The Company has entered into various leases with municipalities in connection with the issuance of industrial revenue bonds to finance some of the Company's expansion. These leases are treated as purchases for financial statement purposes, and property, plant and equipment with a net book value of $14,700,000 at December 31, 1975 has been pledged as collateral for capitalized lease agreements.

The Company's loan agreements with insurance companies and banks provide, among other matters, for prepayment options, the maintenance of a prescribed amount of consolidated working capital and certain limitations on the declaration of dividends, other than stock dividends. At December 31, 1975, consolidated retained earnings of approximately $14,300,000 were not restricted as to payment of dividends on Common Stock.

Required installment principal payments on long-term debt through 1980 approximate:

During the year:	
1976	$3,974,000
1977	4,150,000
1978	3,740,000
1979	8,846,000
1980	8,874,000

5. The provision for income taxes applicable to continuing operations consists of:

	1974	1975
Current Federal income taxes	$15,263,000	$21,228,000
Deferred Federal income taxes	(591,000)	1,746,000
Investment tax credit	(1,308,000)	(3,269,000)
State income taxes	1,875,000	1,884,000
	$15,239,000	$21,589,000

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The deferred Federal income taxes applicable to continuing operations primarily result from excess of tax over book depreciation, offset in 1974 by provision for loss on certain advances, and deferred tax credits arising from a settlement in 1974 with the Internal Revenue Service.

A reconciliation of Federal corporate income taxes at the statutory rate of 48% to the Company's income tax provision in 1974 and 1975 follows:

	1974	1975
Profit before income taxes	$28,629,000	$51,236,000
Statutory rate	48%	48%
Income tax provision at statutory rate	13,742,000	24,593,000
Effect of including state income taxes	900,000	980,000
Investment tax credit	(1,308,000)	(3,269,000)
Effect of loss/(income) of unconsolidated subsidiaries, associated companies and miscellaneous investments	1,972,000	(879,000)
Other, net	(67,000)	164,000
Income tax provision	$15,239,000	$21,589,000

6. Other Deductions/(Income) consist of:

	1974	1975
Other deductions:		
Losses applicable to unconsolidated subsidiaries and associated companies other than VFC and Realtec	$ 1,909,000	$ —
Provision for loss on other investments and advances	4,830,000	1,223,000
Other	2,622,000	1,734,000
	9,361,000	2,957,000
Other income:		
Royalty income	(2,349,000)	(2,470,000)
Income applicable to unconsolidated subsidiaries and associated companies other than VFC and Realtec	—	(2,138,000)
Gain on disposal of property, plant and equipment	(1,752,000)	(163,000)
Other	(1,040,000)	(404,000)
	(5,141,000)	(5,175,000)
	$ 4,220,000	$(2,218,000)

7. Other Noncurrent and Deferred Items consist of:

	1974	1975
Deferred Federal income taxes	$ 3,279,000	$ —
Accrued pension costs	1,310,000	2,074,000
Other	936,000	804,000
	$ 5,525,000	$ 2,878,000

Principally as the result of the deferred tax benefits applicable to losses of discontinued operations, the balance of deferred taxes is shown as a deferred charge in the accompanying consolidated balance sheet as at December 31, 1975.

8. Changes during 1974 and 1975 pursuant to qualified stock option plans for officers and key employees are as follows:

	Number of Shares	
	1974	1975
Outstanding at beginning of year	202,250	196,700
Options granted	10,000	—
Option exercised ($9.82 per share)	—	(2,000)
Options lapsed	(15,550)	(57,250)
Outstanding at end of year	196,700	137,450
Options exercisable at end of year	186,700	137,450
Options subject to future grant	38,300	95,550

Per share prices of outstanding qualified options as at December 31, 1974 and 1975, ranged from $8.25 to $29.88. Under a 1971 non-qualified stock option plan, options to purchase a maximum of 296,000 (1974) and 176,000 (1975) shares of the Company's Common Stock have been granted to officers and key employees at prices of $9.78 and $13.60 per share, equal to 85% of market value on the date of grant. Such options are exercisable not earlier than March 1, 1976, or later than December 23, 1980.

