

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE,  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED MARCH 31, 1997

COMMISSION FILE NO. 1-12984

CENTEX CONSTRUCTION PRODUCTS, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OF INCORPORATION)

75-2520779  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

3710 RAWLINS, SUITE 1600, LB 78, DALLAS, TEXAS 75219  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(214) 559-6514  
(REGISTRANT'S TELEPHONE NUMBER)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
COMMON STOCK (PAR VALUE \$.01 PER SHARE)	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that such registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No .  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to Form 10-K. \_\_\_\_.

Indicate the number of shares of the registrant's classes of common stock (or other similar equity securities) outstanding as of the close of business on June 24, 1997:

Common Stock 21,991,514 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in Parts I, II, and III, of this Report:

- (a) 1997 Annual Report to Stockholders of Centex Construction Products, Inc. for the fiscal year ended March 31, 1997.
- (b) Proxy statement for the annual meeting of stockholders of Centex Construction Products, Inc. to be held on July 17, 1997.

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## ITEM 1. BUSINESS

## GENERAL

Centex Construction Products, Inc. ("CXP" or the "Company") is a producer of a variety of basic construction products used in residential, industrial, commercial and infrastructure applications. The Company produces and sells cement, aggregates, readymix concrete and gypsum wallboard. The Company is incorporated in the state of Delaware. Prior to April 19, 1994, the Company was a wholly owned subsidiary of Centex Corporation ("Centex"). On April 19, 1994, the Company completed an Initial Public Offering ("IPO") of 51% of its common stock. As a result of the IPO, Centex's ownership of the Company was reduced to 49%. Unless the context indicates to the contrary, the terms "CXP" and the "Company" as used herein, should be understood to include subsidiaries of CXP and predecessor corporations. The Company's common stock, par value \$0.01 per share ("CXP Common Stock"), began trading publicly on April 19, 1994. As of June 24, 1997, 21,991,514 shares of CXP Common Stock, which are traded on the New York Stock Exchange, were outstanding.

As previously disclosed, CXP's Board of Directors authorized CXP management to repurchase up to two million shares of CXP Common Stock as management determines advisable. As a result of repurchases during fiscal year 1997 by CXP of its common stock from the public and recent purchases of CXP Common Stock by Centex, Centex now owns approximately 54.4% of the outstanding shares of CXP Common Stock.

CXP's involvement in the construction products business dates to 1963, when it began construction of its first cement plant. Since that time, the Company's operations have been expanded to include additional cement production and distribution facilities and the production, distribution and sale of aggregates, readymix concrete and gypsum wallboard.

The Company operates four quarrying and manufacturing facilities and a network of 12 terminals for the production and distribution of portland and masonry cement. These facilities are primarily in Texas, northern Illinois, the Rocky Mountains, Nevada and northern California. The Company is also vertically integrated, to a limited extent, with readymix concrete operations in the Austin, Texas area and a portion of northern California. The Company extracts and produces aggregates from its deposits near Sacramento, California (the largest single permitted sand and gravel deposit in northern California) and Austin, Texas. The Company operates a quarry located in close proximity to two of its gypsum wallboard manufacturing facilities which are located in Albuquerque and nearby Bernalillo, New Mexico. On February 26, 1997 the Company purchased the equity interest of a company that owned a gypsum quarry, a gypsum wallboard plant and an associated cogeneration power facility all located at Gypsum (near Vail), Colorado. The Company's wallboard production is shipped by rail and truck to markets throughout the continental United States. The Company's corporate office is in Dallas, Texas.

## INDUSTRY SEGMENT INFORMATION

The following table presents revenues and earnings before interest expense and income taxes contributed by each of the Company's industry segments during the periods indicated. Identifiable assets, depreciation, depletion and amortization and capital expenditures by segment are presented in Note E of the Notes to the Consolidated Financial Statements of CXP on page 24 of CXP's Annual Report to Stockholders for the fiscal year ended March 31, 1997 (the "1997 CXP Annual Report").

	For The Fiscal Years Ended March 31,				
	1997	1996	1995	1994	1993
	(In Millions)				
Contribution to Revenues:					
Cement	\$133.3	\$125.7	\$109.9	\$101.7	\$ 85.6
Gypsum Wallboard	72.2	58.3	51.7	32.8	21.4
Concrete and Aggregates	36.8	39.9	35.2	35.1	30.0
Other, Net	1.8	2.8	1.6	1.2	2.8
	-----	-----	-----	-----	-----
	244.1	226.7	198.4	170.8	139.8
Less Intersegment Sales	(4.7)	(4.1)	(4.1)	(4.0)	(3.3)
	-----	-----	-----	-----	-----
Total Net Revenues	\$239.4	\$222.6	\$194.3	\$166.8	\$136.5
	=====	=====	=====	=====	=====
Contribution to Operating Earnings (Loss):					
Cement	\$ 39.8	\$ 35.3	\$ 26.0	\$ 15.9	\$ 12.4
Gypsum Wallboard	20.5	11.9	7.2	(0.1)	(4.7)
Concrete and Aggregates	4.8	5.6	2.6	1.7	(3.2)
Other, Net	1.8	2.8	1.6	1.2	2.8
	-----	-----	-----	-----	-----
	66.9	55.6	37.4	18.7	7.3
Corporate Overhead	(3.9)	(2.5)	(2.3)	(1.8)	(2.0)
	-----	-----	-----	-----	-----
Total Earnings Before Interest and Income Taxes	\$ 63.0	\$ 53.1	\$ 35.1	\$ 16.9	\$ 5.3
	=====	=====	=====	=====	=====

Revenues for the past three years from each of the Company's industry segments, expressed as a percentage of total consolidated net revenues, were as follows:

Segment:	Percentage of Total Consolidated Net Revenues		
	1997	1996	1995
	-----	-----	-----
Cement	53.8%	54.8%	54.5%
Gypsum Wallboard	30.2	26.2	26.6
Concrete/Aggregates:			
Readymix Concrete	11.8	12.9	12.9
Aggregates	3.4	4.8	5.2
	-----	-----	-----
	15.2	17.7	18.1
Other	0.8	1.3	0.8
	-----	-----	-----
Total Consolidated Net Revenues	100.0%	100.0%	100.0%
	=====	=====	=====

#### CEMENT OPERATIONS

Company Operations. The Company's cement production facilities are located in or near Buda, Texas; LaSalle, Illinois; Laramie, Wyoming; and Fernley, Nevada. The Laramie, Wyoming and Fernley, Nevada facilities are wholly-owned. The Buda, Texas plant is owned by Texas-Lehigh Cement Company, a joint venture owned 50% by the Company and 50% by Lehigh Portland Cement Company, a subsidiary of Heidelberger Zement AG. The LaSalle, Illinois plant is owned by Illinois Cement Company, a joint venture owned 50% by CXP and 50% by RAAM Limited Partnership, a partnership controlled by members of the Pritzker family. The Company receives a management fee of \$150,000 per year to manage

\the Illinois joint venture. The Company's Laramie, Wyoming plant operates under the name of Mountain Cement Company and the Fernley, Nevada plant under the name of Nevada Cement Company.

Cement is the basic binding agent for concrete, a primary construction material. The manufacture of portland cement primarily involves the extracting, crushing, grinding and blending of limestone and other raw materials into a chemically proportioned mixture which is then burned in a rotary kiln at extremely high temperatures to produce an intermediate product known as clinker. The clinker is cooled and interground with a small amount of gypsum to the consistency of face powder to produce finished cement. Clinker can be produced utilizing either of two basic methods, a "wet" or a "dry" process. In the wet process, the raw materials are mixed with water to the advantage of greater ease in the handling and mixing of the raw materials. However, additional heat, and therefore fuel, is required to evaporate the moisture before the raw materials can react to form clinker. The dry process, a more fuel efficient technology, excludes the addition of water into the process. Dry process plants are either pre-heater plants, in which hot air is recycled from the rotary kiln to pre-heat materials, or are precalciner plants, in which separate burners are added to accomplish a significant portion of the chemical reaction prior to the introduction of the raw materials into the kiln.

As fuel is a major component in the cost of producing clinker, most modern cement plants, including all four of the plants operated by the Company, incorporate the more fuel efficient dry process technology. At present, approximately 84% of the Company's clinker capacity is from preheater or preheater/precalciner kilns, compared to approximately one-half of U.S. cement capacity manufactured from such kilns. Cement production is capital-intensive and involves high fixed costs. As a result, plant capacity utilization levels are an important measure of a plant's profitability, since incremental sales volumes tend to generate increasing profit margins.

Location -----	Rated Annual Clinker Capacity (Thousand short tons) (1) -----	Manufacturing Process -----	Number of Kilns -----	Dedication Date -----	Estimated Minimum Limestone Reserves (Years) -----
Buda, Texas (2)	1,080	Dry - 4 Stage Preheater	1	1978	60
LaSalle, Illinois (2)	530	Flash Calciner Dry - 4 Stage Preheater	1	1983 1974	60
Laramie, Wyoming	630	Dry - 2 Stage Preheater	1	1988	40
		Dry - Long Dry Kiln	1	1996 (4)	
Fernley, Nevada	480	Dry - Long Dry Kiln	1	1964	20
		Dry - 1 Stage Preheater	1	1969	
	-----				
Total (3)	2,720 =====				

(1) One short ton equals 2,000 pounds.

(2) The amounts shown represent 100% of plant capacity and production. These plants are owned by joint ventures in which the Company has a 50% interest.

(3) Generally, a plant's cement grinding production capacity is greater than its clinker production capacity.

(4) Commenced production during the fourth quarter of the fiscal year ended March 31, 1996.

The Company's net cement production, excluding the joint venture partners' 50% interest in the Buda and LaSalle plants, totaled 1.9 million tons both in fiscal 1997 and fiscal 1996. Total net cement sales were 2.1 million tons both in fiscal 1997 and in fiscal 1996, as all four cement plants sold all of the product they produced. During the past two years, the Company purchased minimal amounts of cement from others to be resold. Purchased cement sales typically occur at lower gross profit margins. In fiscal 1997, 8.8% of the cement sold by the Company was acquired from outside sources, the same percentage as in fiscal 1996.

Raw Materials and Fuel Supplies. The principal raw material used in the production of portland cement is calcium carbonate in the form of limestone. Limestone is obtained by mining and extracting from quarries owned or leased by the Company (including its joint ventures) and located in close proximity to its plants. The Company believes that the estimated recoverable limestone reserves owned or leased by it (or its joint ventures) will permit each of its plants to operate at its present production capacity for at least 40 years or, in the case of the Company's Nevada plant, at least 20 years. The Company expects that additional limestone reserves for its Nevada plant will be available when needed on an economically feasible basis, although they may be more distant and more expensive to transport than the Company's existing reserves. Other raw materials used in substantially smaller quantities than limestone are sand, clay, iron ore and gypsum, which are either obtained from Company-owned or leased reserves or are purchased from outside suppliers.

The Company's cement plants use coal as their primary fuel, but are equipped to burn natural gas as an alternative. The Company has not used hazardous waste-derived fuels in its plants. The Company's LaSalle, Illinois and Buda, Texas plants have been permitted to burn, and are burning, scrap tires as a partial fuel alternative. Electric power is also a major cost component in the manufacture of cement. The Company has sought to diminish overall power costs by adopting interruptible power supply agreements which may expose the Company to some production interruptions during periods of power curtailment.

Marketing and Distribution. Demand for cement is highly cyclical and derived from the demand for concrete products which, in turn, is derived from demand for construction. According to estimates of the Portland Cement Association (the "PCA"), the industry's primary trade organization, the three construction sectors that are the major components of cement consumption are (i) public works construction, including public buildings, (ii) commercial and industrial construction and (iii) residential construction, which comprised 54%, 18% and 22%, respectively, of U.S. cement consumption in 1995, the most recent period for which such data are available. Construction spending and cement consumption have historically fluctuated widely. The construction sector is affected by the general condition of the economy and can exhibit substantial variations across the country as a result of the differing structures of the regional economies. Regional cement markets experience peaks and valleys correlated with regional construction cycles. Also, demand for cement is seasonal, particularly in northern states where inclement weather affects construction activity. While the impact on the Company of construction cycles in individual regions may be mitigated to some degree by the geographic diversification of the Company, profitability is very sensitive to shifts in the balance between supply and demand. As a consequence, the Company's cement segment sales and earnings follow a similar cyclical pattern.

The following table sets forth certain information regarding the market area served by each of the Company's cement plants and the location of the Company's distribution terminals in each area. The Company has a total of 12 cement storage and distribution terminals, which are strategically located to extend the marketing areas of its plants.

Plant Location -----	Principal Market Area -----	Distribution Terminals -----
Buda, Texas	Texas and western Louisiana	Corpus Christi, TX Houston, TX Orange, TX Roanoke (D/FW), TX Waco, TX
LaSalle, Illinois	Illinois and southern Wisconsin	Hartland, WI
Laramie, Wyoming	Wyoming, Utah, southern Idaho, northern Colorado, western Nebraska and eastern Nevada	Rock Springs, WY Salt Lake City, UT Bliss, ID Denver, CO North Platte, NE
Fernley, Nevada	Nevada (except Las Vegas) and northern California	Sacramento, CA

Cement is distributed directly to customers principally by common carriers, customer pick-up and, to a lesser extent, trucks owned by the Company. The Company transports cement principally by rail to its storage and distribution terminals. Cement is distributed primarily in bulk, but also in paper bags. No single customer accounted for as much as 10% of the Company's cement sales during fiscal 1997.

Sales are made on the basis of competitive prices in each market area. As is customary in the industry, the Company does not typically enter into long-term sales contracts, except with respect to major construction projects.

Competition. The cement industry is extremely competitive as a result of multiple domestic suppliers and, beginning in the 1980s, the importation of foreign cement through various terminal operations. Despite price inelasticity of overall cement demand, competition among producers and suppliers of cement is based primarily on price, with consistency of quality and service to customers being important but of lesser significance. Price competition among individual producers and suppliers of cement within a marketing area is intense because of the fungible nature of the product. The U.S. cement industry is fragmented into regional markets rather than a single national market. Because of cement's low value-to-weight ratio, the relative cost of transporting cement is high and limits the geographic area in which each company can market its products economically. No one cement company has a distribution of plants extensive enough to serve all markets. The number of principal competitors of the Company's Texas, Illinois, Wyoming, and Nevada plants are seven, eight, four and six, respectively, operating in these regional markets.

The United States cement industry comprises approximately 50 companies which own 107 gray cement plants with approximately 83.0 million tons of clinker manufacturing capacity (approximately 87.1 million tons of cement manufacturing capacity assuming a 105% conversion ratio). The PCA estimates that cement demand totaled approximately 102 million tons in 1996, with approximately 15 million tons of such demand being satisfied by imported cement. Based on the level of demand, the Company estimates that the cement industry as a whole operated in excess of 95% of its aggregate manufacturing capacity during 1996. During 1996, several companies announced or began capital projects to enhance the productivity and incrementally expand the capacity of existing cement manufacturing facilities.

Cement imports into the United States occur primarily to supplement domestic cement production during peak demand periods. Throughout most of the 1980's, however, competition from low-priced imported cement in most coastal and border areas of the U.S. grew significantly, which included the

company's Fernley, Nevada and Buda, Texas plant's markets. According to the PCA, the 1980's was a period of relatively high cement imports. This high level of imports depressed cement prices during a period of strong U.S. cement demand. As a result of antidumping petitions filed by a group of domestic cement producers, significant antidumping duty cash deposit requirements have been imposed on cement imported from Mexico since 1990 and from Japan since 1991. Venezuela signed a suspension agreement requiring it not to export to the U.S. at dumped prices. The existing antidumping orders and suspension agreement have contributed substantially to an improvement in the condition of the U.S. cement industry.

In the case of Mexico, margins to calculate cash deposit rates and the resulting antidumping duties are subject to annual review by the Department of Commerce and appeal to the U.S. Court of International Trade and the U.S. Court of Appeals for the Federal Circuit or to binational dispute panels under the North American Free Trade Agreement ("NAFTA").

Pursuant to the Uruguay Round Agreement, the General Agreement on Tariffs and Trade ("GATT") and the GATT Antidumping Code were superseded on January 1, 1995, by a new GATT, which will be administered by the newly created World Trade Organization. The antidumping orders outstanding against cement and clinker from Mexico and Japan and the suspension agreement on cement and clinker from Venezuela will remain in force. New legislation passed by Congress in December 1994, however, requires the initiation of "sunset" reviews of the antidumping orders against Mexico and Japan and the suspension agreement with Venezuela prior to January 2000 to determine whether these antidumping orders and the suspension agreement should terminate or remain in effect.

NAFTA thus far has had no material adverse effect on the antidumping duty cash deposit rates imposed on gray portland cement and clinker imported from Mexico. The Company does not believe that NAFTA will have a material, adverse effect on the foregoing antidumping duty cash deposit rates in the near future. A substantial reduction or elimination of the existing antidumping duties as a result of GATT, NAFTA, or any other reason could adversely affect the Company's results of operations.

Capital Expenditures. Capital expenditures during fiscal 1997, amounted to \$2.9 million for the cement segment compared with \$13.1 million and \$3.7 million in fiscal 1996 and 1995, respectively. Capital outlays in fiscal 1998, have been budgeted at approximately \$4.2 million. Approximately 9% of the budgeted fiscal 1998 total is related to compliance with environmental regulations. Approximately \$10.5 million of fiscal 1996 total was for the reactivation of the second kiln at the Laramie plant.

