

PLAINTIFF'S EXHIBIT

CT-260

1951



BUILDING
PRODUCTS

Certain-teed

CTD035902

A N N U A L
Certain-Feed
R E P O R T

CTD035903



Products

ASPHALT ROLL ROOFING
ASPHALT SHINGLES AND SIDINGS
ASBESTOS SHINGLES AND SIDINGS
GYPSUM PLASTERS
"FIRESTOP" GYPSUM WALLBOARD
GYPSUM WALLBOARD AND LATH
GYPSUM SHEATHING
GYPSUM ROOF DECKS
FIBER WALLBOARD
BUILDING INSULATION
ROOF INSULATION BOARD
ACOUSTICAL TILE
LIME

USE AND RECOMMEND ***Certain-teed*** BUILDING PRODUCTS

To the Stockholders of
Certain-teed Products Corporation:

Your Company's consolidated financial statements for the year 1951 are submitted herewith.

Sales and Earnings:

Net sales in 1951 were \$62,507,590, the largest in the history of the Company, compared with \$55,951,908 in 1950. However, due to sharply advancing prices of materials, as well as increases in labor costs, profit percentages decreased. An increase in the rate of Federal taxation in the year 1951 over the year 1950 resulted in an increase of approximately \$700,000 in the tax provision for 1951 over the amount that would have been required based upon 1950 rates. The Company's excess profits tax provision in 1951 is equal to approximately 1% of the total provision for taxes.

Net earnings amounted to \$5,060,153, equal to \$3.11 per share of Common stock compared with \$6,380,009 and \$3.91 in 1950.

Working Capital:

The working capital at December 31, 1951 was \$13,908,762 compared with \$10,535,536 at December 31, 1950. The ratio of current assets to current liabilities at December 31, 1951 was approximately five to one.

During the year 1951 the Company borrowed \$5,000,000, represented by 3% promissory notes. An amount of \$1,750,000 of the net proceeds has been ap-

CTD035905

propriated, and so designated in the balance sheet, for the purpose of completing the construction program now under way. The balance of the net proceeds has been added to working capital to reimburse the Company for capital expenditures.

Retained Earnings:

The retained earnings at December 31, 1951 amounted to \$25,044,685 compared with \$21,608,411 at December 31, 1950.

New Properties, Additions and Replacements:

There is under construction at Pryor, Oklahoma, a plant for the manufacture of gypsum board papers, for which a Certificate of Necessity was granted by the Government. Due to delays in securing certain equipment and machinery, the completion of this plant is not expected before the late summer of 1952. These delays in delivery of materials from our suppliers were due to strikes in their plants and to Governmental restrictions on certain materials.

Construction of a research and testing laboratory at Paoli, Pennsylvania was commenced during 1951 and it is expected that these premises will be occupied in April, 1952. Heretofore, this phase of the business has been conducted in leased premises and it is believed by the Management that these more extensive facilities, with better working conditions for our engineering, laboratory and research staffs, will substantially contribute to the improvement of the Company's products and the development of new products.

There is also under construction a major addition to

warehouse facilities at the Kansas City, Missouri roofing plant.

During 1951, a fire of unknown origin destroyed a portion of the felt manufacturing facilities at the Marseilles, Illinois roofing plant. The replacement cost of the destroyed property was covered by insurance and is fully recoverable. Roofing operations are continuing at that plant and it is being supplied with the necessary felt from other sources. Replacement of the lost productive capacity is contemplated in 1952.

New Products:

The Company perfected and introduced during 1951, "Firestop" Gypsum Wallboard. This exclusive gypsum product, with a much higher fire resistance rating than regular gypsum wallboards, has met a wide and constantly increasing acceptance by architects, contractors, and public officials.

Dividends:

During the year 1951 the Company declared and paid regular quarterly dividends of 25c per share on its Common Stock. Stockholders were advised on December 20, 1951, that in view of the reduction in volume of incoming orders as well as price reductions in certain products, the declaration of an extra dividend was not deemed advisable at that time.

Future Prospects:

The outlook for volume of business in 1952 does not appear as promising as in 1951. The first few months of the year are expected to show a sharp decline in sales compared with the same period in 1951. The Manage-

ment believes that second and third quarter business in 1952 will show an improvement over the first quarter, although we expect, due to Governmental controls and difficulty in securing certain materials, that the overall volume of building will be less in 1952 than in 1951 and that consequently sales may be expected to be somewhat less than they were in the record year of 1951. Every effort will be made to secure the greatest possible percentage of total business available.