Under a 1974 non-qualified stock option plan, options to purchase 200,000 shares were granted in 1974 at $7.01 per share, representing 85% of the market price at date of grant. During 1975 options to purchase 2,500 shares lapsed leaving an outstanding balance of 197,500 options as of December 31, 1975. The options are exercisable not later than October 21, 1984, and the aggregate difference between the market price at date of grant and exercise price was expensed over a one year period from date of grant.

9. In accordance with agreements entered into on December 31, 1971 with Compagnie de Saint-Gobain-Pont-a-Mousson ("SGPM") and INA Corporation ("INA"), among other things, the Company sold 400,000 shares of Series B Convertible Preferred Stock to SGPM and INA at $45 per share, and also issued to SGPM 460,000 shares of Common Stock during 1972 and 40,000 shares during each of the years from 1973 to 1975 and will issue an additional 200,000 shares equally over the next five years, as consideration for the United States, Canadian and Mexican patents, patent applications and related license agreements of SGPM.

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In accordance with its terms, the Series B Convertible Preferred Stock was converted into Common Stock on December 31, 1975. If the Series B Convertible Preferred Stock had been converted on January 1, 1975, the primary earnings per share would have been equal to the fully diluted amounts shown in the consolidated statement of operations for the year ended December 31, 1975.

In October 1974, the Company sold to SGPM and International Saint Gobain S. A. 1,000,000 shares of a new Series C Convertible Preferred Stock at $20 per share and 400,000 shares of Common Stock (305,164 treasury shares and 94,836 authorized but unissued shares) at $8.60 per share. Dividends on the Series C stock are cumulative at a rate of $1.60 per year through October 1, 1977, and $1.40 per year thereafter. Shares are redeemable by the Company after October 1, 1977, without a premium, and are entitled to a liquidation preference of $20 per share. After March 31, 1976, the Series C stock will be convertible into Common Stock at a conversion rate determined by dividing $20 by the average closing price of the Common Stock during the period of thirty trading days ending March 17, 1976 provided that such price cannot be greater than $16 per share or less than $12 per share, providing for issuance upon conversion of not more than 1,666,666 shares of Common Stock nor less than 1,250,000 shares of Common Stock subject to anti-dilutive adjustments. Each share is entitled to one vote.

The number of shares of preferred stock authorized was increased from 2,000,000 to 4,000,000 pursuant to a resolution adopted at the May 1975 stockholders' meeting. The Company's loan agreement with the three insurance companies described in Note 4 above prohibits the Company from acquiring any of its preferred stock for cash prior to April 1, 1985, unless the loans thereunder are sooner prepaid.

10. (a) In connection with the exchange in 1972 of the Company's investment in Housing Securities, Inc. ("HSI") for 1,304,349 shares of VFC common stock, the Company, along with certain of its officers and directors, was named as a defendant in an action brought in 1973 seeking (1) cancellation of HSI's advisory and investment supervision contract with Builders Investment Group ("BIG"), a real estate investment trust, and (2) recovery, for the benefit of such trust, of the profits alleged to have been some $25,000,000 purportedly earned on the exchange of the stock. A tentative agreement has been reached to settle this case, which agreement would require the Company, among other things, to perform its obligations under the agreement with BIG described in (c) below. The settlement agreement has not been signed or formally accepted by the parties to this case and it is possible that a final agreement may not be reached. Furthermore, such final agreement would still require approval by the court. While the outcome of any litigation is uncertain, on the basis of the investigation of the facts and law thus far made, it is Company counsel's opinion that the Company would be likely to succeed in defending the suit if it cannot be settled pursuant to the agreement referred to above.

(b) The Company, BIG, VFC, certain of their present or former directors, trustees or officers, S. D. Leidesdorf & Co. and others were named as defendants in four separate class actions purportedly brought on behalf of all persons who purchased securities of BIG within four specified periods of time. The suits are based upon alleged violations of the Securities Exchange Act of 1934 and, in the case of one of the suits, the Securities Act of 1933, during the periods specified. The alleged violations principally relate to registration statements and/or certain financial statements and reports filed or issued by BIG. The amount of damages claimed in each suit is unspecified. The Company intends to defend these actions vigorously or, if advantageous settlements appear possible pursuant to negotiations which are in progress, to pursue such settlements. These actions are in their initial stages and discovery has not been completed. However, it is management's opinion that the ultimate cost to the Company of disposing of them will not have a material effect on the Company's operations or financial position.