Environmental Matters. The cement manufacturing industry, including the operations of the Company, is regulated by federal, state and local laws and regulations pertaining to several areas including human health and safety and environmental compliance. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986, as well as analogous laws in certain states, create joint and several liability for the cost of cleaning up or correcting releases to the environment of designated hazardous substances. Among those who may be held jointly and severally liable are those who generated the waste, those who arranged for disposal, those who owned or operated the disposal site or facility at the time of disposal, and current owners. In general, this liability is imposed in a series of governmental proceedings initiated by the identification of a site for initial listing as a "Superfund site" on the National Priorities List or a similar state list and the identification of potentially responsible parties who may be liable for cleanup costs. None of the Company's sites are listed as a "Superfund site."

The Company's operations are also potentially affected by the Resource Conservation and Recovery Act ("RCRA"), which is the primary federal statute governing the management of solid waste and which includes stringent regulation of solid waste that is considered hazardous waste. The Company's operations generate nonhazardous solid waste which may include cement kiln dust ("CKD"). Because of a RCRA exemption, known as the Bevill Amendment, CKD generated in the Company's operations is currently not considered a hazardous waste under RCRA, pending completion of a study and recommendations to Congress by the U.S. Environmental Protection Agency ("U.S. EPA"). Nevertheless, such CKD is still considered a solid waste and is regulated primarily under state environmental laws and regulations. The U.S. EPA completed its review of CKD and has decided to promulgate regulations to govern the handling and disposal of CKD which will supersede the Bevill Amendment. The Bevill Amendment will remain in effect until those regulations are in place.

In the past, the Company collected and stored CKD on-site at its cement plants. The Company continues to store such CKD at its Illinois, Nevada and Wyoming cement plants and at a former plant site in Corpus Christi, Texas, which is no longer in operation. The Company's cement kilns utilize coal, natural gas, minimal amounts of self-generated waste oil, and scrap tires in the Illinois and Texas plants, as fuel. Currently, the Company recycles substantially all CKD related to present operations at all of its cement facilities. When the U.S. EPA removes the CKD exemption and develops particular CKD management standards in the future, the Company might be required to incur significant costs in connection with its CKD. CKD that comes in contact with water might produce a leachate with an alkalinity high enough to be classified as hazardous and might also leach certain hazardous trace metals therein.

In April 1992, one of the Company's subsidiaries, Nevada Cement Company ("NCC"), was identified as a potentially responsible party under CERCLA by the U.S. EPA at the North American Environmental, Inc. storage facility in Clearfield, Utah ("North American Environmental Site") because of allegations that NCC arranged for the disposal of hazardous substances at that site. The Company has records indicating that all of the hazardous substances originating from NCC that were temporarily stored at the North American Environmental Site were removed from the storage facility and destroyed in accordance with applicable laws. The Company is aware of no current estimates of the total remediation costs or the total volume of waste associated with this site. The U.S. EPA has also identified the NCC cement plant site in Fernley, Nevada, as a potential hazardous waste site and entered it into the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") data base in January 1992. U.S. EPA performed an assessment in 1992, under CERCLA at the NCC plant because of concerns over an unlined disposal pond and a citizen complaint about disposal of wastes. NCC cleaned up the contaminated soil in the vicinity of this pond under the jurisdiction of the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection at an immaterial cost to NCC. There is no assurance that the Company will not incur material liability in connection with the North American Environmental Site or the contamination concerns at the Fernley, Nevada plant site.

Another RCRA concern in the cement industry involves the historical disposal of refractory brick containing chromium. Such refractory brick was formerly widely used in the cement industry to line cement kilns. The Company currently crushes spent refractory brick and uses it as raw feed, but such brick does not contain chromium.

The Clean Air Act Amendments of 1990 (the "Amendments") provided comprehensive federal regulation of all sources of air pollution and established a new federal operating permit and fee program for virtually all manufacturing operations. The Amendments will likely result in increased capital and operational expenses for the Company in the future, the amounts of which are not presently determinable. The Company's U.S. operations have submitted detailed permit applications and will pay increased recurring permit fees. In addition, the U.S. EPA is developing regulations for toxic air pollutants under these Amendments for a broad spectrum of industrial sectors, including portland cement manufacturing.

The U.S. EPA has indicated that the new maximum available control technology standards could require significant reduction of air pollutants below existing levels prevalent in the industry. Management has no reason to believe, however, that these new standards would place the Company at a competitive disadvantage.

The Federal Water Pollution Control Act, commonly known as the Clean Water Act ("Clean Water Act"), provides comprehensive federal regulation of all sources of water pollution. In September 1992, the Company filed a number of applications under the Clean Water Act for National Pollutant Discharge Elimination System ("NPDES") stormwater permits.

Management believes that the Company's current procedures and practices in its operations, including those for handling and managing materials, are consistent with industry standards. Nevertheless, because of the complexity of operations and compliance with environmental laws, there can be no assurance that past or future operations will not result in operational errors, violations, remediation or other liabilities, or claims. Moreover, the Company cannot predict what environmental laws will be enacted or adopted in the future or how such future environmental laws will be administered or interpreted. Compliance with more stringent environmental laws, as well as potentially more vigorous enforcement policies of regulatory agencies or stricter interpretation of existing environmental laws, could necessitate significant capital outlays.

With respect to some of the Company's quarries used for the extraction of raw materials for its cement and gypsum operations and for the mining of aggregates for its aggregate operations, the Company is obligated under certain of its permits and certain regulations to engage in reclamation of land within the quarries upon completion of extraction and mining. The Company generally accrues the reclamation costs for a specific quarry over the life of the quarry.

#### GYPSUM WALLBOARD OPERATIONS

Company Operations. The Company owns and operates three gypsum wallboard manufacturing facilities, two located in Albuquerque and nearby Bernalillo, New Mexico and one located at Gypsum, Colorado. The Company mines and extracts gypsum and then manufactures gypsum wallboard by first pulverizing quarried gypsum, then placing it in a calciner for conversion into plaster. The plaster is mixed with various chemicals and water to produce a mixture known as slurry, which is inserted between two continuous sheets of recycled paperboard on a high-speed production line and allowed to harden. The resulting sheets of gypsum wallboard are then cut to appropriate lengths, dried and bundled for sale.

The Albuquerque plant was acquired in 1985, and was operated until early 1991. Following the start-up of the new Bernalillo plant in the spring of 1990, the Company elected to discontinue operations at the Albuquerque plant due to weak market conditions. Operations at the Albuquerque plant were recommenced in May 1993, due to improvements in wallboard demand and prices. The Gypsum, Colorado gypsum wallboard plant and accompanying electric power cogeneration facility were purchased on February 26, 1997. The plant originally commenced production in early 1990 and had been operated by an independent producer until the acquisition by CXP.

The following table sets forth certain information regarding these plants:

Location -----	Rated Annual Wallboard Capacity (MMSF) (1) -----	Estimated Minimum Gypsum Rock Reserves (years) -----
Albuquerque, New Mexico	250	100 (2)
Bernalillo, New Mexico	420	100 (2)
Gypsum, Colorado	400	20 (3)
Total	----- 1,070 =====	

- 
- (1) Million Square Feet ("MMSF")
  - (2) The same reserves serve both plants.
  - (3) Proven reserves only. See Raw Materials and Fuel Supplies section for additional reserves.

The Company's net wallboard production totaled 715 MMSF in fiscal 1997, and 672 MMSF in fiscal 1996. Total wallboard sales were 726 MMSF in fiscal 1997, and 661 MMSF in fiscal 1996.

Raw Materials and Fuel Supplies. The Company mines and extracts gypsum rock, the principal raw material used in the manufacture of wallboard, from mines and quarries owned, leased or subject to claims owned by the Company and located near its plants. The New Mexico and Colorado mines and quarries are estimated to contain approximately 60 million tons and 7 million tons of proven and probable gypsum reserves, respectively. Based on its current production capacity, the Company estimates that the life of its existing gypsum rock reserves is approximately 100 years and 20 years, respectively.

The Colorado plant controls 99 unpatented placer mining claims on 1,980 acres of land under the jurisdiction of the U.S. Bureau of Land Management. The land, which is adjacent to the present quarry, has not been drilled and therefore, the reserves cannot be classified as proven or probable. Management believes that these claims contain substantial quantities of gypsum rock.

Paper used in manufacturing gypsum wallboard is purchased by the Company from third party suppliers. Approximately 40% of the Company's requirements are under contract for a two year period with an annual automatic renewal. The remainder of the paper requirements are purchased on the open market from various suppliers. The Company does not believe that the loss of a supplier would have a material, adverse effect on its business.

The Company's wallboard manufacturing operations use large quantities of natural gas and electrical power. Substantially all of the Company's natural gas requirements for its wallboard plants are currently provided by two gas producers under gas supply agreements expiring in May, 1998 for both the New Mexico and Colorado plants. If the agreements are not renewed, the Company expects to obtain its gas supplies from other local gas producers at competitive prices. Electrical power is supplied to the Company's New Mexico plants at standard industrial rates by a local utility. The Company's Albuquerque plant adopted an interruptible power supply agreement which may expose it to some production interruptions during periods of power curtailment. The Gypsum, Colorado plants power is supplied by the cogeneration power facility acquired along with the gypsum wallboard plant in February, 1997. Currently, the cogeneration power facility supplies only the power needs of the gypsum wallboard plant and does not sell any power to third parties.

Marketing and Distribution. The principal sources of demand for gypsum wallboard are (i) residential construction, (ii) repair and remodeling and (iii) non-residential construction, which the Company estimates accounted for approximately 45%, 37% and 18%, respectively, of historical industry

sales. While the gypsum wallboard industry remains highly cyclical, recent growth in the repair and remodeling segment, together with certain trends in new residential construction activity, have partially mitigated the impact of fluctuations in overall levels of new construction.

Although the percentage of wallboard shipments accounted for by new residential construction has declined in recent years, new residential construction remains the largest single source of gypsum wallboard demand. In recent years, demand has been favorably impacted by a shift toward more single-family detached housing within the new residential construction segment and by an increase in the size of the average single family detached home.

The size of the total residential repair and remodel market grew to a record \$116 billion in 1995, from \$46 billion in 1980. Although data on commercial repair and remodel activity is not readily available, the Company believes that this segment has also grown significantly in recent years. The growth of the repair and remodeling market is primarily due to the aging of housing stock, remodeling of existing buildings and tenant turnover in commercial space. In addition, repair and remodeling activity has benefitted from the fact that it has increasingly come to be viewed by the homeowner, particularly in recessionary periods, as a low cost alternative to purchasing a new house.

The Company markets wallboard to numerous building materials dealers, wallboard specialty distributors, home center chains and other customers located throughout the United States. No single customer accounted for as much as 10% of the Company's total gypsum wallboard sales during fiscal 1997.

During fiscal 1997, the principal states in which the Company had wallboard sales were Florida, Texas, New Mexico, Colorado and Illinois. Prior to fiscal 1992, most of the Company's wallboard sales were made in the western United States, with significant sales in California. However, due to the sharp decline in construction activity in California during the early 1990s, the Company has focused the distribution of its wallboard in various other areas of the country.

Although wallboard is distributed principally in regional markets, the Company and certain other producers have the ability to ship wallboard by rail outside their usual regional distribution area to take advantage of these other regional increases in demand. The Company owns or leases 167 railcars for transporting wallboard. In addition, in order to facilitate distribution in certain strategic areas, the Company maintains a distribution center in Albuquerque, New Mexico and four reload yards in Florida, Alabama and Illinois. The Company's rail distribution capabilities permit it to reach customers in all states west of the Mississippi River and many eastern states. During fiscal 1997, approximately 38% of the Company's sales volume of gypsum wallboard was transported by rail.

Competition. The gypsum wallboard industry is highly competitive. There are nine principal manufacturers of wallboard operating a total of 73 plants. The Company estimates that the three largest producers, including USG Corporation, National Gypsum Company, and Georgia-Pacific Corporation, account for over 80% of wallboard sales in the United States. In 1996 and early 1997, the industry experienced some consolidation, the largest being Georgia-Pacific Corporation's purchase of the gypsum business of Domtar, Inc. In general, a number of the Company's competitors in the wallboard industry have greater financial, manufacturing, marketing and distribution resources than the Company. Furthermore, certain of its competitors have vertically integrated operations consisting of wallboard manufacturing plants, paper mills and distribution centers, which may provide them with certain cost advantages over the Company.

Competition among wallboard producers is primarily on a regional basis, with local producers benefiting from lower transportation costs, and to a lesser extent on a national basis. Because of the

commodity nature of the product, competition is based principally on price and, to a lesser extent, on product quality and customer service.

Total United States wallboard production capacity is estimated currently at 26.0 billion square feet per year. The Gypsum Association, an industry trade group, estimates that total 1996 wallboard shipments were approximately 25.0 billion square feet, resulting in industry capacity utilization of over 95%. Imports are not a major factor in the wallboard industry.

Capital Expenditures. Capital expenditures during fiscal 1997 amounted to \$52,758,000 (including \$52 million for the Eagle acquisition) for the wallboard segment compared with \$889,000 in fiscal year 1996, and \$279,000 for fiscal year 1995. Capital outlays in fiscal 1998 have been budgeted at approximately \$6.2 million with no expenditures related to compliance with environmental regulation.

Environmental Matters. The gypsum industry is subject to environmental regulations similar to those governing the Company's cement operations. None of the Company's gypsum operations are presently the subject of any local, state or federal environmental proceedings or inquiries. The Company does not and has not used asbestos in any of its gypsum products.

In the fiscal year ended March 31, 1996, the Company's gypsum subsidiary entered into a consent order with the U.S. EPA to settle claims of the U.S. EPA against potentially responsible parties with respect to a waste disposal facility in Broomfield, Colorado. The Company's subsidiary contracted with the facility for the disposal of a small amount of liquid waste. The facility was eventually closed by governmental agencies. The Company's subsidiary settled this matter by entering into the consent order and paying approximately \$50 into a settlement fund.

#### CONCRETE AND AGGREGATES OPERATIONS

Company Operations. Readymix concrete, a versatile building material used in almost all construction, involves the mixing of cement, sand, gravel, crushed stone and water to form concrete which is then marketed and distributed to numerous construction contractors. Concrete is produced in batch plants and transported to the customer's job site in mixer trucks.

The construction aggregates business consists of the mining, extraction, production and sale of crushed stone, sand, gravel and lightweight aggregates such as expanded clays and shales. Construction aggregates of suitable characteristics are employed in virtually all types of construction, including the production of portland and asphaltic cement concrete mixes and in highway construction and maintenance.

As in the cement industry, the demand for readymix concrete and aggregates largely depends on regional levels of construction activity. The construction sector is subject to the vagaries of weather conditions, the availability of financing at reasonable rates and overall fluctuations in regional economies, and therefore tends to be cyclical. Both the concrete and aggregates industries are highly fragmented, with numerous participants operating in local markets. Because the cost of transporting concrete and aggregates is very high relative to product values, producers of concrete and aggregates typically can market their products only in areas within 100 miles of their production facilities. Barriers to entry in each industry are low, except with respect to environmental permitting requirements for new aggregate production facilities and zoning of land to permit mining and extraction of aggregates.

The Company produces and distributes readymix concrete north of Sacramento, California and in Austin, Texas. The following table sets forth certain information regarding these operations:

Location -----	Number of Plants -----	Number of Trucks -----
Northern California	5	35
Austin, Texas	5	57
	-----	-----
Total	10	92
	=====	=====

The Company's production of readymix concrete reached a ten-year peak of 992,000 cubic yards in 1986. Since such date, production has declined in response to decreased demand in the northern California and Austin markets. The Company believes that it has the capacity to significantly increase its concrete production from existing levels by adding to its fleet of trucks in the event that market conditions improve.

The Company conducts aggregate operations near its concrete facilities in northern California and Austin, Texas. During fiscal 1996, the Company sold its aggregates-only, marginally profitable, non-strategic production facility near Fort Worth, Texas. Aggregates are obtained principally by mining and extracting from quarries owned or leased by the Company and located in close proximity to its plants. The following table sets forth certain information regarding these operations.

Location -----	Types of Aggregates -----	Estimated Annual Production Capacity (Thousand tons) (1) -----	Estimated Minimum Reserves (Years) -----
Northern California	Sand and Gravel	1,285	100
Austin, Texas	Limestone	1,020	70
		-----	
Total		2,305	
		=====	

(1) Based on single-shift operation.

The Company's net readymix concrete production was 603,000 cubic yards in fiscal 1997, and 629,000 cubic yards in fiscal 1996. Total net aggregate sales were 2.1 million tons in fiscal 1997, and 2.8 million tons in fiscal 1996.

Raw Materials. The Company supplies all of its cement requirements for its Austin and northern California concrete operations. The Company supplies approximately 38% and 33%, respectively, of its aggregates requirements for its Austin and northern California concrete operations. The Company obtains the balance of its aggregates requirements from multiple sources in each of these markets.

The Company is engaged in a dispute with two federal government agencies over title to a portion of its principal aggregates deposit in northern California. Of the property's 10,000 acres and estimated two billion tons of aggregates, approximately 6,500 acres containing reserves which the Company estimates at over one billion tons are not in dispute. See "Item 3, Legal Proceedings."