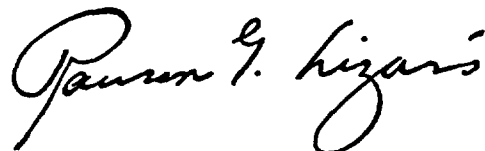
The Company's facilities are in very good condition. Its manufacturing capacity is the largest in its history. This capacity, if converted into dollar sales at present existing prices, is substantially in excess of the record sales of 1951.

Management and Personnel:

Mr. W. W. F. Shepherd, Chairman of the Board of Turner & Newall Limited, was elected a director in 1951. Mr. Shepherd brings to your Company broad experience as well as a knowledge of the manufacture of building products.

The Board of Directors and the Management wish to express thanks to the Company's many loyal and able employees, as well as to the stockholders, whose cooperation and support have appreciably contributed to the results achieved in 1951.

Respectfully submitted,

A handwritten signature in cursive script, reading "Paul G. Lizaris".

Chairman of the Board

Ardmore, Pennsylvania
February 25, 1952

Certain-teed

PRODUCTS CORPORATION

and subsidiary companies

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1951	1950
Net sales	\$62,507,590	\$55,951,908
Profit on contract processing	374,038	355,187
	<u>62,881,628</u>	<u>56,307,095</u>
Cost of goods sold	48,802,953	42,130,141
Selling, general and administrative expenses . . .	4,333,166	3,952,990
	<u>53,136,119</u>	<u>46,083,131</u>
	9,745,509	10,223,964
Other income (less other deductions of \$308,432 in 1951 and \$57,003 in 1950)	354,674	1,059,464
	<u>10,100,183</u>	<u>11,283,428</u>
Provision for Federal and Canadian taxes on income	5,040,030	4,903,419
Net income	<u>5,060,153</u>	<u>6,380,009</u>
Retained earnings at December 31, 1950-1949 (from October 1, 1944)	21,608,411	16,228,403
Reserve for contingencies restored to retained earnings		1,551,155
	<u>26,668,564</u>	<u>24,159,567</u>
Dividends paid:		
4½% Cumulative Prior Preference Stock . . .		20,700
Common Stock	1,623,879	2,435,268
	<u>1,623,879</u>	<u>2,455,968</u>
	25,044,685	21,703,599
Premium and expenses on redemption and retire- ment of preference stock		95,188
Retained earnings at December 31, 1951-1950 (from October 1, 1944)	<u>\$25,044,685</u>	<u>\$21,608,411</u>

Total depreciation and depletion charges amounted to \$1,221,502 in 1951 and \$1,036,262 in 1950, the latter amount being reclassified for comparative purposes.

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Certain-teed PRODUCTS CORPORATION
and subsidiary companies

CONSOLIDATED

Assets

CURRENT ASSETS:

Cash.....		\$ 6,636,927
United States Government securities, at cost, which approximates quoted market, plus accrued interest.....		1,171,806
Accounts and notes receivable (less estimated uncollectibles of \$208,625).....		4,320,421
Inventories at the lower of cost or market, cost being determined on the Lifo basis as to certain raw materials:		
Raw materials and supplies.....	\$ 2,968,551	
Finished goods and work in process...	1,893,319	4,861,870
Total current assets.....		<u>16,991,024</u>

INVESTMENTS:

United States Government securities, at cost, which approximates quoted market, plus accrued interest (appropriated for construction program).....	1,750,000	
Other investments (at cost or less).....	256,412	2,006,412

DEFERRED CHARGES AND OTHER ASSETS..... 1,012,107

PROPERTY, PLANT AND EQUIPMENT (at cost, less reduction in 1939 to appraised values):

Land and mineral deposits (less depletion of \$170,207)	923,581	CTD035910
Buildings and equipment (less depreciation of \$13,516,698).....	17,133,284	
Construction in progress.....	3,567,031	21,623,896

INTANGIBLE ASSETS (at nominal values)..... 5

\$41,633,444

The accompanying Notes to Consolidated Financial Statements are an

BALANCE SHEET AT DECEMBER 31, 1951

Liabilities

CURRENT LIABILITIES:

Accounts payable and accrued expenses . . .		\$ 2,310,254
Accrued taxes:		
Federal and Canadian taxes on income (less \$4,563,830 United States Treasury Savings Notes, at cost, plus accrued interest)	\$ 294,036	
Other	477,972	772,008
Total current liabilities		3,082,262
3% PROMISSORY NOTES (due in annual install- ments of \$325,000 commencing April 1, 1953 with final payment of \$775,000 due April 1, 1966)—Note 2		5,000,000
RESERVE FOR PRODUCT GUARANTEES		136,898

STOCKHOLDERS' EQUITY—Notes 2 and 3:

Capital:

Capital assigned to shares:

4½% Cumulative Prior Preference Stock, \$100.00 par value, authorized and unissued 50,000 shares		
Common Stock, \$1.00 par value, authorized 2,000,000 shares, issued and outstanding 1,623,879 shares	1,623,879	
Capital in excess of par value	6,745,720	CTD035911
	8,369,599	
Retained earnings (from October 1, 1944) . .	25,044,685	33,414,284
		\$41,633,444

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

Notes TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 1951

NOTE 1 FOREIGN SUBSIDIARY COMPANIES (CONSOLIDATED):

Net assets of the Canadian subsidiary companies included in the accompanying financial statements aggregate \$2,347,142, of which \$892,549 represents net current assets. The investment in Canada is not subject to exchange restrictions at the present time.

The consolidated net income of \$5,060,153 includes net income of \$598,072 of the Canadian subsidiary companies.

NOTE 2 3% PROMISSORY NOTES:

The 3% promissory notes, issued during the year in accordance with the terms of a loan agreement dated April 27, 1951, contain certain restrictions relating, among other things, to the right of the Company to purchase any of its capital stock or to declare dividends (other than stock dividends). Accordingly, at December 31, 1951, unrestricted retained earnings available for such purposes approximated \$5,400,000.

NOTE 3 STOCKHOLDERS' EQUITY:

Pursuant to an incentive plan, options to purchase 45,600 shares of the Company's Common Stock (granted to officers and key employees) were outstanding at December 31, 1951 at option prices of \$13.90 a share for 37,900 shares, \$14.14 a share for 7,550 shares (granted June 22, 1951) and \$13.75 a share for 150 shares. During the year, 50 shares were issued under the plan resulting in an increase of \$853 in capital in excess of par value.

NOTE 4 CONTINGENCIES AND OTHER COMMENTS:

An anti-trust suit to which the Company was a party, involving the Company's activities in the gypsum industry, was settled during the year without any material effect on the financial condition or operations of the Company.

The accompanying consolidated financial statements are subject to final determination of Federal, Canadian, state and local taxes.

Reference is made to the Annual Report for the year ended December 31, 1950 for notes pertaining to the consolidated statement of income and retained earnings for the year then ended.

Accountants' Report

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK, N. Y.

TO THE BOARD OF DIRECTORS
CERTAIN-TEED PRODUCTS CORPORATION
Ardmore, Pennsylvania

We have examined the consolidated balance sheet of Certain-teed Products Corporation and subsidiary companies as at December 31, 1951 and the related consolidated statement of income and retained earnings for the year 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.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings, together with the notes to consolidated financial statements, present fairly the consolidated financial position of Certain-teed Products Corporation and subsidiary companies at December 31, 1951, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
February 13, 1952

CTD035913

Certain-teed PRODUCTS CORPORATION
and subsidiary companies

Assets

	1951	1950
Current Assets	\$16,991,024	\$16,042,634
U. S. Government Securities at cost (appropriated for construction program)	1,750,000	—
Investment in Capital Stock and Mortgage Notes of Subsidiary Companies, not consolidated in 1947	—	—
Property, Plant and Equipment (less depreciation and depletion)	21,623,896	18,679,229
Other Investments, Deferred Charges and Miscellaneous Assets	1,268,524	904,478
Total	<u>\$41,633,444</u>	<u>\$35,626,341</u>

Liabilities

Current Liabilities	\$ 3,082,262	\$ 5,507,098
Reserves	136,898	142,136
3½% Debentures	—	—
3% Notes	5,000,000	—
Capital Assigned to Shares	1,623,879	1,623,829
Capital in Excess of Par Value	6,745,720	6,744,867
Retained Earnings (from October 1, 1944)	25,044,685	21,608,411
Total	<u>\$41,633,444</u>	<u>\$35,626,341</u>
Working Capital	\$13,908,762	\$10,535,536
Cash and Government Securities	\$ 9,558,733	\$ 5,793,044