(c) The formation of BIG was sponsored by the Company in 1971. Certain of the Company's officers or directors had served as officers or trustees of BIG, although not at present, and from time to time, although again not at present, certain officers or directors of the Company had also served in various capacities with VFC and HSI. The Company and its affiliates, and VFC and its affiliates, had also entered into agreements and engaged in transactions with BIG and HSI including loans or loan commitments by BIG to certain of the Company's affiliates, or to VFC and its affiliates.

BIG has made certain claims against the Company relating to (i) the Company's alleged responsibilities in connection with loans by BIG to the Company's affiliates and to VFC and its affiliates; (ii) certain alleged assurances

given to BIG with respect to HSI; and (iii) the Company's and its officers' or agents' prior relationships with or alleged duties with respect to BIG in connection with certain transactions involving loans or commitments to affiliates of the Company, or to VFC and its affiliates, or from which certain of such affiliates allegedly received some benefit. The Company has asserted certain claims against BIG alleging that BIG has failed to honor agreements with the Company or its affiliates.

Subject to final court approval, and certain other closing conditions, the Company has reached an agreement with BIG concerning these and related matters. The agreement, if finally approved, is effective as of December 31, 1974. The agreement provides that the Company and BIG will each use its best efforts to effect a settlement of certain pending litigation involving them, including the suit described in (a) above, and that each will deliver releases to the other, with certain defined exceptions including a claim, which in the opinion of Company counsel is without merit, for possible losses which BIG may incur in connection with a $3,150,000 loan which BIG alleges may have been made for the future benefit of the Company. Further, BIG has agreed to modify certain provisions of its currently outstanding loans to two wholly-owned subsidiaries of Realtec. As part of the overall settlement, the Company has agreed to fund a limited amount of any court awarded litigation fees and costs incurred in connection with the settlement of the pending litigation and to pay BIG the sum of $500,000 in cash, which amounts have been provided for in the Company's 1974 financial statements. The Company has also agreed to indemnify BIG against specified losses it may sustain in connection with certain real estate loans which were either to entities affiliated with the Company or VFC, or in connection with which an affiliate of the Company or VFC allegedly received a benefit. The Company's maximum exposure under the indemnity is limited to $6,500,000 and would be funded, if and as necessary, by the issuance prior to January 1981 of the Company's subordinated 10% debentures on terms consistent with the Company's agreements with its long-term insurance lenders. It is management's opinion that this indemnity will not have a material effect on the Company's operations or financial position.

(d) In May 1974 the Company decided not to provide additional funds to Valley Forge Corporation ("VFC"). Prior to that action, certain of the Company's officers and directors had also served as officers or directors of VFC, and the Company had engaged in transactions with VFC, members of VFC's management and VFC's affiliates. Claims have been threatened against the Company by VFC, VFC's current management and certain bank creditors of VFC, arising out of such transactions and relationships. The specific basis for such claims and the amount of damages allegedly suffered by reason thereof have not been defined, with the exception that two bank creditors (out of a group of fourteen bank creditors with outstanding loans and accrued interest due from VFC totalling $27,000,000) of VFC have, in February and March 1976, instituted actions against the Company, certain present and former officers and directors of VFC and the Company, and S. D. Leidesdorf & Co. claiming that they were fraudulently induced to make loans to VFC and that, because of VFC's relationship with the Company, the Company should be liable for the loans made to VFC, as the alleged beneficiary of such loans. The total claimed in these two actions is $4,788,000, which is the amount of the two banks' loans to VFC plus accrued interest, and punitive damages. It is management's opinion, based in part upon the opinion of Company counsel, that the ultimate cost to the Company of disposing of the claims and actions referred to in this paragraph, both actual and threatened, will not materially affect the Company's operations or financial position.