Marketing and Distribution. The Company sells readymix concrete to numerous contractors and other customers in each plant's marketing area. The Company's batch plants in Austin and northern California are strategically located to serve each marketing area. Concrete is delivered from batch plants by trucks owned by the Company.

The Company sells aggregates to building contractors and other customers engaged in a wide variety of construction activities. Aggregates are delivered from the Company's aggregate plants by common carriers, customer pick-up and, to a lesser extent, trucks owned by the Company. No single customer accounted for as much as 10% of the Company's concrete and aggregates sales during fiscal 1997.

During the past several years, the Company has been engaged in negotiations with government officials to obtain the rights to build a rail line across Beale Air Force Base that would permit the Company to transport aggregates from its principal deposit north of Sacramento, California to the San Francisco Bay Area. The north Bay Area, in particular, is expected to experience a shortage of sand and gravel within the next ten years. In early 1997, the Company received a letter from certain representatives of the United States Department of the Air Force ("USAF") indicating that the USAF intended to terminate lease negotiations for the proposed right-of-way for the rail line due to the changing mission of Beale Air Force Base. The Company is attempting to re-commence negotiations with the USAF to conclude a lease agreement for the right-of-way across Beale Air Force Base. However, in light of the letter from the USAF, there can be no assurances that the Company will execute a lease with the USAF to construct the rail line across Beale Air Force Base or, even if it does so, whether the rail line will ever be constructed.

**Competition.** Competition among concrete producers within the Company's northern California and Austin markets is strong. The Company's competitors include five small and four large concrete producers in the northern California and Austin markets, respectively.

Both concrete and aggregates are commodity products. Each type of aggregate is sold in competition with other types of aggregates and in competition with other producers of the same type of aggregates. Accordingly, competition in both the concrete and aggregates businesses is based principally on price and, to a lesser extent, on product quality and customer service.

**Environmental matters.** The concrete and aggregates industry is subject to environmental regulations similar to those governing the Company's cement operations. None of the Company's concrete or aggregates operations are presently the subject of any local, state or federal environmental proceeding or inquiries.

#### EMPLOYEES

The Company and its subsidiaries had approximately 1,053 employees at March 31, 1997. Approximately 22% of the employees are represented by collective bargaining units.

#### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this annual report and Form 10-K contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on current expectations, estimates and projections concerning the general state of the economy and the industry and market conditions in certain geographic locations in which the Company operates. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events or other factors.

The Company's business is cyclical and seasonal, the effects of which cannot be accurately predicted. Risks and uncertainties include changes in general economic and market conditions such as changes in interest rates, adverse weather, unexpected operational difficulties, changes in governmental and public policy including increased environmental regulation, public infrastructure expenditures, competition, and the availability of raw materials. Other risks and uncertainties could also affect the outcome of the forward-looking statements.

## ITEM 2. PROPERTIES

The Company operates cement plants, quarries and related facilities at Buda, Texas; LaSalle, Illinois; Fernley, Nevada and Laramie, Wyoming. The Buda and LaSalle plants are each owned by separate joint ventures in which CXP has a 50% interest. The Company's principal aggregate plants and quarries are located in Austin, Texas and Marysville, California. In addition, the Company operates gypsum wallboard plants in Albuquerque and nearby Bernalillo, New Mexico and Gypsum, Colorado. None of the Company's facilities are pledged as security for any debts.

See "Item 1. Business" on pages 1-13 of this Report for additional information relating to the Company's properties.

## ITEM 3. LEGAL PROCEEDINGS

The Company's Western Aggregates, Inc. subsidiary ("WAI") has received notices of possible claims against WAI in a title dispute relating to WAI's leasehold interest under a 99-year mineral lease on the aggregates in 10,000 acres of property north of Sacramento, California commonly known as the Yuba Goldfields. WAI is currently negotiating with the State Lands Commission of the State of California to resolve title problems in the Yuba Goldfields involving the historic and current riverbeds of the Yuba River. Additionally, the Company has received preliminary indications that the U.S. Bureau of Land Management and U.S. Army Corps of Engineers will assert claims to property interests affecting the aggregates in approximately 3,500 acres in the Yuba Goldfields. The United States has also indicated that it may have certain other property interests in an additional 1,300 acres in the Yuba Goldfields that may affect WAI's ability to mine aggregates from this property and WAI has requested further clarification from the United States regarding the effect of these other property interests. WAI has also been involved in negotiations with the United States in an attempt to negotiate a land exchange in an effort to resolve the federal claims to lands within the Yuba Goldfields.

WAI notified its lessor, Yuba West Gold, Inc. ("Yuba"), and the lessor's successor-in-interest, Western Water Company ("Western Water"), of WAI's claims against both parties for title defects in the Yuba Goldfields. Yuba filed for protection under Chapter 11 of the United States Bankruptcy Code in September 1992, and subsequent to the April 1994 confirmation of Yuba's plan of reorganization, WAI received payments in cash from Yuba's bankruptcy estate amounting to approximately \$1.05 million in satisfaction of the claims filed by WAI in such bankruptcy proceedings. In April 1994, WAI completed a transaction with Western Water to settle WAI's claims that Western Water breached its obligations to cure the Yuba Goldfields title defects. As a part of the settlement, Western Water released WAI from its obligation under the mineral lease to pay annual production royalties to Western Water for the remainder of the lease term.

At the time WAI entered into its mineral lease in 1987, WAI obtained a \$5.525 million policy of title insurance from Western Title Insurance Company to insure a significant majority of its leasehold estate in the Yuba Goldfields. WAI notified Western Title Insurance Company's successor, Fidelity National Title Insurance Company of California ("Fidelity"), of possible insured claims of the United States to lands within the Yuba Goldfields and made demands upon Fidelity to take action to cure the title claims of the United States that encumbered WAI's leasehold estate. Because WAI believes that Fidelity breached its obligation under the title policy and acted in bad faith, in October 1996, WAI filed a civil action against Fidelity in Superior Court in Orange County, California seeking compensatory and punitive damages. Although management cannot predict the outcome of this action, it intends to pursue its rights and remedies vigorously.

In summary, although both the state and federal governments assert certain claims to portions of the Yuba Goldfields, the majority of the losses are covered by title insurance, and unless WAI's current mining plan changes, the portion of WAI's mineral lease which is not in dispute contains sufficient estimated reserves to meet WAI's current mining requirements for aggregates for a period of more than 100 years.

In addition to the proceedings described above, the Company is a party to certain other ordinary routine legal proceedings incidental to its business. In general, although the outcome of litigation is inherently uncertain, the Company believes that none of the litigation matters in which CXP or any subsidiary is involved, if determined unfavorable to CXP or any subsidiary, would have a material, adverse effect on the consolidated financial condition or operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF CXP (See Item 10 of Part III)

The following is an alphabetical listing of the Company's executive officers, as such term is defined under the rules and regulations of the Securities and Exchange Commission. All of these executive officers have been employed by the Company and/or one or more subsidiaries of the Company for the past five years. All of these executive officers were elected by the Board of Directors of the Company on July 18, 1996, to serve until the next Annual Meeting of Directors or until their respective successors are duly elected and qualified. There is no family relationship between any of these officers.

Name -----	Age -----	Positions with CXP -----
O. G. (Greg) Dagnan	57	President and Chief Executive Officer (President and Chief Executive Officer since January 1990; Senior Vice President - Operations from August 1989, to January 1990).
Richard D. Jones, Jr.	51	Executive Vice President and Chief Operating Officer (since January 1990).
Arthur R. Zunker, Jr.	53	Senior Vice President - Finance and Treasurer (Senior Vice President - Finance and Treasurer since January 1994; Senior Vice President - Administration from August 1984, to January 1994).

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(See Item 7 below.)

## ITEM 6. SELECTED FINANCIAL DATA

(See Item 7 below.)

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by Items 5, 6 and 7 is incorporated herein by reference to the information set forth under the following captions (on the page or pages indicated) in the 1997 CXP Annual Report:

Items	Caption in the 1997 CXP Annual Report	Pages
-----	-----	-----
5	Stock Prices and Dividends	37
5	Indebtedness (Note (C) to Consolidated Financial Statements of CXP)	21
6	Summary of Selected Financial Data	34-35
7	Short-term Borrowings and Long-term Debt (Note (C) to Consolidated Financial Statements of CXP)	21
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	29-32

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for in this Item 8 is incorporated herein by reference to the 1997 CXP Annual Report as set forth in the index to consolidated financial statements and schedules on page 17 of this Report (see Item 14).

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(See Item 11 below.)

## ITEM 11. EXECUTIVE COMPENSATION

Except for the information relating to the executive officers of the Company, which follows Item 4 of Part I of this Report, the information called for by Items 10, 11, 12 and 13 is incorporated herein by reference to the information included and referenced under the following captions (on the page or pages indicated) in the Company's Proxy Statement dated June 26, 1997, for the Company's July 17, 1997 Annual Meeting of Stockholders (the "1997 CXP Proxy Statement"):

Items	Caption in the 1997 CXP Proxy Statement	Pages
-----	-----	-----
10	Election of Directors	2-4
10	Section 16(a) Compliance	15
11	Executive Compensation	9-14
12	Security Ownership of Management and Certain Beneficial Owners	7-8
13	Certain Transactions	15

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT

(See Item 11 above.)

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(See Item 11 above.)

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Report.

(1) and (2) See the Index to Consolidated Financial Statements and Schedules below for a list of the Financial Statements and Financial Statement schedules filed herewith.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

	Reference
	-----
	1997 CXP
	Annual Report Page
	-----
CENTEX CONSTRUCTION PRODUCTS, INC.	
Report of Independent Public Accountants . . . . .	28
Statements of Consolidated Earnings for the years ended March 31, 1997, 1996 and 1995 . . . . .	14
Consolidated Balance Sheets as of March 31, 1997 and 1996 . . . . .	15
Statements of Consolidated Cash Flows for the years ended March 31, 1997, 1996 and 1995 . . . . .	16
Statements of Consolidated Stockholders' Equity for the years ended March 31, 1997, 1996 and 1995 . . . . .	17
Notes to Consolidated Financial Statements . . . . .	18-27
Quarterly Results (Unaudited) . . . . .	33

Consolidated supporting schedules have been omitted either because the required information is contained in notes to the consolidated financial statements or because such schedules are not required or are not applicable.

(3) Exhibits

The information on exhibits required by this Item 14 is set forth in the CXP Index to Exhibits appearing on page 20 and 21 of this Report.

(b) Reports on Form 8-K:

On March 12, 1997, the Company filed with the Securities and Exchange Commission a Current Report on Form 8-K to report the acquisition on February 26, 1997 of all of the equity interests in the owner of a gypsum mine, gypsum wallboard plant, and a related cogeneration power facility, all located near Vail, Colorado. See "Item 1. Business - General" and "Item 1. Business - Gypsum Wallboard Operations".

On May 12, 1997, the Company filed with the Securities and Exchange Commission an amended Current Report on Form 8-K/A to amend its prior Form 8-K filing to include the audited financial statements of the businesses acquired and the pro forma financial information of the Company required by Form 8-K.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

June 25, 1997

/s/ O. G. DAGNAN

-----  
O. G. Dagnan, Director, President and  
Chief Executive Officer  
(principal executive officer)

June 25, 1997

/s/ ARTHUR R. ZUNKER, JR.

-----  
Arthur R. Zunker, Jr., Senior Vice President -  
Finance and Treasurer  
(principal financial and accounting officer)

June 25, 1997

/s/ ROBERT L. CLARKE

-----  
Robert L. Clarke, Director

June 25, 1997

/s/ LAURENCE E. HIRSCH

-----  
Laurence E. Hirsch, Director

June 25, 1997

/s/ DAVID W. QUINN

-----  
David W. Quinn, Director

June 25, 1997

/s/ HAROLD K. WORK

-----  
Harold K. Work, Director

INDEX TO EXHIBITS  
CENTEX CONSTRUCTION PRODUCTS, INC.  
AND SUBSIDIARIES

Exhibit Number	Description of Exhibits
-----	-----
3.1	Restated Certificate of Incorporation of Centex Construction Products, Inc. (the "Company") (filed as Exhibit 3.1 to the Form S-8 Registration Statement of the Company (No. 33-82928) (the "S-8 Registration Statement"), filed on August 16, 1994, and incorporated herein by reference)
3.2	Amended and Restated Bylaws of the Company (filed as Exhibit 3.2 to the S-8 Registration Statement and incorporated herein by reference)
4.1	Form of Certificate evidencing Common Stock (filed as Exhibit 4.1 to Amendment No. 3 to the Form S-1 Registration Statement of the Company (No. 33-74816), filed on April 4, 1994, ("Amendment No. 3"), and incorporated by reference herein)
4.2	Credit Agreement dated as of April 18, 1994, among the Company, The First National Bank of Chicago, Individually and as Agent, and the other Lenders named therein (filed as Exhibit 4.2 to the Annual Report on Form 10-K of the Company (File No. 1-12984) for the fiscal year ended March 31, 1995 (the "Form 10-K") and incorporated herein by reference)
4.3	Amendment No. 1 to the Credit Agreement, dated as of March 20, 1996, among the Company, the First National Bank of Chicago, individually and as agent, and the other lenders named therein (filed as Exhibit 4.3 to the Annual Report on Form 10-K of the Company (File No. 1-12984) for the fiscal year ended March 31, 1996 and incorporated herein by reference)
10.1	Joint Venture Agreement between Ilce, Inc. (f/k/a Illinois Cement Company, Inc.) and RAAM Limited Partnership, dated April 1, 1972, as amended (filed as Exhibit 10.1 to the Form S-1 Registration Statement (No. 33-74816) of the Company, filed on February 4, 1994, (the "S-1 Registration Statement") and incorporated herein by reference)
10.2	Joint Venture Agreement by and among Texas Cement Company, the Company, and Lehigh Portland Cement Company, dated March 25, 1986, as amended (filed as Exhibit 10.2 to the S-1 Registration Statement) and incorporated herein by reference)
10.3*	The Centex Construction Products, Inc. amended and restated Stock Option Plan(1)

- 10.4 Supplemental Executive Retirement Plan of Centex Construction Products, Inc. (filed as Exhibit 10.4 to the 1995 Form 10-K and incorporated herein by reference) (1)
- 10.5 Indemnification Agreement dated as of April 19, 1994, between the Company and Centex Corporation ("Centex") (filed as Exhibit 10.5 to the 1995 Form 10-K and incorporated herein by reference)
- 10.6 Tax Separation Agreement dated as of April 1, 1994, among Centex, the Company and its subsidiaries (filed as Exhibit 10.6 to the 1995 Form 10-K and incorporated herein by reference)
- 10.7 Administrative Services Agreement dated as of April 1, 1994, between the Company and Centex Service Company (filed as Exhibit 10.7 to the 1995 Form 10-K and incorporated herein by reference)
- 10.8 Trademark License Agreement dated as of April 19, 1994, between the Company and Centex (filed as Exhibit 10.8 to the 1995 Form 10-K and incorporated herein by reference)
- 10.9 Form of Indemnification Agreement between the Company and each of its directors (filed as Exhibit 10.9 to Amendment No. 3 and incorporated herein by reference) (1)
- 10.10 Limited Liability Company Unit Purchase Agreement (EGP), dated as of December 5, 1997, among Centex American Gypsum Company, Centex Eagle Gypsum Company, and Eagle-Gypsum Products (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 1-12984), filed on March 12, 1997, (the "Form 8-K") and incorporated herein by reference)
- 10.11 Limited Liability Company Unit Purchase Agreement (NES), dated as of December 5, 1997, among Centex American Gypsum Company, CEGC Holding Company, and National Energy Systems, Inc. (filed as Exhibit 2.2 to the Form 8-K and incorporated herein by reference)
- 13\*\* Annual Report to Stockholders of the Company for fiscal year ended March 31, 1997 (the "Annual Report to Stockholders")
- 21\* Subsidiaries of the Company
- 23\* Consent of Independent Public Accountants
- 27\* Financial Data Schedule

- -----  
\* Filed herewith.

\*\* With the exception of the information expressly incorporated by reference in this Annual Report on Form 10-K from the Annual Report to Stockholders, the Annual Report to Stockholders is not deemed filed with the Commission as a part of this Annual Report on Form 10-K.

(1) Required to be identified as a management contract or a compensatory plan or arrangement pursuant to Item 14(a)(3) of Form 10-K.

CENTEX CONSTRUCTION PRODUCTS, INC.  
AMENDED AND RESTATED STOCK OPTION PLAN

1. PURPOSE

The purpose of this Plan is to assist Centex Construction Products, Inc., a Delaware corporation, in attracting and retaining as officers and key employees of the Company and its Affiliates, and as non-employee directors of the Company, individuals of training, experience, and ability and to furnish additional incentive to such individuals by encouraging them to become owners of Shares of the Company's capital stock, by granting to such individuals Incentive Options, Nonqualified Options, Restricted Stock, or any combination of the foregoing.

2. DEFINITIONS

Unless the context otherwise requires, the following words as used herein shall have the following meanings:

(a) "Plan" -- This Centex Construction Products, Inc. Amended and Restated Stock Option Plan.

(b) "Company" -- Centex Construction Products, Inc., a Delaware corporation.

(c) "Board" -- The Board of Directors of the Company as the same may be constituted from time to time.