Facts A T A G L A N C E

A T D E C E M B E R 3 1

1949	1948	1947	1946	1945
<u>\$12,605,532</u>	<u>\$15,793,418</u>	<u>\$13,417,788</u>	<u>\$11,886,300</u>	<u>\$ 9,633,386</u>
2,500,000	500,000	1,000,000	—	—
—	—	1,300,000	—	—
14,682,109	14,086,695	10,601,868	9,037,401	6,987,684
823,862	756,849	575,089	821,752	556,176
<u>\$30,611,503</u>	<u>\$31,136,962</u>	<u>\$26,894,745</u>	<u>\$21,745,453</u>	<u>\$17,177,246</u>
\$ 2,519,896	\$ 2,910,021	\$ 3,328,595	\$ 3,060,504	\$ 2,151,350
1,690,960	1,697,359	1,703,908	1,000,232	616,909
—	3,100,000	3,325,000	3,550,000	3,775,000
—	—	—	—	—
3,462,740	3,471,729	3,120,699	3,121,899	3,291,299
6,709,505	6,709,505	6,688,912	7,152,220	6,531,669
16,228,402	13,248,348	8,727,631	3,860,598	811,019
<u>\$30,611,503</u>	<u>\$31,136,962</u>	<u>\$26,894,745</u>	<u>\$21,745,453</u>	<u>\$17,177,246</u>
\$10,085,636	\$12,883,397	\$10,089,193	\$ 8,825,796	\$ 7,482,036
\$ 8,599,626	\$ 8,447,257	\$ 6,015,030	\$ 5,228,065	\$ 5,407,590

General Offices

120 East Lancaster Avenue
Ardmore, Pennsylvania

Sales Offices

ARDMORE, PENNSYLVANIA
ATLANTA, GEORGIA
CHICAGO, ILLINOIS
CLEVELAND, OHIO
DALLAS, TEXAS

DETROIT, MICHIGAN
EAST ST. LOUIS, ILLINOIS
KANSAS CITY, MISSOURI
NEW YORK, N. Y. (EXPORT SALES)

NIAGARA FALLS, NEW YORK
RICHMOND, CALIFORNIA
SALT LAKE CITY, UTAH
MINNEAPOLIS, MINNESOTA
THOROLD, ONTARIO, CANADA

Plants

Roofing

EAST ST. LOUIS, ILLINOIS
KANSAS CITY, MISSOURI
YORK, PENNSYLVANIA

MARSEILLES, ILLINOIS
NIAGARA FALLS, NEW YORK

RICHMOND, CALIFORNIA
SAVANNAH, GEORGIA
DALLAS, TEXAS

Gypsum

FORT DODGE, IOWA
GRAND RAPIDS, MICHIGAN
BLUE RAPIDS, KANSAS

ACME, TEXAS
AKRON, NEW YORK
SIGURD, UTAH

Paper

PRYOR, OKLAHOMA

Fiberboard

BUFFALO, NEW YORK

Fiberboard, Boxboard and Newsprint

THOROLD, ONTARIO, CANADA

USE AND RECOMMEND ***Certain-teed*** BUILDING PRODUCTS

CTD035916

CERTAIN-TEED PRODUCTS CORPORATION

Board of Directors

RAWSON G. LIZARS, *Chairman*

RALPH A. BARD

HERBERT W. HIRSH

HENRY W. BREYER, JR.

C. KENNETH HOBSON

THOMAS F. BROWN

JOHN VALENTINE LIZARS

H. B. CAMPBELL

HAMILTON PELL

ALBERT J. HETTINGER, JR.

W. W. F. SHEPHERD

Executive Committee

THOMAS F. BROWN, *Chairman*

RAWSON G. LIZARS

HAMILTON PELL

HENRY W. BREYER, JR.

Officers

RAWSON G. LIZARS. *Chairman of the Board and President*

JOHN VALENTINE LIZARS. *Vice President*

C. KENNETH HOBSON. *Vice President*

PAUL E. FISCHER. *Vice President*

ANDREW R. CRAVEN. *Assistant Vice President*

JOHN R. JOHNSTON. *Comptroller*

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., NEW YORK

CTD035917

A N N U A L
Certain-teed
R E P O R T

CTD035918

Certain-teed



QUALITY MADE *Certain* –
SATISFACTION GUARAN – *teed*

CTD035919