On February 21, 1975, suit was filed against the Company, VFC, certain subsidiaries of VFC, certain present or former officers or directors of the Company or VFC and others by a limited partnership, arising out of the purchase of several real estate properties by the partnership from VFC. The plaintiff seeks damages against the Company as well as others of some $11,000,000 although a significant part of such alleged damages is duplicative. The Company has answered the complaint denying all liability and denying any involvement in the transactions which are the subject of the complaint. While the outcome of any litigation is uncertain, on the basis of the investigation of the facts and law thus far made, the Company's counsel is of the opinion that the Company should have adequate defenses on the merits of the claims asserted; and that in any event, the exposure of the Company is significantly less than the amounts claimed.

(e) In February 1974, the United States government filed a civil antitrust suit against the Company which seeks to require the Company to divest itself of its fiber glass plant

in Shelbyville, Indiana. The Company plans to vigorously contest the suit unless it can be settled on a basis acceptable to it. In the opinion of the Company's management, the ultimate outcome of the suit, even if it should result in divestiture of the plant, will not materially affect the Company's operations or financial position.

(f) The Company is a co-defendant in a number of legal actions involving alleged health claims or deaths relating to the production and sale of asbestos bearing products. The Company is also a party to a number of other legal actions arising in the ordinary course of its business. In the opinion of the Company's management, the Company has adequate insurance coverage and/or legal defenses respecting each of these actions and does not believe that they will have a material adverse effect on the Company's operations or financial position.

11. (a) As at December 31, 1975, approved additions to and replacements of property, plant and equipment approximate $69,000,000. In December 1974, due to general economic conditions, the Company halted construction of a continuous glass fiber plant. As a result of an improved economic outlook by November 1975, the Company reactivated construction of this major new facility which is expected to become operational in 1977.

(b) The Company's rental expense in 1974 and 1975 amounted to $7,649,000 and $7,390,000, respectively. The Company's leases, in most cases, contain renewal options ranging up to 20 years and generally provide that the Company shall pay for utilities, insurance, taxes and maintenance. At December 31, 1975, the Company was committed under noncancellable leases having an initial term of one year or more expiring on various dates to 1995; minimum rental commitments in future periods under these leases are as follows:

Period	Real Property	Other	Total
1976	$2,029,000	$1,740,000	$3,769,000
1977	1,719,000	506,000	2,225,000
1978	1,425,000	205,000	1,630,000
1979	1,205,000	110,000	1,315,000
1980	1,148,000	100,000	1,248,000
1981-1985	4,745,000	159,000	4,904,000
1986-1990	3,830,000	–	3,830,000
1991-1995	3,337,000	–	3,337,000
Remaining Years	163,000	–	163,000

The present value of non-capitalized financing leases (as defined by SEC regulations) and the impact on net income/(loss) if such leases were capitalized is not material.

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Accountants' Report

To the Board of Directors
Certain-teed Products Corporation
Valley Forge, Pennsylvania

We have examined the consolidated balance sheet of Certain-teed Products Corporation and consolidated subsidiaries as at December 31, 1975 and 1974, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the years then ended. 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.

The outcome of the results of audit by the Internal Revenue Service of the tax credit reflected in 1974 arising from certain losses in connection with Valley Forge Corporation described in Note 2 and its effect on the statement of operations for the year ended December 31, 1974 is presently uncertain.

In our opinion, subject to the effect, if any, on the consolidated statement of operations for the year ended December 31, 1974 of the ultimate resolution of the matter referred to in the preceding paragraph, the above-mentioned financial statements present fairly the consolidated financial position of Certain-teed Products Corporation and consolidated subsidiaries at December 31, 1975 and 1974, and the consolidated results of their operations and consolidated changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. Leidesdorf & Co.

New York, N.Y.
February 13, 1976,
except for Note 10 (d),
which is as of March 3, 1976

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Board of Directors



Donald E Meads, Certain-teed Chairman, is shown (left) welcoming Dr. John T Fey to the Board of Directors. Dr. Fey, who is chairman of the Equitable Life Assurance Society of the United States, is the newest director and unaffiliated either with management or principal shareholding interests.