(d) "Committee" -- The Committee provided for in Section 3 of this Plan, as such Committee may be constituted from time to time.

(e) "Share" -- A share of the Company's present one cent (\$0.01) par value common stock and any share or shares of capital stock or other securities of the Company hereafter issued or issuable upon, in respect of or in substitution or in exchange for each present share. Such Shares may be unissued or reacquired Shares, as the Board, in its sole and absolute discretion, shall from time to time determine.

(f) "Option" -- An option to purchase one or more Shares of the Company granted under and pursuant to the Plan. Such Option may be either an Incentive Option or a Nonqualified Option.

(g) "Optionee" -- An individual who has been granted an Option under this Plan and who has executed a written option Agreement with the Company.

(h) "Affiliates" -- Any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain, owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, and (b) any corporation (other than the Company) in any unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations, other than the Company, owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(i) "Fair Market Value" -- If a Share is traded on one or more established market or exchanges, the mean of the opening and closing price of the Share in the primary market or exchange on which the Share is traded, and if the Share is not so traded or the Share does not trade on the relevant date, the value determined in good faith by the Board. For purposes of valuing Shares to be made subject to Incentive Options, the Fair Market Value of stock shall be determined without regard to any restriction other than one which, by its terms, will never lapse.

(j) "Agreement" -- The written agreement between the Company and the Optionee evidencing the Option granted by the Company and the understanding of the parties with respect thereto.

(k) "Incentive Option" -- Stock Options that are intended to satisfy the requirements of Section 422 of the Code and Section 16 of this Plan.

(l) "Nonqualified Options" -- Stock Options which do not satisfy the requirements of Section 422 of the Code.

(m) "Code" -- The Internal Revenue Code of 1986, as amended from time to time.

(n) "Restricted Stock" -- Shares issued pursuant to Section 19 of the Plan.

(o) "Act" -- The Securities Exchange Act of 1934, as amended.

(p) "Non-Employee Director" -- An individual who satisfies the requirements of Rule 16b-3 promulgated under the Act.

### 3. ADMINISTRATION

Except as is herein expressly provided otherwise, the Plan shall be administered by the Board. The selection of individuals who shall receive grants of Options or awards of Restricted Stock shall be made by the Committee. The Committee shall consist of two or more individuals who shall be appointed by and shall serve at the pleasure of the Board and may be comprised of the entire Board. When the Committee is so comprised of the entire Board, the terms "Board" and "Committee", as used herein, shall be deemed synonymous. Notwithstanding the provisions of the immediately preceding sentence, unless the Board provides otherwise by resolution, the Committee shall be composed only of individuals who are Non-Employee Directors, and until and unless the Board provides or has provided that individuals who are not Non-Employee Directors may be members of the Committee, no individual appointed to the Committee shall have been eligible at any time within one year prior to his appointment to the Committee for the grant of an option, stock allocation, or stock appreciation right under the Plan or any other plan of the Company or its affiliates (within the meaning of Rule 12b-2 promulgated under the Act), nor shall such individual be eligible to receive an option, allocation of stock, or stock appreciation right under any such plan while a member of the Committee. The Board may by resolution at any time and from time to time provide that the Committee shall be comprised only of individuals who are Non-Employee Directors or that the Committee may be comprised of individuals some or all of whom are not Non-Employee Directors, all as the Board may deem from time to time appropriate. In making grants or awards, the Committee shall take into consideration the contribution the individual has made or may make to the success of the Company or its Affiliates and such other considerations as the Board may from time to time specify.

The Committee shall elect one of its members as its chairman and shall hold its meetings at such times and places as it may determine. All decisions and determinations of the Committee shall be made by the majority vote or decision of all of its members present at a meeting; provided, however, that any decision or determination reduced to writing and signed by all of the members of the Committee shall be as fully effective as if it had been made at a meeting duly called and held. The Committee may make any rules and regulations for the conduct of its business that are not inconsistent with the provisions hereof, the bylaws of the Company or any resolutions of the Board.

All questions of interpretation and application of the Plan shall be subject to the determination of a majority of the whole Board, which determination shall be final and binding upon all parties. All questions of interpretation and application of an Option grant or an award of Restricted Stock, including questions of interpretation and application of an Agreement, shall be subject to the determination of a majority of the Committee, which determination shall be final and binding upon all parties.

Subject to the express provisions hereof, the Board shall have the authority, in its sole and absolute discretion, (a) to adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan,

(b) to construe the Plan, and (c) to make all other determinations necessary or advisable for administering the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. Subject to the express provisions hereof, the Committee shall have the authority, in its sole and absolute discretion, (a) to determine the terms and provisions of the respective Agreements (which need not be identical), including provisions defining or otherwise relating to (i) subject to the specific provisions of the Plan, the term and the period or periods and extent of exercisability of the Options, (ii) the extent to which the transferability of Shares issued upon exercise of Options is restricted, (iii) the effect of termination of employment or directorship upon the exercisability of the Options, and (iv) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service), (b) subject to Sections 8 and 10, to accelerate, for any reason, regardless of whether the Agreement so provides, the time of exercisability of any Option that has been granted, (c) to construe the respective Agreements, and (d) to exercise the powers conferred on the Committee under Section 19. The determinations of the Board or Committee, as the case may be, on the matters referred to in this Section 3 shall be final and conclusive.

#### 4. SHARES SUBJECT TO PLAN

(a) A maximum of 2,000,000 Shares shall be subject to grants of Options and awards of Restricted Stock under the Plan; provided that such maximum shall be increased or decreased as provided below in Section 12.

(b) At any time and from time to time after the Plan takes effect, the Committee, pursuant to the provisions herein set forth, may grant Options and award Restricted Stock until the maximum number of Shares shall be exhausted or the Plan shall be sooner terminated; provided, however, that no Option shall be granted and no Restricted Stock shall be awarded after March 31, 2004.

(c) Should any Option expire or be canceled without being fully exercised, or should any Restricted Stock previously awarded be reacquired by the Company, the number of Shares with respect to which such Option shall not have been exercised prior to its expiration or cancellation and the number of Shares of such Restricted Stock so reacquired may again be optioned or awarded pursuant to the provisions hereof.

(d) Any Shares withheld pursuant to subsection 18(c) shall not be available after such withholding for being optioned or awarded pursuant to the provisions hereof.

#### 5. ELIGIBILITY

Eligibility for the receipt of the grant of Options under the Plan shall be confined to (a) a limited number of persons who are employed by the Company, or one or more of its Affiliates and who are officers of or who, in the opinion of the Board, hold other key positions in or for the Company or one or more of its Affiliates and (b) directors of the Company, including directors who are not employees of the Company or its Affiliates; provided that only employees of the Company or its Affiliates shall be eligible for the grant of Incentive Options. In addition, an individual who becomes a director of the Company, but who is not at the time he becomes a director also an employee of the Company, shall not be eligible for a grant of Options or an award of Restricted Stock, and shall not be eligible for the grant of an option, stock allocation, or stock appreciation right under any other plan of the Company or its affiliates (within the meaning of Rule 12b-2 promulgated under the Act) until the Board expressly declares such person eligible by resolution. In no event may an Option be granted to an individual who is not an employee of the Company or an Affiliate or a director of the Company. In addition, to provide for Non-Employee Directors to serve on the Committee, the Board may from time to time specify individuals described in the first sentence of this Section 5 who shall not be eligible for the grant of Options or the award of Restricted Stock or the grant of options or stock appreciation rights or allocations of stock under any plan of the Company or its affiliates (within the meaning of Rule 12b-2 promulgated under the Act); provided however, that the Board may at any time determine that any individual who has been so excluded from eligibility shall become eligible for grants of Options or awards of Restricted Stock.

## 6. GRANTING OF OPTIONS

(a) From time to time while the Plan is in effect, the Committee may in its absolute discretion, select from among the persons eligible to receive a grant of Options under the Plan (including persons who have already received such grants of Options) such one or more of them as in the opinion of the Committee should be granted Options. The Committee shall thereupon, likewise in its absolute discretion, determine the number of Shares to be allotted for option to each person so selected; provided, however, that the total number of Shares subject to Options granted to any one person, including directors of the Company, when aggregated with the number of Shares of Restricted Stock awarded to such person, shall not exceed 400,000 Shares.

(b) Each person so selected shall be offered an Option to purchase the number of Shares so allotted to him, upon such terms and conditions, consistent with the provisions of the Plan, as the Committee may specify. Options granted to directors of the Company at such times as the Committee is not composed solely of Non-Employee Directors shall provide that such Options may not be exercised until the first anniversary of their grant and then may be exercised in full at any time on or after such first anniversary date until the date that is ten (10) years from the date when the Option was originally granted. Each such person shall have a reasonable period of time, to be fixed by the Committee, within which to accept or reject the proffered Option. Failure to accept within the period so fixed may be treated as a rejection.

(c) Each person who accepts an Option offered to him shall enter into an Agreement with the Company, in such form as the Committee may prescribe, setting forth the terms and conditions of the Option, whereupon such person shall become a participant in the Plan. In the event an individual is granted both one or more Incentive Options and one or more Nonqualified Options, such grants shall be evidenced by separate Agreements, one each for the Incentive Option grants and one each for the Nonqualified Options grants. The date which the Committee specifies to be the grant date of an Option to an individual shall constitute the date on which the Option covered by such Agreement is granted. In no event, however, shall an Optionee gain any rights in addition to those specified by the Committee in its grant, regardless of the time that may pass between the grant of the Option and the actual signing of the Agreement by the Company and the Optionee.

## 7. OPTION PRICE

The option price for each Share covered by each Incentive Option shall not be less than the greater of (a) the par value of each such Share or (b) the Fair Market Value of the Share at the time such Option is granted, except as provided hereinafter. The option price for each Share covered by each Nonqualified Option shall not be less than the greater of (a) the par value of each such Share or (b) 85% of the Fair Market Value of the Share at the time the Option is granted; provided, however, that the number of Shares covered by Nonqualified Options granted under this Plan that have an option price less than the Fair Market Value of a Share at the time the respective Option is granted shall not exceed 10% of the total number of Shares authorized to be issued under this Plan. If the Company or an Affiliate agrees to substitute a new Option under the Plan for an old Option, or to assume an old Option, by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation (any of such events being referred to herein as a "Corporate Transaction"), the option price of the Shares covered by each such new Option or assumed Option may be other than the Fair Market Value of the stock at the time the Option is granted as determined by reference to a formula, established at the time of the Corporate Transaction, which will give effect to such substitution or assumption; provided, however, in no event shall --

(a) the excess of the aggregate Fair Market Value of the Share subject to the Option immediately after the substitution or assumption over the aggregate option price of such Shares be more than the excess of the aggregate Fair Market Value of all Shares subject to the Option immediately prior to the substitution or assumption over the aggregate option price of such Shares;

(b) in the case of an Incentive Option, the new Option or the assumption of the old Option give the Optionee additional benefits which he would not have under the old Option; or

(c) the ratio of the option price to the Fair Market Value of the stock subject to the Option immediately after the substitution or assumption be more favorable to the Optionee than the ratio of the option price to the Fair Market Value of the stock subject to the old Option immediately prior such substitution or assumption, on a Share by Share basis.

Notwithstanding the above, the provisions of this Section 7 with respect to the Option price in the event of a Corporate Transaction shall, in case of an Incentive Option, be subject to the requirements of Section 25(a) of the Code and the Treasury regulations and revenue rulings promulgated thereunder. In the case of an Incentive Option, in the event of a conflict between the terms of this Section 7 and the above cited statute, regulations, and rulings, or in the event of an omission in this Section 7 of a provision required by said laws, the latter shall control in all respects and are hereby incorporated herein by reference as if set out at length.

#### 8. OPTION PERIOD

(a) Each Option shall run for such period of time as the Committee may specify, but in no event for longer than ten (10) years from the date when the Option is granted, including the period of time provided in subsections (i) and (ii) of this subsection (a); and subject to such limits, and the further condition that, unless designated otherwise by the Committee, no Incentive Option shall become exercisable prior to one year from the date of its grant,

(i) Except as provided below in this subsection (i), all rights to exercise an Option shall terminate within three months after the date the Optionee ceases to be an employee of at least one of the employers in the group of employers consisting of the Company and its Affiliates, or after the date the Optionee ceases to be a director of the Company, whichever may occur later, for any reason other than death, except that, (x) in the case of a Nonqualified Option which is held by an Optionee who is, on the date of cessation referred to in this clause, an officer or director of the Company (within the meanings thereof under Section 16(b) of the Act), all rights to exercise such Option shall terminate within seven months after the date the Optionee ceases to be an employee of at least one of the employers in the group of employers consisting of the Company and its Affiliates, or, if later, after the date the Optionee ceases to be a director of the Company, for any reason other than death; and, except that, (y) the Committee, in its discretion, may provide in new Option grants or amend outstanding Options to provide an extended period of time during which an Optionee can exercise a Nonqualified Option to the maximum permissible period for which such Optionee's Option would have been exercisable in the absence of the Optionee's ceasing to be an employee of the Company and its Affiliates or ceasing to be a director of the Company; and, except that (z) in case the employment of the Optionee is terminated for cause, the Option shall thereafter be null and void for all purposes.

(ii) If the Optionee ceases to be employed by at least one of the employers in the group of employers consisting of the Company and its Affiliates, or ceases to be a director of the Company, whichever may occur later, by reason of his death, all rights to exercise such Option shall terminate fifteen (15) months thereafter.

(iii) If an Option is granted with a term shorter than ten (10) years, the Committee may extend the term of the Option, but for not more than ten (10) years from the date when the Option was originally granted.

## 9. OPTIONS NOT TRANSFERABLE

No Option or interest therein shall be transferable by the person to whom it is granted otherwise than by will or by the applicable laws of descent and distribution. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide in the Agreement relating to the grant of an Option that the Optionee may transfer such Option, without consideration, to members of the Optionee's immediate family or to one or more trusts for the benefit of such immediate family members or partnerships in which such immediate family members are the only partners. For purposes of this Section 9, "immediate family" shall mean the Optionee's spouse, parents, children (including adopted children), and grandchildren.

## 10. EXERCISE OF OPTIONS

(a) During the lifetime of an Optionee only he or his guardian or legal representative may exercise an Option granted to him. In the event of his death, any then exercisable portion of his Option may, within fifteen (15) months thereafter, or earlier date of termination of the Option, be exercised in whole or in part by any person empowered to do so under the deceased Optionee's will or under the applicable laws of descent and distribution.

(b) At any time, and from time to time, during the period when any Option, or a portion thereof, is exercisable, such Option, or portion thereof, may be exercised in whole or in part; provided, however, that the Committee may require any Option which is partially exercised to be so exercised with respect to at least a stated minimum number of Shares.

(c) Each exercise of an Option or portion or part thereof shall be evidenced by a notice in writing to the Company accompanied by payment in full of the option price of the Shares then being purchased. Payment in full shall mean payment of the full amount due, either in cash, by certified check or cashier's check, or, with the consent of the Committee, with Shares owned by the Optionee, including an actual or deemed multiple series of exchanges of such Shares. Options granted to directors of the Company at such times as the Committee is not composed solely of Non-Employee Directors shall be paid for in cash, by certified check or cashier's check, or with Shares owned by the director, including an actual or deemed multiple series of exchanges of such Shares, as elected by the director.

(d) No Shares shall be issued until full payment therefor has been made, and an Optionee shall have none of the rights of a stockholder until Shares are issued to him.

(e) Nothing herein or in any Agreement executed or Option granted hereunder shall require the Company to issue any Shares upon exercise of an Option if such issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act of 1933, as amended, or any similar or superseding statute or statutes, or any other applicable statute or regulation, as then in effect. Upon the exercise of an Option or portion or part thereof, the Optionee shall give to the Company satisfactory evidence that he is acquiring such Shares for the purpose of investment only and not with a view to their distribution; provided, however, if or to the extent that the Shares subject to the Option shall be included in a registration statement filed by the Company, or one of its Affiliates, such investment representation shall be abrogated.

## 11. DELIVERY OF STOCK CERTIFICATES

As promptly as may be practicable after an Option, or a portion or part thereof, has been exercised as hereinabove provided, the Company shall make delivery of one or more certificates for the appropriate number of Shares. In the event that an Optionee exercises both an Incentive Option, or a portion thereof, and a Nonqualified Option, or a portion thereof, separate stock certificates shall be issued, one for the Shares subject to the Incentive Option and one for the Shares subject to the Nonqualified Option.

## 12. CHANGES IN COMPANY'S SHARES AND CERTAIN CORPORATE TRANSACTIONS

(a) If at any time while the Plan is in effect there shall be an increase or decrease in the number of issued and outstanding Shares of the Company effected without receipt of consideration therefor by the Company, through the declaration of a stock dividend or through any recapitalization or merger or otherwise in which the Company is the surviving corporation, resulting in a stock split-up, combination, or exchange of Shares of the Company, then and in each such event:

(i) An appropriate adjustment shall be made in the maximum number of Shares then subject to being optioned or awarded as Restricted Stock under the Plan, to the end that the same proportion of the Company's issued and outstanding Shares shall continue to be subject to being so optioned and awarded;

(ii) Appropriate adjustment shall be made in the number of Shares and the option price per Share thereof then subject to purchase pursuant to each Option previously granted, to the end that the same proportion of the Company's issued and outstanding Shares in each such instance shall remain subject to purchase at the same aggregate option price: and

(iii) In the case of Incentive Options, any such adjustments shall in all respects satisfy the requirements of Section 424(a) of the Code and the Treasury regulations and revenue rulings promulgated thereunder.

Except as is otherwise expressly provided herein, the issue by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with a direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or option price of Shares then subject to outstanding Options granted under the Plan. Furthermore, the presence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities or preferred or preference stock which would rank above the Shares subject to outstanding Options granted under the Plan; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer, or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Notwithstanding anything to the contrary above, a dissolution or liquidation of the Company, a merger (other than a merger effecting a reincorporation of the Company in another state) or consolidation in which the Company is not the surviving corporation (or survives only as a subsidiary of another corporation in a transaction in which the stockholders of the parent of the Company and their proportionate interests therein immediately after the transaction are not substantially identical to the stockholders of the Company and their proportionate interests therein immediately prior to the transaction), a transaction in which another corporation (other than Centex Corporation or one of its affiliates (as defined in Section 12b-2 of the Act)) becomes the owner of 50% or more of the total combined voting power of all classes of stock of the Company, or a change in control (as specified below), shall cause every Option then outstanding to become exercisable in full, subject to the limitation on the aggregate Fair Market Value of Shares that may become first exercisable during any calendar year set forth in Section 16, immediately prior to such dissolution, liquidation, merger, consolidation, transaction, or change in control, to the extent not theretofore exercised, without regard to the determination as to the periods and installments of exercisability contained in the Agreements if (and only if) such Options have not at that time expired or been terminated. For purposes of this paragraph, a change in control shall be deemed to have taken place if: (i) a third person (other than Centex Corporation or one of its affiliates (as defined in Section 12b-2 of the Act)), including a "group" as defined in Section 13(d)(3) of the Act, becomes the beneficial owner of Shares of the Company having 50% or more of the total number of votes that may be cast for the election of directors of the Company; or (ii) as a result of, or in connection with, a contested election for directors, the persons who were directors of the Company immediately before such election shall cease to constitute

a majority of the Board. Notwithstanding the foregoing provisions of this paragraph, in the event of any such dissolution, merger, consolidation, transaction, or change in control, the Board may completely satisfy all obligations of the Company and its Affiliates with respect to any Option outstanding on the date of such event by delivering to the Optionee cash in an amount equal to the difference between the aggregate exercise price for Shares under the Option and the Fair Market Value of such Shares on the date of such event, such payment to be made within a reasonable time after such event.

13. EFFECTIVE DATE

The Plan shall be effective on April 1, 1994, the date of its adoption by the Board and its approval by Centex Corporation, a Nevada corporation and the sole stockholder of the Company as of the effective date.

14. AMENDMENT, SUSPENSION OR TERMINATION

(a) Subject to the other terms and conditions of this Plan and the limitations set forth in subsection 14(b) below, the Board may at any time amend, suspend or terminate the Plan; provided, however, that after the stockholders have ratified the Plan, the Board may not, without approval of the stockholders of the Company, amend the Plan so as to:

(i) Increase the maximum number of Shares subject thereto, as specified above in Sections 4(a) and 12; or

(ii) Increase the proportionate number of Shares which may be purchased pursuant to Option by any one person or awarded as Restricted Stock to any one person, as specified above in Section 6(a) or below in Section 19(a); or

(b) Neither the Board nor the Committee may amend the Plan or any Agreement to reduce the option price of an outstanding Option or modify, impair or cancel any existing Option without the consent of the holder thereof.

15. REQUIREMENTS OF LAW

Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue Shares under any Option if the issuance thereof would constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange; and as a condition of any sale or issuance of Shares under Option the Company may require such agreements or undertakings, if any, as the Company may deem necessary or advisable to assure compliance with any such law or regulation.

16. INCENTIVE STOCK OPTIONS

The Committee, in its discretion, may designate any Option granted under the Plan as an Incentive Option intended to qualify under Section 422 of the Code. Any provision of the Plan to the contrary notwithstanding, (i) no Incentive Option shall be granted to any person who, at the time such Incentive Option is granted, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Affiliate unless the purchase price under such Incentive Option is at least 110 percent of the Fair Market Value of the Shares subject to an Incentive Option at the date of its grant and such Incentive Option is not exercisable after the expiration of five years from the date of its grant, and (ii) the aggregate Fair Market Value of the Shares subject to such Incentive Option and the aggregate Fair Market Value of the shares of stock of any Affiliate (or a predecessor of the Company or an Affiliate) subject to any other incentive stock option (within the meaning of Section 422 of the Code) of the Company and its Affiliates (or a predecessor corporation of any such corporation), that may become first exercisable in any calendar year, shall not (with respect to any Optionee) exceed \$100,000, determined as of the date the Incentive Option is granted. For purposes of this Section 16, "predecessor corporation" means a corporation that was a party to a transaction described in Section 424(a) of the Code (or which would be so described if a substitution

or assumption under such section had been effected) with the Company, or a corporation which, at the time the new incentive stock option (within the meaning of Section 422 of the Code) is granted, is an Affiliate of the Company or a predecessor corporation of any such corporations.

17. MODIFICATION OF OPTIONS

Subject to the terms and conditions of and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options granted under the Plan, or accept the surrender of Options outstanding hereunder (to the extent not theretofore exercised) and authorize the granting of new Options hereunder in substitution therefor (to the extent not theretofore exercised). Notwithstanding the foregoing provisions of this Section 17, no modification of an Option granted hereunder shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option theretofore granted hereunder to such Optionee under the Plan, except as may be necessary, with respect to Incentive Options, to satisfy the requirements of Section 422 of the Code.

18. AGREEMENT PROVISIONS

(a) Each Agreement shall contain such provisions (including, without limitation, restrictions or the removal of restrictions upon the exercise of the Option and the transfer of shares thereby acquired) as the Committee shall deem advisable. Each Agreement shall identify the Option evidenced thereby as an Incentive Option or Nonqualified Option, as the case may be. Incentive Options and Nonqualified Options may not both be covered by a single Agreement. Each such Agreement relating to Incentive Options granted hereunder shall contain such limitations and restrictions upon the exercise of the Incentive Option as shall be necessary for the Incentive Option to which such Agreement related to constitute an incentive stock option, as defined in Section 422 of the Code.

(b) The Plan shall be annexed to each Agreement and each Agreement shall recite that it is subject to the Plan and that the Plan shall govern where there is any inconsistency between the Plan and the Agreement.

(c) Each Agreement shall contain an agreement and covenant by the Optionee, in such form as the Committee may require in its discretion, that he consents to and will take whatever affirmative actions are required, in the opinion of the Board or Committee, to enable the Company or appropriate Affiliate to satisfy its Federal income tax and FICA withholding obligations. An Agreement may contain such provisions as the Committee deems appropriate to enable the Company or its Affiliates to satisfy such withholding obligations, including provisions permitting the Company, on exercise of an Option, to withhold Shares otherwise issuable to the Optionee exercising the Option to satisfy the applicable withholding obligations.

(d) Each Agreement relating to an Incentive Option shall contain a covenant by the Optionee immediately to notify the Company in writing of any disqualifying disposition (within the meaning of section 421(b) of the Code) of an Incentive Option.

19. RESTRICTED STOCK

(a) Shares of Restricted Stock may be awarded by the Committee to such individuals as are eligible for grants of Options, as the Committee may determine at any time and from time to time before the termination of the Plan. The total number of Shares of Restricted Stock awarded to any one person, including directors of the Company, when aggregated with the number of Shares subject to Options in favor of such person, shall not exceed 400,000 Shares.

(b) A Share of Restricted Stock is a Share that does not irrevocably vest in the holder or that may not be sold, exchanged, pledged, transferred, assigned or otherwise encumbered or disposed of until the terms and conditions set by the Committee at the time of the award of the Restricted Stock have been satisfied. A Share of Restricted Stock shall be subject to a minimum three-year vesting period and shall contain such other restrictions, terms and conditions as the Committee may establish, which may include, without limitation, the rendition of services to the Company or its Affiliates for a specified time or the achievement of specific goals. The Committee may, when it deems it appropriate,



stock and other securities (including those of any new direct or indirect parent of the Company), property, cash or any combination thereof receivable upon such reclassification, change, consolidation, or merger.

20. GENERAL

(a) The proceeds received by the Company from the sale of Shares pursuant to Options shall be used for general corporate purposes.

(b) Nothing contained in the Plan, or in any Agreement, shall confer upon any Optionee or recipient of Restricted Stock the right to continue in the employ of the Company or any Affiliate, or interfere in any way with the rights of the Company or any Affiliate to terminate his employment at any time.

(c) Neither the members of the Board nor any member of the Committee shall be liable for any act, omission, or determination taken or made in good faith with respect to the Plan or any Option or Restricted Stock granted under it; and the members of the Board and the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage, or expense (including counsel fees) arising therefrom to the full extent permitted by law and under any directors and officers liability or similar insurance coverage that may be in effect from time to time.

(d) As partial consideration for the granting of each Option or award of Restricted Stock hereunder, the Optionee or recipient shall agree with the Company that he will keep confidential all information and knowledge which he has relating to the manner and amount of his participation in the Plan; provided, however, that such information may be disclosed as required by law or given in confidence to the individual's spouse, tax or financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Committee, it shall take into consideration such breach, in determining whether to grant any future Option or award any future Restricted Stock to such individual, as a factor militating against the advisability of granting any such future Option or awarding any such future Restricted Stock to such individual.

(e) Participation in the Plan shall not preclude an individual from eligibility in any other stock option plan of the Company or any Affiliate or any old age benefit, insurance, pension, profit sharing, retirement, bonus, or other extra compensation plans which the Company or any Affiliate has adopted, or may, at any time, adopt for the benefit of its employees or directors.

(f) Any payment of cash or any issuance or transfer of Shares to the Optionee, or to his legal representative, heir, legatee, or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Board or Committee may require any Optionee, legal representative, heir, legatee, or distributee, as a condition precedent to such payment, to execute a release and receipt therefor in such form as it shall determine.

(g) Neither the Committee nor the Board nor the Company guarantees the Shares from loss or depreciation.

(h) All expenses incident to the administration, termination, or protection of the Plan, including, but not limited to, legal and accounting fees, shall be paid by the Company or its Affiliates.

(i) Records of the Company and its Affiliates regarding an individual's period of employment, termination of employment and the reason therefor, leaves of absence, re-employment, tenure as a director, and other matters shall be conclusive for all purposes hereunder, unless determined by the Board or Committee to be incorrect.

(j) The Company and its Affiliates shall, upon request or as may be specifically required hereunder, furnish or cause to be furnished, all of the information or documentation which is necessary or required by the Board or Committee to perform its duties and functions under the Plan.

(k) The Company assumes no obligation or responsibility to an Optionee or recipient of Restricted Stock or his personal representatives, heirs, legatees, or distributees for any act of, or failure to act on the part of, the Board or Committee.

(l) Any action required of the Company shall be by resolution of its Board or by a person authorized to act by resolution of the Board. Any action required of the Committee shall be by resolution of the Committee or by a person authorized to act by resolution of the Committee.

(m) If any provision of this Plan or any Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of the Plan or the Agreement, as the case may be, but such provision shall be fully severable and the Plan or the Agreement, as the case may be, shall be construed and enforced as if the illegal or invalid provision had never been included herein or therein.

(n) Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third business day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith. The Company, an Optionee or a recipient of Restricted Stock may change, at any time and from time to time, by written notice to the other, the address which it or he had theretofore specified for receiving notices. Until changed in accordance herewith, the Company and each Optionee and recipient of Restricted Stock shall specify as its and his address for receiving notices the address set forth in the Agreement pertaining to the shares of Stock to which such notice relates.

(o) Any person entitled to notice hereunder may waive such notice.

(p) The Plan shall be binding upon the Optionee or recipient of Restricted Stock, his heirs, legatees, and legal representatives, upon the Company, its successors, and assigns, and upon the Board and Committee, and their successors.

(q) The titles and headings of Sections and paragraphs are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

(r) All questions arising with respect to the provisions of the Plan shall be determined by application of the laws of the State of Nevada except to the extent Nevada law is preempted by federal law. The obligation of the Company to sell and deliver Shares hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Shares.

(s) Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Plan dictates, the plural shall be read as the singular and the singular as the plural.

## 21. WITHHOLDING TAXES

Federal, state, or local law may require the withholding of taxes applicable to gains resulting from the exercise of Nonqualified Options granted hereunder. Unless otherwise prohibited by the Committee, each participant may satisfy any such withholding tax obligation by electing (i) to tender a cash payment to the Company, (ii) to authorize the Company to withhold from the shares of stock of the Company otherwise issuable to the participant as a result of the exercise of the Nonqualified Option a number of shares having a fair market value, as of the date the withholding tax obligation arises, equal to the withholding obligations, or, at the election of the participant, up to the maximum of taxes due (the "Share Withholding Alternative"), (iii) to deliver to the Company previously acquired shares of common stock

of the Company having a fair market value, as of the date the withholding tax obligation arises, equal to the amount to be withheld, or at the election of the participant, up to the maximum of taxes due, or (iv) any combination of the foregoing, provided the combination permits the payment of all withholding taxes attributable to the exercise of the Nonqualified Option. Any withholding election may not be made within six months after the grant of the stock option (except in the event of death or disability of the optionee). A participant's election to pay the withholding tax obligation must be made (a) in the case of officers or directors of the Company, (i) during the period beginning on the third business day following the date of release of the Company's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following such date (but in no event later than the Tax Date, as hereinafter defined), or (ii) at least six months less one day prior to the Tax Date, and (b) in the case of other participants, at any time; provided however, that if any participant (whether or not he is an officer or director) elects to have his withholding tax obligation satisfied (in whole or in part) through the Share Withholding Alternative, then such election shall be void and of no legal effect unless it is made in writing delivered to the Company before the time of exercise, or simultaneously with the exercise, of such participant's Nonqualified Option. A valid and binding written election of the Share Withholding Alternative shall be irrevocable. A participant's failure to elect a withholding alternative prior to the time such election is required to be made shall be deemed to be an election to pay the withholding tax by tendering a cash payment to the Company. For purposes of this Section 21, the fair market value of the shares used to pay withholding taxes is the mean between the highest and lowest price quoted on the New York Stock Exchange for one share of common stock of the Company on the Tax Date. Also, as used in this Section 21, "Tax Date" shall mean the date on which a withholding tax obligation arises in connection with an exercise of a nonqualified stock option, which date shall be presumed to be the date of exercise, unless shares subject to a substantial risk of forfeiture (as defined in section 83(c)(1) or (c)(3) of the Code) are issuable on exercise of the option and the participant does not make a timely election under section 83(b) of the Code with respect thereto, in which case the Tax Date for such shares is the date on which the substantial risk of forfeiture lapses. Fractional shares remaining after payment of the withholding taxes shall be paid to the participant in cash.

1997 Annual Report

Centex  
Construction  
Products, Inc.

It all begins  
within the  
Earth

[PICTURE OF QUARRY FACE]

One earth, a wealth of minerals: limestone, gypsum, simple rock

There to be discovered, extracted, processed, combined, mixed

Transformed into materials that benefit mankind.

Products that become:

Sidewalks, roads and bridges that lead us where we want to go.

Foundations of our family homes.

Walls that shelter and make us feel secure.

Buildings where we work and play as we dwell upon the earth

Within which it all begins.

Centex Construction Products, Inc. (CXP) produces and distributes building materials used in the construction of the nation's homes, commercial and industrial buildings, and infrastructure. As of March 31, 1997, CXP was 51.4% owned by Centex Corporation.

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[Picture of Aggregates Plant and  
Finished Aggregates Stockpile  
with Cement Silos in Background]

## CEMENT

CXP's four manufacturing plants and a network of 12 distribution terminals produce and market Cement in Texas, northern Illinois, the Rocky Mountain states, Nevada and northern California. Annual production capacity, net of two joint-venture owners' interests, is approximately 2.0 million tons, or about 2.5% of the nation's total capacity. CXP is the sixth largest domestically-owned Cement manufacturer.

## GYPSUM WALLBOARD

CXP's three Gypsum Wallboard manufacturing facilities, located in Albuquerque and Bernalillo, New Mexico and in Eagle County, Colorado, have a total annual production capacity of approximately 1.1 billion square feet. This represents about 4.2% of total U.S. capacity. CXP's Gypsum Wallboard production is shipped by rail or by truck to markets throughout the contiguous United States.

CONCRETE AND  
AGGREGATES

CXP's Readymix Concrete operations are located in the Austin, Texas area and in northern California. CXP also produces and markets Aggregates from its deposit near Sacramento, which is the largest single permitted sand and gravel deposit in northern California, as well as from a deposit in Austin. The Aggregates operation's total annual single shift production capacity is about 2.3 million tons.