Donald E. Meads*
Chairman



Flora C. Atherton*
Foundation Executive



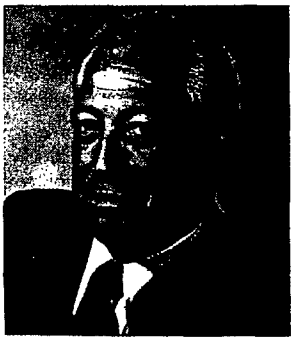
Gabriel Aufaure*
Vice President,
Directeur General,
Saint-Gobain Industries



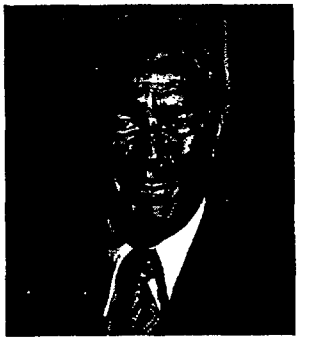
Sir Ralph Bateman*
Chairman,
Turner & Newall Limited



Roger Fauroux†
President,
Saint-Gobain Industries



John T. Fey†
Chairman,
The Equitable Life Assurance
Society of the United States



George J. Haufler*
President



Patrick W. C. Griffith†
Deputy Chairman,
Turner & Newall Limited



John T. Gurash*
Chairman, Executive Committee,
INA Corporation



Marcel Levecque
Technical Directeur – Insulation
& Textile,
Saint-Gobain Industries



Malcolm Meyer
Consultant, Certain-teed
Products Corporation



Nathan W. Pearson*†
Financial Advisor,
Paul Mellon
Family Interests

*Executive Committee
†Audit Committee

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Officers

Donald E. Meads
Chairman of the Board & Chief Executive Officer

George J. Haufler
President & Chief Operating Officer

John E. Zimmerman
Senior Vice President, Chief Financial Officer & Treasurer

M. Stanley Davis, Jr.
Vice President

Wesley E. Gatewood
Vice President, President, Utility & Agricultural Systems Group

Edwin L. Harper
Vice President & Chief Administrative Officer

Stephen Jeckovich
Vice President, President, Insulation Group

William A. Krivsky
Vice President, Group Executive—Piping System Products, President, Pipe & Plastics Group

Harold McNabb
Vice President, President, Building Materials Distribution Group

Theodore F. Merkel
Vice President & Comptroller

Bruce J. Phillips
Vice President

Franklin R. Winnert
Vice President, Group Executive—Industrial & Building Products, President, Shelter Materials Group

Myron P. Simmons
Secretary & General Counsel

Donald S. Huml
Assistant Treasurer

Lester F. Kaas
Assistant Vice President

James R. Langdon
Assistant Vice President

John F. Mencer
Assistant Vice President

William D. Boyle
Assistant Comptroller

Karl T. Krantz
Assistant Comptroller

Transfer Agent & Registrar
Manufacturers Hanover Trust Company
40 Wall Street
New York, New York 10015

Common Stock Listed
New York Stock Exchange
Pacific Stock Exchange

10-K Availability
The Company's Form 10-K (Annual Report filed with the Securities & Exchange Commission) is available to those who wish a copy. Write to: Corporate Secretary, Certain-teed Products Corporation, P.O. Box 860, Valley Forge, Pennsylvania 19482.

Annual Meeting
The Annual Meeting of Shareholders will be held Tuesday, May 18, 1976, at 10:00 a.m. on the 20th floor, First Maryland Building, 25 S. Charles Street, Baltimore, Maryland.

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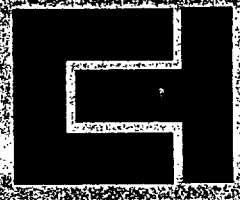
Certain-teed Facilities — *160 Locations in 32 States...*