## Centex Construction Products, Inc. and Subsidiaries

## FINANCIAL HIGHLIGHTS

(Amounts in thousands, except per share data)

	For the Years Ended March 31,				
	1997	1996	1995	1994	1993
Revenues	\$239,380	\$222,594	\$194,313	\$166,826	\$136,526
Earnings Before Income Taxes	\$ 64,406	\$ 52,304	\$ 33,829	\$ 16,580	\$ 4,111
Net Earnings	\$ 41,799	\$ 33,944	\$ 21,820	\$ 10,240	\$ 3,112
Earnings Per Share (1)	\$ 1.89	\$ 1.48	\$ 0.95	\$ 0.45	\$ 0.14
Cash Dividends Per Share (2)	\$ 0.20	\$ 0.05	\$ --	\$ --	\$ --
Debt	\$ 2,640	\$ 720	\$ 24,500	\$ 16,200	\$ 38,943
Stockholders' Equity	\$239,436	\$216,462	\$183,405	\$170,839	\$160,599
Average Shares Outstanding (1)	22,148	22,970	22,988	23,000	23,000
Book Value Per Share At Year End (1)	\$ 10.89	\$ 9.42	\$ 7.99	\$ 7.43	\$ 6.98

(1) Prior to April 1994, CXP was a wholly-owned subsidiary of Centex Corporation and accordingly did not report per share information. To facilitate comparability between periods, per share data for 1993 and 1994 has been presented using the 23,000,000 shares outstanding immediately after the Initial Public Offering.

(2) Declared initial quarterly cash dividend of five cents per share on March 12, 1996.

Revenues  
(\$ in Millions)  
[Chart]

93	\$137
94	\$167
95	\$194
96	\$223
97	\$239

Net Earnings  
(\$ in Millions)  
[Chart]

93	\$3.1
94	\$10.2
95	\$21.8
96	\$33.9
97	\$41.8

## To Our Shareholders

Since CXP's Initial Public Offering in April 1994, the company has progressed steadily, reporting 12 consecutive quarters of year-over-year earnings improvements and a three-fold increase in net earnings. Bolstered by a sustained expansion of the U.S. economy and resulting demand for CXP's products, the company's continued focus on productivity and profitability raised fiscal 1997 revenues, net earnings, earnings per share and return on net assets to record levels.

## FISCAL 1997 HIGHLIGHTS

- Historically high sales volume of Cement and Gypsum Wallboard and improved net pricing in all segments resulted in fiscal 1997's revenue gain to \$239,380,000, 8% higher than \$222,594,000 in fiscal 1996.
- Improved margins in our Cement and Gypsum Wallboard segments increased CXP's fiscal 1997 net earnings 23% to \$41,799,000 or \$1.89 per share, from \$33,944,000 or \$1.48 per share in fiscal 1996.
- CXP's consolidated gross operating margin rose to a record 28% in fiscal 1997, a 12% improvement over last year's margin of 25%, and return on net assets escalated concurrently.
- During the year, CXP repurchased 1,038,100 shares of its own stock from the public.
- In February 1997, CXP acquired Eagle-Gypsum Products' gypsum wallboard plant and a related cogeneration electrical power facility located in Eagle County, Colorado.

Operating Margin  
(Percent)  
[Chart]

93	5%
94	11%
95	19%
96	25%
97	28%

Earnings Per Share  
(Dollars)  
[Chart]

93	\$0.14
94	\$0.45
95	\$0.95
96	\$1.48
97	\$1.89

The acquisition expands the total productive capacity of our Gypsum Wallboard operations 60% from approximately 700 million square feet to 1.1 billion square feet. The new operation's first month of production increased CXP's fiscal 1997 Gypsum Wallboard production by more than 4%.

The Eagle facility's combination with CXP's existing Gypsum Wallboard plants in the Albuquerque, New Mexico area gives CXP a solid regional marketing position. The market synergy and improved overhead efficiencies achieved by joining the two operations will positively impact CXP's future earnings. The new combined organization recently began doing business as American Gypsum and is marketing CXP's Gypsum Wallboard products under the brand name "Eagle Rock."

The acquisition purchase price of \$52.0 million plus \$4.0 million of working capital was substantially funded from CXP's excess cash, leaving CXP virtually debt-free as it pursues additional expansion opportunities. As the business cycle continues to mature, we believe CXP will find other opportunities to make reasonably priced acquisitions, enabling the company to continue to provide our shareholders with attractive returns in the future.

#### SEARCHING FOR RELATED OPPORTUNITIES

All our existing operations - Cement, Gypsum Wallboard and Aggregates - employ many of the same extraction, mining and manufacturing technologies. As CXP continues to actively seek out and evaluate acquisition opportunities, it is focusing on construction products-related companies that utilize these same technologies.

#### Stockholders' Equity (\$ in Millions) [Chart]

93	\$161
94	\$171
95	\$183
96	\$216
97	\$239

#### EBITDA Cash Flow (\$ in Millions) [Chart]

93	\$20
94	\$31
95	\$50
96	\$67
97	\$77

During its three years as a public company, CXP has repurchased 1,078,296 of its own shares and from time to time may repurchase additional shares. During fiscal 1997, CXP's Board of Directors authorized the company to repurchase an additional 1,000,000 shares of stock, raising the current repurchase authorization to 2,000,000 shares.

We appreciate our excellent relationships with our customers, suppliers and investors and want to offer a special word of thanks to our employees for their support. Their performance, melded with efficient use of the company's physical assets and market opportunities, produced the past three consecutive years of record earnings and many years of progress prior to that time. We also want to welcome our Eagle-Gypsum workforce to the CXP organization, which is now 1,050 employees strong.

#### OUTLOOK

Even though the expansion phase of the current business cycle is long by historic standards and could be subject to a slowdown, we remain cautiously optimistic about fiscal 1998. The economic climate remains positive and should enable CXP to sustain its momentum. Construction activity is strong and the supply/demand balance in our markets should positively impact earnings.

CXP is the strongest it has ever been operationally and is poised for continued growth. Given a stable economic environment, we expect CXP to report another record performance in fiscal 1998.

/s/ Laurence E. Hirsch

-----  
Laurence E. Hirsch  
Chairman

June 12, 1997

/s/ O.G. Dagnan

-----  
O.G. Dagnan  
President and  
Chief Executive Officer

[Picture of Larry Hirsch and Greg Dagnan]

## Cement

Cement revenues rose 6% to \$133.3 million this year and operating profits increased 13% to \$39.8 million, primarily due to higher sales prices at all of our plants and to improved operating margins in our western region plants. CXP's average Cement net sales price for fiscal 1997 was \$63.66 per ton, 6% higher than last year. Total Cement sales volume of 2,095,000 tons in 1997 was slightly higher than fiscal 1996 volume.

During fiscal 1997, CXP's four Cement facilities (two wholly-owned plants located in Nevada and Wyoming and two 50%-owned plants in Texas and Illinois) operated at capacity and were "sold out" for the ninth consecutive year. All of CXP's plants utilize fuel-efficient "dry process" technology and do not burn hazardous waste fuel.

During the year, we corrected a dust collector problem associated with the previously completed \$12 million reconstruction of an existing kiln at our Wyoming plant. The project added 150,000 tons, or 30%, to the plant's annual net production and about 8% to CXP's total Cement production.

In quarries located near each of our four cement plants, CXP mines limestone.

[Picture of Cement Bag, Glove and Cement]

[Picture of Texas-Lehigh Quarry]

## Gypsum Wallboard

Gypsum Wallboard revenues increased 24% to \$72.2 million in fiscal 1997 while operating earnings jumped 72% to \$20.6 million due to several factors: a 10% increase in sales volume to 726 million square feet (MMSF); a 13% increase in our average net sales price to \$99.39; and a 57% increase in our Gypsum Wallboard operating margin. Both of CXP's existing plants in New Mexico operated at capacity during the fiscal year.

In February 1997, CXP fulfilled a major strategic objective with the acquisition of the Eagle-Gypsum Products gypsum wallboard plant and a related cogeneration facility in Eagle County, Colorado, expanding our total annual production capacity by approximately 60% to 1.1 billion square feet. CXP expects to significantly expand the Eagle plant's production capacity. In addition, the acquisition creates an efficient regional marketing network for CXP's Gypsum Wallboard facilities in New Mexico and Colorado.

The manufacturing of wallboard at our facilities requires the extraction of gypsum.

[Picture of 3 sheets of gypsum wallboard and an Eagle silver dollar coin]

[Picture of Eagle Gypsum Quarry  
and wheel loader]

## Concrete and Aggregates

Revenues from our Concrete and Aggregates operations located in Austin, Texas and northern California were \$36.8 million in fiscal 1997, 8% lower than last year. Segment operating earnings of \$4.8 million were 14% lower than last year. Higher sales prices for both products were negated by lower Concrete and Aggregates sales volume and higher production cost.

Concrete sales volume for fiscal 1997 was 603,000 cubic yards, 4% below fiscal 1996 volume, primarily due to the impact of wet weather in the Austin market late in the year. The higher Concrete net sales price was offset by increased costs for production and raw materials.

Fiscal 1997 Aggregates sales volume totaled 2.1 million tons, 26% lower than last year, due mostly to our fiscal 1996 sale of a north Texas sand and gravel operation. Excluding sales volume from the sold operation, Aggregates volume declined just 2%.

CXP uses similar techniques to extract all its basic raw materials, including aggregates.

[Picture of aggregates and safety glasses]

[Picture of Haul Truck being loaded  
with aggregates by a wheel loader  
at Centex Materials' quarry]

## STRATEGIC LOCATIONS

CXP operates four Cement plants, 12 Cement distribution terminals, three Gypsum Wallboard plants, four Gypsum Wallboard reload centers, one Gypsum Wallboard distribution center, 10 Readymix Concrete batch plant locations and two Aggregates processing locations. The principal markets for our Cement products are Texas, northern Illinois (including Chicago), the Rocky Mountains, northern Nevada and northern California. Gypsum Wallboard is distributed throughout the continental United States. Concrete and Aggregates are sold to local readymix producers and paving contractors in the Austin, Texas area and northern California.

CXP's strategically located plants in geographically diverse locations reduce our dependence on any one market.

Centex Construction Products-Fiscal 1997

[Picture of U.S. Map indicating locations of  
Company Operations]

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## Centex Construction Products, Inc. and Subsidiaries

## STATEMENTS OF CONSOLIDATED EARNINGS

(Dollars in thousands, except per share data)

	For the Years Ended March 31,		
	1997	1996	1995
<b>REVENUES</b>			
Cement	\$ 133,348	\$ 125,705	\$ 109,900
Gypsum Wallboard	72,184	58,343	51,730
Concrete and Aggregates	36,809	39,902	35,217
Other, net	1,823	2,782	1,601
Less Intersegment Sales	(4,784)	(4,138)	(4,135)
	239,380	222,594	194,313
<b>COSTS AND EXPENSES</b>			
Cement	93,551	90,374	83,893
Gypsum Wallboard	51,619	46,409	44,482
Concrete and Aggregates	32,041	34,344	32,631
Less Intersegment Purchases	(4,784)	(4,138)	(4,135)
Corporate General and Administrative	3,904	2,498	2,343
Interest (Income) Expense, net	(1,357)	803	1,270
	174,974	170,290	160,484
<b>EARNINGS BEFORE INCOME TAXES</b>			
Income Taxes	64,406	52,304	33,829
	22,607	18,360	12,009
<b>NET EARNINGS</b>			
	\$ 41,799	\$ 33,944	\$ 21,820
<b>EARNINGS PER SHARE</b>			
	\$ 1.89	\$ 1.48	\$ 0.95

See notes to consolidated financial statements.

## Centex Construction Products, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	March 31,	
	1997	1996
<b>ASSETS</b>		
Current Assets -		
Cash and Cash Equivalents	\$ 4,812	\$ 20,799
Accounts and Notes Receivable, net	38,700	33,532
Inventories	31,482	29,691
<b>Total Current Assets</b>	<b>74,994</b>	<b>84,022</b>
Property, Plant and Equipment	363,409	308,600
Less Accumulated Depreciation	(139,033)	(128,419)
<b>Property, Plant &amp; Equipment, net</b>	<b>224,376</b>	<b>180,181</b>
Notes Receivable, net	1,407	1,395
Other Assets	4,860	3,977
	<b>\$ 305,637</b>	<b>\$ 269,575</b>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities -		
Accounts Payable	\$ 16,472	\$ 15,020
Accrued Liabilities	28,254	23,029
Notes Payable	2,000	--
Current Portion of Long-term Debt	80	80
<b>Total Current Liabilities</b>	<b>46,806</b>	<b>38,129</b>
Long-term Debt	560	640
Deferred Income Taxes	18,835	14,344
Stockholders' Equity -		
Common Stock, Par Value \$0.01; Authorized 50,000,000 Shares; Issued and Outstanding 21,983,814 and 22,978,504 Shares, respectively	220	230
Capital in Excess of Par Value	147,212	161,617
Retained Earnings	92,004	54,615
<b>Total Stockholders' Equity</b>	<b>239,436</b>	<b>216,462</b>
	<b>\$ 305,637</b>	<b>\$ 269,575</b>
	=====	=====

See notes to consolidated financial statements.

## Centex Construction Products, Inc. and Subsidiaries

## STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in thousands)

	For the Years Ended March 31,		
	1997	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Earnings	\$ 41,799	\$ 33,944	\$ 21,820
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities -			
Depreciation, Depletion and Amortization	13,752	13,791	14,576
Deferred Income Tax Provision	4,491	7,639	2,658
Gain on Sale of Assets	--	(783)	--
Increase in Accounts and Notes Receivable	(1,456)	(6,073)	(1,203)
(Increase) Decrease in Inventories	(30)	1,053	(2,014)
Increase in Accounts Payable	10	424	64
Increase in Accrued Liabilities	5,225	859	3,078
(Increase) Decrease in Other Assets	(883)	974	2,207
	62,908	51,828	41,186
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, Plant and Equipment Additions, net	(5,934)	(15,294)	(5,718)
Proceeds from Asset Dispositions	--	5,308	--
Acquisition of Centex Eagle Gypsum	(56,006)	--	--
	(61,940)	(9,986)	(5,718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Additions to Notes Payable	7,500	--	--
Reductions in Notes Payable	(5,500)	--	--
Repayment of Notes Payable to Centex	--	--	(15,585)
(Decrease) Increase in Other Long-term Debt	(80)	(23,860)	24,500
Increase (Decrease) in Current Portion of Long-term Debt	--	80	(615)
Proceeds from Bridge Loan	--	--	192,000
Repayment of Bridge Loan	--	--	(192,000)
Dividends Paid to Centex	--	--	(162,600)
Stock Sale Net Proceeds	--	--	153,733
Proceeds from Stock Option Exercises	561	262	--
Retirement of Common Stock	(14,976)	--	(387)
Payment of Deferred Income Taxes to Affiliate	--	--	(34,328)
Dividends Paid to Shareholders	(4,460)	--	--
	(16,955)	(23,518)	(35,282)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,987)</b>	<b>18,324</b>	<b>186</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>20,799</b>	<b>2,475</b>	<b>2,289</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 4,812</b>	<b>\$ 20,799</b>	<b>\$ 2,475</b>

See notes to consolidated financial statements.

## Centex Construction Products, Inc. and Subsidiaries

## STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(Dollars in thousands)

	For the Years Ended March 31,		
	1997	1996	1995
<b>COMMON STOCK</b>			
Balance at Beginning of Period	\$ 230	\$ 230	\$ 2
Stock Split	--	--	111
Stock Sale	--	--	117
Retirement of Common Stock	(10)	--	--
Balance at End of Period	220	230	230
<b>CAPITAL IN EXCESS OF PAR VALUE</b>			
Balance at Beginning of Period	161,617	161,355	22,466
Stock Split	--	--	(111)
Stock Sale	--	--	153,616
Dividend to Centex	--	--	(14,229)
Retirement of Common Stock	(14,966)	--	(387)
Stock Option Exercises	561	262	--
Balance at End of Period	147,212	161,617	161,355
<b>RETAINED EARNINGS</b>			
Balance at Beginning of Period	54,615	21,820	148,371
Dividend to Centex	--	--	(148,371)
Dividends to Shareholders	(4,410)	(1,149)	--
Net Earnings	41,799	33,944	21,820
Balance at End of Period	92,004	54,615	21,820
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 239,436</b>	<b>\$ 216,462</b>	<b>\$ 183,405</b>

See notes to consolidated financial statements.

## Centex Construction Products, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

## (A) SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Centex Construction Products, Inc. and its majority-owned subsidiaries ("CXP" or the "Company") after the elimination of all significant intercompany balances and transactions. In addition, the Company holds 50% joint venture interests in its cement plants in Illinois and Texas and has proportionately consolidated its pro rata interest in the revenues, expenses, assets and liabilities of those ventures.

On April 19, 1994, the Company completed an Initial Public Offering ("IPO") of 51% of its common stock. As a result of the IPO, Centex Corporation's ("Centex") ownership of the Company was reduced to 49%, with the public owning 51%. Prior to that time, the Company was a wholly owned subsidiary of Centex. See Note (I) for further discussion.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of the allowance for doubtful accounts of \$2.1 million at both March 31, 1997 and 1996. The Company has no significant credit risk concentration among its diversified customer base.

Notes receivable at March 31, 1997 are collectible primarily over three years. The weighted average interest rate at March 31, 1997 and 1996 was 9.1% and 8.6%, respectively.

## INVENTORIES

Inventories are stated at the lower of average cost (including applicable material, labor, depreciation, and plant overhead) or market. Inventories consist of the following:

	March 31,	
	1997	1996
Raw Materials and Materials-in-Progress	\$ 8,448	\$ 6,949
Finished Cement	5,170	5,368
Aggregates	2,088	2,092
Gypsum Wallboard	1,932	2,124
Repair Parts and Supplies	13,241	12,395
Fuel and Coal	603	763
	-----	-----
	\$31,482	\$29,691
	=====	=====

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized and depreciated. Repairs and maintenance are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of depreciable assets. Raw material deposits are depleted as such deposits are extracted for production utilizing the units-of-production method. Costs and accumulated depreciation applicable to assets retired or sold are eliminated from the accounts, and any resulting gains or losses are recognized at such time. The estimated lives of the related assets are as follows:

Plants	20 to 30 years
Buildings	20 to 40 years
Machinery and Equipment	3 to 20 years

## INCOME TAXES

Through April 19, 1994, the Company was included in the Centex consolidated federal tax return. The Company accounted for income taxes on a separate company basis without benefit of a surtax exemption. Accordingly, related payables and receivables were due to or from Centex. Subsequent to April 19, 1994, the Company files its own separate consolidated federal tax returns.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." That statement requires, among other things, that deferred taxes be provided on differences between the financial reporting basis and tax basis of assets and liabilities using existing tax laws and rates.

## STATEMENTS OF CONSOLIDATED EARNINGS - SUPPLEMENTAL DISCLOSURES

Selling, general and administrative expenses of the operating units are included in costs and expenses of each segment. Corporate general and administrative expenses are shown separately in the statements of consolidated earnings. Total selling, general and administrative expenses for each of the periods are summarized below:

	----- For the Years Ended March 31, -----		
	1997	1996	1995
-----			
Operating Units Selling, General and Administrative	\$12,808	\$11,442	\$10,866
Corporate General & Administrative	3,904	2,498	2,343
	-----	-----	-----
	\$16,712	\$13,940	\$13,209
	=====	=====	=====

Maintenance and repair expenses are included in each segment's costs and expenses. The Company incurred expenses of \$26.2 million, \$23.8 million and \$26.0 million in the years ended March 31, 1997, 1996 and 1995, respectively, for maintenance and repairs.

Other net revenues include clinker sales, lease and rental income, asset sale income, and trucking income as well as other miscellaneous revenue items and costs which have not been allocated to a business segment.

## STATEMENTS OF CONSOLIDATED CASH FLOWS - SUPPLEMENTAL DISCLOSURES

All cash equivalents have original maturities of three months or less.

Interest payments made during the years ended March 31, 1997, 1996 and 1995 were \$0.2 million, \$1.3 million and \$1.8 million, respectively.

Net payments made for federal and state income taxes during the years ended March 31, 1997, 1996 and 1995 were \$17.9 million, \$9.8 million and \$42.2 million, respectively. Included therein are payments to (receipts from) Centex of (\$2.9) million and \$35.3 million during the years ended March 31, 1996 and 1995, respectively.

In connection with a litigation settlement, the Company reclassified into property, plant, and equipment \$4.2 million of construction cost that was previously classified as a receivable in the year ended March 31, 1996.

## EMPLOYEE BENEFIT PLANS

Certain of the Company's hourly employees are covered by defined benefit plans. At April 1, 1996, the Company's pro rata share of the projected benefit obligation (assuming a 7 1/4% discount rate) was \$3.3 million. The market value of assets available to pay these obligations at April 1, 1996, was \$3.1 million.

In addition, certain salaried employees previously participated in Centex's Profit Sharing and Retirement plan. Subsequent to the IPO, the Company established its own Profit Sharing and Retirement plan, which is similar to the Centex plan. The expenses for each period were as follows:

	For the Years Ended March 31,		
	1997	1996	1995
Defined Benefit Plans	\$ 219	\$ 176	\$176
Defined Contribution Plan	\$1,053	\$1,038	\$934

Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions," specifies certain required methods of accounting for postretirement benefits other than pensions. This pronouncement has no impact on the Company's financial statements as the Company has no other postretirement obligations.

## EARNINGS PER SHARE

Earnings per common share is based on the weighted average number of common shares outstanding in 1997, 1996 and 1995 of 22,148,222, 22,969,643 and 22,987,768, respectively.

## RECLASSIFICATIONS

Certain prior year balances have been reclassified to be consistent with the 1997 presentation.

## IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS No. 121). SFAS No. 121, which is effective for fiscal years beginning after December 15, 1995, requires that certain long-lived assets and intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company adopted SFAS No. 121 in fiscal 1997, and this pronouncement had no impact on the financial statements of the Company.

In October 1995, the FASB Issued Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). SFAS No. 123, which is also effective for fiscal years beginning after December 15, 1995, allows companies either to continue to measure compensation cost based on the method prescribed by Accounting Principles Board Opinion No. 25 ( APB No. 25) or adopt a "fair value" method of accounting for all employee stock-based compensation. The Company adopted SFAS No. 123 in fiscal 1997. The Company will continue utilizing the accounting for stock issued to employees prescribed by APB No. 25 and has implemented the expanded disclosure requirements. The adoption of SFAS No. 123 did not have any impact on the financial position or results of operations of the Company. See Note (G) for further discussion.

Statement of Financial Accounting Standards No. 128, "Earnings Per Share," issued in February 1997 establishes standards for computing and presenting earnings per share (EPS). This statement replaces the presentation of primary EPS with a presentation of basic EPS and requires dual presentation of basic and diluted EPS. The Company will adopt this statement in its fiscal year ending March 31, 1998.

## (B) PROPERTY, PLANT AND EQUIPMENT

Cost by major category and accumulated depreciation are summarized below:

	March 31,	
	1997	1996
Land and Quarries	\$ 37,420	\$ 36,419
Plants	284,158	233,221
Buildings, Machinery and Equipment	41,831	38,960
	-----	-----
Accumulated Depreciation	363,409 (139,033)	308,600 (128,419)
	-----	-----
	\$ 224,376	\$ 180,181
	=====	=====

## (C) INDEBTEDNESS

## SHORT-TERM DEBT

Short-term debt is set forth below:

	March 31,	
	1997	1996
Bank Line of Credit, with Interest at Prevailing Rates, Due February 1998, Unsecured	\$2,000	\$ --

On February 24, 1997, the Company established a \$10,000,000 uncommitted unsecured line of credit (the "Line") from a bank. Borrowings under the Line bear interest at prevailing market rates. The Line is utilized for short-term working capital needs. The weighted average interest rate on outstanding borrowings during fiscal 1997 was 5.9%. The interest rate on the balance outstanding at March 31, 1997 was 7 1/4%.

## LONG-TERM DEBT

Long-term debt is set forth below:

	March 31,	
	1997	1996
Property Note, Interest at 7%, Due March 2005, Secured	\$ 640	\$ 720
Less Current Maturities	(80)	(80)
	-----	-----
	\$ 560	\$ 640
	=====	=====

## CREDIT FACILITY

Upon the completion of the April 19, 1994 IPO, the Company established a \$65 million unsecured long-term revolving credit line (the "Bank Revolver"). Borrowings under the Bank Revolver bear interest, at the option of the Company, at (i) a Eurodollar-based rate that varies depending on the Company's ratio of total indebtedness to total capitalization (the "Debt-to-Capital Ratio") or (ii) the greater of the bank's base rate or the federal funds rate plus .5%. Under the Bank Revolver, the Company is obligated to pay certain fees, including an annual commitment fee on the unused portion of the commitment. The Bank Revolver contains certain customary restrictive covenants (including restrictions on the consummation of mergers or asset sales, the payment of dividends, the creation of liens and the incurrence of additional indebtedness) and requires the Company to maintain or meet certain financial ratios or tests. Among other things, the Bank Revolver requires the Company to maintain a minimum ratio of earnings before interest and taxes to interest and not to exceed a maximum Debt-to-Capital Ratio and to meet a minimum tangible net worth test. The Company was in compliance with such financial ratios and tests at March 31, 1997, and throughout the fiscal year then ended. On March 20, 1996, the Bank Revolver was amended to lower the maximum

borrowing capacity to \$35 million, reduce the annual commitment fee, create a new lower interest rate bracket, and extend the commitment four years to expire on March 31, 2001. The Company had no borrowings outstanding under the Bank Revolver as of March 31, 1997 or 1996.

## (D) INCOME TAXES

The provision for income taxes includes the following components:

	For the Years Ended March 31,		
	1997	1996	1995
Current Provision (Benefit)			
Federal	\$16,799	\$ 12,174	\$ 38,495
State	1,317	(1,453)	3,700
	18,116	10,721	42,195
Deferred Provision (Benefit)			
Federal	3,038	4,012	(28,214)
State	1,453	3,627	(1,972)
	4,491	7,639	(30,186)
Provision for Income Taxes	\$22,607	\$ 18,360	\$ 12,009

In connection with the IPO in April 1994, \$34.3 million of deferred income taxes became currently payable to Centex as a result of the Company no longer being included in Centex's consolidated federal tax return.

The effective tax rates vary from the federal statutory rates due to the following items:

	For the Years Ended March 31,		
	1997	1996	1995
Earnings Before Income Taxes	\$ 64,406	\$ 52,304	\$ 33,829
Income Taxes at Statutory Rate	\$ 22,542	\$ 18,306	\$ 11,840
Increases (Decreases) in Tax Resulting from -			
State Income Taxes, net	1,800	1,414	1,097
Statutory Depletion in Excess of Cost	(1,957)	(1,588)	(1,147)
Other	222	228	219
Provision for Income Taxes	\$ 22,607	\$ 18,360	\$ 12,009
Effective Tax Rate	35%	35%	35%

The deferred income tax provision (benefit) results from the following temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes:

	For the Years Ended March 31,		
	1997	1996	1995
Excess Tax Depreciation and Amortization	\$ 5,048	\$ 5,653	(\$29,423)
Bad Debts	(162)	269	(122)
Uniform Capitalization	(151)	76	(11)
Accrual Changes	(425)	685	(2,143)
Other	181	956	1,513
	\$ 4,491	\$ 7,639	(\$30,186)

Components of deferred income taxes are as follows:

	March 31,	
	1997	1996
-----		
Items Giving Rise to Deferred Taxes		
Excess Tax Depreciation and Amortization	\$ 19,006	\$ 13,957
Other	3,962	3,782
	-----	-----
	22,968	17,739
	-----	-----
Items Giving Rise to Prepaid Taxes		
Accrual Changes	(3,275)	(2,850)
Bad Debts	(694)	(532)
Uniform Capitalization	(164)	(13)
	-----	-----
	(4,133)	(3,395)
	-----	-----
Net Deferred Income Tax Liability	\$ 18,835	\$ 14,344
	=====	=====

(E) BUSINESS SEGMENTS

The Company operates in three business segments: Cement, Gypsum Wallboard, and Concrete and Aggregates, with Cement and Gypsum Wallboard being the Company's principal lines of business. These operations are conducted in the United States and include the mining of limestone and the manufacture, production, distribution and sale of Portland cement (a basic construction material which is the essential binding ingredient in concrete), the mining of gypsum and the manufacture and sale of gypsum wallboard, the sale of readymix concrete, and the mining and sale of aggregates (crushed stone, sand and gravel). These products are used primarily in commercial and residential construction, public construction projects and projects to build, expand and repair roads and highways.

Demand for the Company products are derived primarily from residential construction, commercial and industrial construction and public (infrastructure) construction which are highly cyclical and are influenced by prevailing economic conditions including interest rates and availability of public funds. Due to the low value-to-weight ratio of cement, concrete and aggregates, these industries are largely regional and local with demand tied to local economic factors that may fluctuate more widely than those of the nation as a whole.

The Company operates four Cement plants, twelve Cement distribution terminals, three Gypsum Wallboard plants, four Gypsum Wallboard reload centers, a Gypsum Wallboard distribution center, ten Readymix Concrete batch plant locations, and two Aggregate processing plant locations. The principal markets for Cement products are Texas, northern Illinois (including Chicago, Illinois), the Rocky Mountains, northern Nevada, and northern California. Gypsum Wallboard is distributed throughout the continental United States. Concrete and Aggregates are sold to local readymix producers and paving contractors, in the Austin, Texas area and northern California.

The following table sets forth certain financial information relating to the Company's operations by segment:

	For the Years Ended March 31,		
	1997	1996	1995
<b>REVENUES</b>			
Cement	\$ 133,348	\$ 125,705	\$ 109,900
Gypsum Wallboard	72,184	58,343	51,730
Concrete and Aggregates	36,809	39,902	35,217
Other, net	1,823	2,782	1,601
	-----	-----	-----
	244,164	226,732	198,448
Less Intersegment Sales	(4,784)	(4,138)	(4,135)
	-----	-----	-----
	\$ 239,380	\$ 222,594	\$ 194,313
	=====	=====	=====
<b>SEGMENT OPERATING EARNINGS</b>			
Cement	\$ 39,797	\$ 35,331	\$ 26,007
Gypsum Wallboard	20,565	11,934	7,248
Concrete and Aggregates	4,768	5,558	2,586
Other, net	1,823	2,782	1,601
	-----	-----	-----
	\$ 66,953	\$ 55,605	\$ 37,442
	=====	=====	=====
<b>IDENTIFIABLE ASSETS</b>			
Cement	\$ 141,622	\$ 145,969	\$ 142,122
Gypsum Wallboard	125,490	67,516	68,047
Concrete and Aggregates	28,939	28,749	33,128
Corporate and Other	9,586	27,341	6,806
	-----	-----	-----
	\$ 305,637	\$ 269,575	\$ 250,103
	=====	=====	=====
<b>CAPITAL EXPENDITURES</b>			
Cement	\$ 2,915	\$ 13,082	\$ 3,680
Gypsum Wallboard	758	889	279
Concrete and Aggregates	2,602	1,746	1,869
Corporate and Other	40	43	89
	-----	-----	-----
	\$ 6,315	\$ 15,760	\$ 5,917
	=====	=====	=====
<b>DEPRECIATION, DEPLETION AND AMORTIZATION</b>			
Cement	\$ 7,938	\$ 7,778	\$ 8,281
Gypsum Wallboard	3,331	2,908	2,987
Concrete and Aggregates	2,225	2,871	3,068
Corporate and Other	258	234	240
	-----	-----	-----
	\$ 13,752	\$ 13,791	\$ 14,576
	=====	=====	=====

Segment operating earnings represent revenues less direct operating expenses, segment depreciation, and segment selling, general and administrative expenses. Corporate assets consist primarily of cash and cash equivalents, general office assets and miscellaneous other assets.

(F) COMMITMENTS AND CONTINGENCIES

The Company, in the ordinary course of business, has various litigation, commitments and contingencies. Management believes that none of the litigation in which it or any subsidiary is involved, if finally determined unfavorably to CXP, would have a material adverse effect on the consolidated financial condition or results of operations of the Company.

The Company's operations and properties are subject to extensive and changing federal, state and local laws, regulations and ordinances governing the protection of the environment, as well as laws relating to worker health and workplace safety. The Company carefully considers the requirements mandated by such

laws and regulations and has procedures in place at all of its operating units to monitor compliance. Any matters which are identified as potential exposures under these laws and regulations are carefully reviewed by management to determine the Company's potential liability. Although management is not aware of any exposures which would require an accrual under Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," there can be no assurance that prior or future operations will not ultimately result in violations, claims or other liabilities associated with these regulations.

The Company has certain deductible limits under its workers' compensation and liability insurance policies for which reserves are established based on the estimated costs of known and anticipated claims.

The Company has certain operating leases covering manufacturing, transportation and certain other facilities and equipment. Rental expense for the fiscal years 1997, 1996, and 1995 totaled \$2.3 million, \$1.9 million and \$1.8 million, respectively. Minimum annual rental commitments as of March 31, 1997, under noncancelable leases are set forth as follows:

Fiscal Year	Total
1998	\$1,600
1999	\$1,531
2000	\$1,376
2001	\$1,036
2002	\$ 850
Thereafter	\$3,981

(G) STOCK OPTION PLAN

The Company has a stock option plan for certain directors, officers and key employees of the Company, the 1994 Stock Option Plan ("1994 Plan"). The 1994 Plan provides for a total of 2,000,000 shares to be reserved for issuance. The exercise price of option grants under the 1994 Plan may not be less than the fair market value at the date of grant. Option periods and exercise dates may vary within a maximum period of 10 years. The options are performance-based options and will vest on the achievement of specific financial goals of the Company. Failure to meet the specified goals will delay vesting until the end of the 10-year period. A summary of the activity of the 1994 Plan is presented below.

	For the Years Ended March 31,			
	1997		1996	
	Number of Shares	Weighted Avg. Exercise Price	Number of Shares	Weighted Avg. Exercise Price
Outstanding Options at Beginning of Year	742,600	\$ 12.12	768,300	\$ 12.19
Granted	72,500	\$ 14.00	30,000	\$ 13.00
Exercised	(43,410)	\$ 12.93	(18,700)	\$ 14.00
Forfeited/Expired	(34,740)	\$ 12.36	(37,000)	\$ 13.38
Outstanding Options at End of Year	736,950	\$ 12.25	742,600	\$ 12.12
	=====		=====	

The following table summarizes information about stock options outstanding at March 31, 1997:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares Outstanding	Weighted Average Exercise Price
\$12.00 to \$14.00	736,950	7.5 years	\$12.25	552,347	\$ 12.06

The weighted-average fair value of options granted during fiscal year 1997 was \$3.96 and \$3.56 for options granted in fiscal year 1996. Options available for future grants were 1,200,940 at March 31, 1997.