Alabama
Bessemer 27g
Arizona
Phoenix 17
Arkansas
Little Rock 27b
California
Anaheim 17
City of Commerce 25
Emeryville 26
La Mirada 12, 14
Moorpark 27f
Orinda 17
Richmond 23, 24
Riverside 1
Sacramento 27i
San Marcos 27f
Santa Clara 1
Santa Fe 27f
Santa Rosa 27i
Shingle Springs 19
Union City 14, 27i
Connecticut
Bloomfield 26
Delaware
Wilmington 11,26
Florida
Jacksonville 27a
Lake Park 27g
Lakeland 27a
Orlando 27a
Panama City 27a
Sarasota 27a
Georgia
Athens 12, 13
Atlanta 26
Chamblee 12, 14
Decatur 17
Hapeville 27g
Savannah 11, 23, 24, 26
Social Circle 19
Hawaii
Honolulu 27d
Illinois
Bensenville 12, 14
Chicago Heights 24, 26
East St. Louis 23
Lawrenceville 15
Indiana
Indianapolis 14
Montpelier 15
Patoka 27a
Shelbyville 13
Iowa
Lake Mills 15
Kansas
Kansas City 6, 9, 13, 22
McPherson 18, 19, 21, 22
Mission 26
Prairie Village 12
Kentucky
Corbin 2
Louisiana
Baton Rouge 17, 27e
Lake Charles 20
Shreveport 27b
Westwego 27e
Maryland
Baltimore 12, 14
Hagerstown 19, 21
Michigan
Ann Arbor 5
Birmingham 27c
Detroit 3
Grand Rapids 27c
Saginaw 27c
Minnesota
Shakopee 23, 24, 26
Mississippi
Jackson 27g
Missouri
Kansas City 11, 24
St. Louis 1, 17
New Jersey
Berlin 13
Edison 12, 14
Woodbury Heights 16
New Mexico
Albuquerque 27b
New York
Geneva 15
North Carolina
Charlotte 27a
Greensboro 27g
Ohio
Avery 23, 24
Milan 26
Westerville 17, 27g
Zanesville 11
Oklahoma
Moore 27h
Oklahoma City 27h
Tulsa 28
Oregon
Portland 25
Pennsylvania
Ambler 1
Carlisle 16
Elverson 22
Mountaintop 13
North Wales 22
Pittsburgh 12
Valley Forge 4, 6, 17
York 23, 24
Tennessee
Eads 19
Knoxville 27a
Texas
Abilene 28
Amarillo 28
Austin 27h, 28
Beaumont 28
Corpus Christi 28
Dallas 14, 24, 26, 27b, 27h, 28
El Paso 27b
Fort Worth 27b, 28
Harlingen 28
Hillsboro 1
Houston 12, 17, 27h, 28
Longview 28
Lubbock 28
Lufkin 28
Odessa 28
San Angelo 28
San Antonio 27h, 28
Texarkana 28
Tyler 28
Waco 6, 7, 10, 11, 19, 27h, 28
Wichita Falls 8, 28
Virginia
Chester 27g
Washington
Tacoma 24, 26

Legend

1. *Asbestos—Cement Pipe Manufacturing*
2. *Automotive Products Manufacturing*
3. *Automotive Products Sales Office*
4. *Certain-teed Corporate Headquarters*
5. *Certain-teed/Daymond Headquarters (Land Drainage Pipe)*
6. *Data Center*
7. *DuraWood Corporation (PVC Mouldings Manufacturing)*
8. *Fiber Glass Reinforcements Manufacturing*
9. *Fiber Glass Reinforcements Sales Office*
10. *Ideal Company Millwork Manufacturing*
11. *Ideal Company Millwork Sales Office*
12. *Industrial & Commercial Insulations Sales Office*
13. *Insulation Manufacturing*
14. *Insulation Distribution Center*
15. *Land Drainage Pipe Manufacturing*
16. *Middle Atlantic Millwork Company*
17. *Pipe Products Sales Office*
18. *PVC Machinery Manufacturing*
19. *PVC Pipe Manufacturing*
20. *PVC Polymer Manufacturing*
21. *PVC Siding Manufacturing*
22. *Research and Development*
23. *Roofing Felt Mill*
24. *Roofing Plant*
25. *Roofing Products Distribution Center*
26. *Shelter Materials Sales Office*
27. *Utility Supply Companies*
    a) *B&H Sales, Inc.*
    b) *Bowles & Edens*
    c) *Ellis & Ford Manufacturing Company*
    d) *Fluid Systems Hawaii, Inc.*
    e) *Musco, Inc.*
    f) *Parkson, Inc.*
    g) *Southern Meter and Supply Company*
    h) *The Rohan Company*
    i) *Water Works Supply and Manufacturing Company*
28. *Wm. Cameron & Co., Building Materials Distribution*

CTD036052



CERTAINTEED

CertainTeed Products Corporation

P.O. Box 860 Valley Forge, Pennsylvania 19482

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