The Company records proceeds from the exercise of options as additions to common stock and capital in excess of par value. The federal tax benefit, if any, is considered additional capital in excess of par value. No charges or credits would be made to earnings unless options were to be granted at less than fair market value at the date of grant.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), encourages, but does not require companies to record compensation cost for employee stock-based compensation plans at fair value as determined by generally recognized option pricing models such as the Black-Scholes model or the binomial model. Because of the inexact and subjective nature of deriving stock option values using these methods, the Company has adopted the disclosure-only provisions of SFAS No. 123 and continues to account for stock-based compensation as it has in the past using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for options issued under the 1994 Plan. Had compensation cost for options issued under the 1994 Plan been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share for the fiscal years ended March 31, 1997 and 1996 would not have been materially different than those reported.

#### (H) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's notes payable and long-term debt are estimated using discounted cash flow analyses based upon the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying values of the Company's notes payable and long-term debt approximates fair value.

All assets and liabilities which are not considered financial instruments have been valued using historical cost accounting. The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

#### (I) INITIAL PUBLIC OFFERING

On April 19, 1994 ("Closing Date") the Company completed the sale of 11,730,000 shares or 51% of its common stock through an IPO. The stock sales price was \$14.00 per share and net proceeds received, after commissions and offering expenses, were \$153.7 million. On the Closing Date, the Company paid a dividend of \$162.6 million to its parent, Centex Corporation. To fund the remainder of the dividend and also pay its outstanding debt to Centex, the Company borrowed funds under the Bank Revolver.

As a result of the IPO, approximately \$34.3 million of deferred taxes became payable to Centex during fiscal 1995. Payment was funded from cash flow from operations and borrowings under the Bank Revolver.

The Company entered into certain agreements with Centex on the Closing Date to define the Company's ongoing relationship with Centex. The major agreements are:

**Indemnification Agreement:** The Company and Centex entered into an Indemnification Agreement, pursuant to which (i) the Company agreed generally to indemnify Centex against substantially all liabilities relating to the businesses of the Company and its subsidiaries as they had been and will be conducted, including environmental liabilities, and (ii) Centex agreed generally to indemnify the Company against substantially all liabilities relating to the businesses of Centex and its subsidiaries (other than the Company and its subsidiaries) as they had been and will be conducted, including environmental liabilities.

**Tax Separation Agreement:** The Company and Centex entered into a Tax Separation Agreement (the "Tax Agreement"). The Tax Agreement (i) provides for the termination of any existing tax sharing or allocation arrangements between the Company and Centex, (ii) specifies the manner in which the federal income tax liability and certain state tax liabilities (including any subsequent adjustments to such federal and state liabilities) of the consolidated group of which Centex is the common parent (the "Group") will be allocated for the final year in which the Company is a member of the Group and for any prior tax year of the Group and (iii) specifies the manner in which audits or administrative or judicial proceedings relating to federal income taxes and certain state taxes of the Group will be controlled.

**Administrative Services:** Historically, the Company has participated in various of Centex's overall employee benefit and administrative programs, including the Profit Sharing and Retirement Plan of Centex Corporation, internal audit, tax reporting, risk management and legal services. All significant costs associated with the Company's operations under these programs have historically been paid by the Company. Following the completion of the IPO, the Company established its own employee benefit programs and files its own tax return. Centex Service Company ("CSC"), a subsidiary of Centex, provides the Company with employee benefit administration, public/investor relations and certain other services. The Administrative Services Agreement will expire on March 31, 1999, unless earlier terminated at the option of the Company. The Company pays to CSC a fee of \$18,750 per month, subject to annual adjustment, for such services. In addition, the Company reimburses CSC for its out-of-pocket expenses incurred in connection with the performance of such services.

#### (J) ACQUISITIONS

The Company acquired all of the Common Units of Centex Eagle Gypsum Company, L.L.C., a limited liability company, owned by Eagle-Gypsum Products and National Energy System, Inc. on February 26, 1997 for a total purchase price of \$52.0 million plus \$4.0 million of net working capital. The operations of Centex Eagle Gypsum Company, L.L.C. consist of a gypsum wallboard manufacturing facility, a gypsum mine, and a cogeneration power facility, all located in Eagle County, Colorado.

The acquisition has been accounted for as a purchase, and accordingly, the purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair market values at the date of acquisition. The purchase price was allocated as follows: \$52.0 million to property, plant, and equipment and \$4.0 million to various components of net working capital. The results of operations of Centex Eagle Gypsum Company, L.L.C. are included in the Company's financial statements since the date of acquisition.

The unaudited pro forma results below assume the acquisition occurred at the beginning of the fiscal year presented:

	----- For the Years Ended March 31, -----	
	1997	1996
	(Unaudited)	(Unaudited)
Revenues	\$270,030	\$255,046
Net Earnings	\$ 44,370	\$ 34,880
Net Earnings Per Share	\$ 2.00	\$ 1.52

The pro forma results have been prepared for comparative purposes only and include certain adjustments such as reduced manufacturing and overhead costs, reduced depreciation expenses due to a difference in asset lives and the increased interest expense on acquisition debt. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect at the beginning of fiscal 1997 and fiscal 1996 or of future results of operations of the consolidated entities.

## Centex Construction Products, Inc. and Subsidiaries

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Centex Construction  
Products, Inc.:

We have audited the accompanying consolidated balance sheets of Centex Construction Products, Inc. (a Delaware corporation) and subsidiaries as of March 31, 1997 and 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centex Construction Products, Inc. and subsidiaries as of March 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Dallas, Texas,  
May 8, 1997

## Centex Construction Products, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

## FISCAL YEAR 1997 COMPARED TO FISCAL YEAR 1996

Increased Gypsum Wallboard shipments and higher net pricing in all product segments resulted in Centex Construction Products, Inc. reporting the highest net earnings in its history in fiscal 1997.

During fiscal 1997, consolidated revenues increased 8% to \$239.4 million from \$222.6 million in fiscal 1996. A combination of increased Gypsum Wallboard sales volume along with higher Cement and Gypsum Wallboard sales prices generated the majority of the revenue gain. Operating earnings of \$67.0 million increased 20% over fiscal 1996 operating earnings of \$55.6 million primarily due to improved margins in the Cement and Gypsum Wallboard segments. Corporate general and administrative expenses were \$1.4 million higher than prior year's expense of \$2.5 million mainly due to performance incentive accruals. Net interest income was \$1.4 million in fiscal 1997 compared to \$803,000 of net interest expense in fiscal 1996 due to payment of the Company's revolving credit line last fiscal year. The Company's effective tax rate in fiscal 1997 was 35%, the same as fiscal 1996. As a result of the foregoing, net earnings increased 23% to \$41.8 million in fiscal 1997 from \$33.9 million in fiscal 1996. Earnings per share for fiscal 1997 increased 28% to \$1.89 compared to \$1.48 for fiscal 1996. Earnings per share for fiscal 1997 increased more than net earnings due to fewer average shares outstanding in fiscal 1997.

The following table compares sales volumes, average unit sales prices and unit operating margins for the Company's operations:

	Cement (Ton)		Gypsum Wallboard (MSF)		Concrete (Cubic Yard)		Aggregates (Ton)	
	1997	1996	1997	1996	1997	1996	1997	1996
Sales Volume (Thousands)	2,095	2,092	726	661	603	629	2,073	2,801
Average Net Sales Price	\$ 63.66	\$ 60.09	\$ 99.39	\$ 88.21	\$ 46.86	\$ 45.62	\$ 4.13	\$ 4.01
Operating Margin	\$ 19.00	\$ 16.89	\$ 28.32	\$ 18.04	\$ 6.36	\$ 7.01	\$ 0.45	\$ 0.41

Cement. Cement revenues for the fiscal year ended March 31, 1997, were \$133.3 million, 6% higher than \$125.7 million for the prior fiscal year. Segment operating earnings increased 13% to \$39.8 million from \$35.3 million last fiscal year due to unit operating margins increasing 13% over last year's margin of \$16.89 per ton. Strong construction activity in the regions served by the Company resulted in a 6% increase in price realizations. Sales volume of 2.1 million tons was 3,000 tons higher than last fiscal year's record high sales volume. All plants operated at capacity and were again "sold out". The Company purchased 185,000 tons of cement, the same as last year, to supplement its fiscal 1997 manufactured cement shipments. Cement unit costs were 3% higher than the prior year primarily due to increased maintenance costs.

Gypsum Wallboard. Gypsum Wallboard revenues increased 24% during fiscal 1997 to \$72.2 million from \$58.3 million in fiscal year 1996. Segment operating earnings totaled \$20.6 million for fiscal 1997, a 72% improvement over \$11.9 million in fiscal 1996. Unit operating margins increased 57% to \$28.32 per thousand square feet ("MSF") over \$18.04 per MSF last year primarily due to increased sales prices. Wallboard average sales prices increased \$11.18 per MSF in fiscal 1997 to \$99.39 per MSF as a result of record high industry consumption. Wallboard sales volume of 726 million square feet ("MMSF") for fiscal 1997 increased 10% over fiscal 1996 primarily due to one month of sales volume from the recently acquired Eagle Gypsum plant. Both of the Company's existing Wallboard plants operated at capacity during the fiscal year. Unit costs increased one percent from \$70.17 per MSF in fiscal 1996 as a result of increased maintenance cost at the Albuquerque plant and higher overhead costs being partially offset by a 15% decrease in paper cost.

Concrete and Aggregates. Concrete and Aggregates revenues of \$36.8 million in fiscal year 1997 were 8% lower than fiscal 1996 revenues of \$39.9 million. Segment operating earnings of \$4.8 million in fiscal 1997 decreased 14% from \$5.6 million in the prior fiscal year. Concrete operating earnings of \$3.8 million in fiscal 1997 were 13% lower than last fiscal year's earnings due to decreased sales volume and lower operating margins. Concrete sales volume of 603,000 cubic yards in fiscal 1997 decreased 4% from fiscal 1996 due to a 6% decline in sales in the Texas market. Increased Concrete net sales prices were negated by higher production and materials costs. Aggregates operating earnings of \$933,000 for fiscal 1997 declined 19% from fiscal 1996 due to decreased sales volume being partially offset by higher operating margins. Aggregates sales volume of 2.1 million tons decreased 26% from 2.8 million tons in fiscal 1996 mostly due from the sale in fiscal 1996 of a north Texas sand and gravel operation. Unit costs increased 5% in fiscal 1997 as a result of increased production cost.

Other Income. Other income of \$1.8 million during fiscal 1997 decreased \$959,000 from fiscal year 1996 primarily due to a \$783,000 gain realized on two asset sales last year along with less trucking income and outside clinker sales this year.

Corporate Overhead. Corporate overhead was \$1.4 million higher than the prior year due to \$1.2 million of additional performance incentive accruals this year.

#### FISCAL YEAR 1996 COMPARED TO FISCAL YEAR 1995

Benefitting from increased shipments and higher operating margins in all business segments, Centex Construction Products, Inc. reported the highest net earnings in its history in fiscal 1996.

During fiscal 1996, consolidated revenues increased 15% to \$222.6 million from \$194.3 million in fiscal 1995. A combination of increased sales volume in all of the Company's operations along with higher Cement and Concrete sales prices generated the revenue gain. Operating earnings of \$55.6 million increased 49% over fiscal 1995 operating earnings of \$37.4 million due to improved margins in all of the Company's operations. Corporate general and administrative expenses were \$155,000 higher than prior year's expense of \$2.3 million due mainly to increased professional and public company related expenses. Net interest expense declined to \$803,000 in fiscal 1996 from \$1.3 million in fiscal 1995 due to payment of the Company's revolving credit line late in the fiscal year. The Company's effective tax rate in fiscal 1996 was 35%, the same as fiscal 1995. As a result of the foregoing, net earnings increased 56% to \$33.9 million in fiscal 1996 from \$21.8 million in fiscal 1995. Earnings per share for fiscal 1996 increased 56% to \$1.48 compared to \$0.95 for fiscal 1995.

The following table compares sales volumes, average unit sales prices and unit operating margins for the Company's operations:

	Cement (Ton)		Gypsum Wallboard (MSF)		Concrete (Cubic Yard)		Aggregates (Ton)	
	1996	1995	1996	1995	1996	1995	1996	1995
Sales Volume (Thousands)	2,092	1,941	661	584	629	563	2,801	2,507
Average Net Sales Price	\$60.09	\$56.62	\$88.21	\$88.53	\$45.62	\$44.46	\$4.01	\$4.06
Operating Margin	\$16.89	\$13.40	\$18.04	\$12.40	\$7.01	\$4.38	\$0.41	\$0.05

Cement. Cement revenues for the fiscal year ended March 31, 1996, were \$125.7 million, 14% higher than \$109.9 million for the prior fiscal year. Segment operating earnings increased 36% to \$35.3 million from \$26.0 million last fiscal year due to unit operating margins increasing 26% over last year's margin of \$13.40 per ton. Strong construction activity in the regions served by the Company resulted in a 6% increase in price realizations. Sales volume of 2.1 million tons, a record high, was 8% higher than last fiscal year's sales volume of 1.9 million tons. The Company purchased 185,000 tons of cement to supplement its fiscal 1996 manufactured cement shipments. All plants operated at capacity and were again "sold out." Cement unit costs were level with the prior year due to increased clinker production.

Gypsum Wallboard. Gypsum Wallboard revenues increased 13% during fiscal 1996 to \$58.3 million from \$51.7 million in fiscal year 1995. Segment operating earnings totaled \$11.9 million for fiscal 1996, a 65% improvement over \$7.2 million in fiscal 1995. Unit operating margins increased 46% to \$18.04 per thousand square feet ("MSF") over \$12.40 per MSF last year due mostly to decreased production cost. Wallboard average sales prices declined \$0.32 per MSF in fiscal 1996 to \$88.21 per MSF as a result of decreased home construction activity in some markets, expanding industry production capacity and the industry's increased utilization of rail to distribute wallboard into markets with more favorable pricing. Wallboard sales volume of 661 million square feet ("MMSF") for fiscal 1996 increased 13% over fiscal 1995 due mostly to a 39% increase in production volume at the Albuquerque plant. Both of the Company's Wallboard plants operated at capacity during the fiscal year. Unit costs declined 8% from \$76.13 per MSF in fiscal 1995 to \$70.17 per MSF in fiscal 1996 due to the combination of the volume impact of 85,000 MSF increased production on fixed costs, increased efficiency at the Albuquerque plant, and lower Albuquerque maintenance cost, partially offset by increased paper costs.

Concrete and Aggregates. Concrete and Aggregates revenues of \$39.9 million in fiscal year 1996 were 13% higher than fiscal 1995 revenues of \$35.2 million. Segment operating earnings of \$5.6 million in fiscal 1996 increased 115% over \$2.6 million in the prior fiscal year. Concrete operating earnings of \$4.4 million in fiscal 1996 were 79% higher than last fiscal year's earnings due to increased sales volume and improved operating margins. Concrete sales volume of 629,000 cubic yards in fiscal 1996 increased 12% over fiscal 1995 due to improved market conditions in both the Texas and northern California markets. Concrete net sales price increases, along with reduced production cost at the northern California operation resulted in the operating margin gain. Aggregates operating earnings of \$1.2 million for fiscal 1996 improved 845% over fiscal 1995 due to increased sales volume and higher operating margins. Aggregates sales volume of 2.8 million tons increased 12% over 2.5 million tons in fiscal 1995 due to higher highway construction aggregates sales. Unit cost declined 10% in fiscal 1996 as a result of increased production volume. During the third quarter of fiscal 1996, a north Texas sand and gravel operation that was both marginally-profitable and non-strategic was sold.

Other Income. Other income of \$2.8 million during fiscal 1996 increased \$1.2 million over fiscal year 1995 due primarily to a \$783,000 gain realized on two asset sales along with increased trucking income and outside clinker sales.

#### LIQUIDITY AND CAPITAL RESOURCES

Each of the Company's business segments operates in capital-intensive industries. Prior to the completion of the Initial Public Offering, the Company operated as a wholly-owned subsidiary of Centex. Because Centex has in the past provided capital for the Company through intercompany loans, the Company historically has had only a limited amount of borrowings from third parties. As part of the Initial Public Offering the Company obtained a three-year \$65 million unsecured revolving credit facility to finance its working capital, capital expenditures, and payment of \$34.3 million of deferred income taxes to Centex. Late in fiscal year 1996, the credit facility was amended to lower the maximum borrowing capacity to \$35 million. During fiscal 1997, the Company established a \$10 million unsecured swing line to provide for its short-term working capital needs.

Working capital at March 31, 1997 was \$28.2 million, a decrease of \$17.7 million from March 31, 1996, principally due to a \$16.0 million decrease in cash. In February 1997, the Company completed the purchase of a gypsum wallboard manufacturing facility and associated power cogeneration facility. Total purchase price of the acquisition was \$52.0 million plus \$4.0 net million working capital. Acquisition funds were provided from existing cash balances and borrowings under a new \$10 million Bank Line of Credit. Excluding the wallboard and cogeneration facilities acquisition, other capital expenditures for fiscal 1997 were \$5.9 million compared to \$15.3 million in fiscal 1996. The higher capital spending in fiscal 1996 was primarily due to the recommissioning of the second kiln at the Laramie plant. Based on its financial condition and low debt levels at March 31, 1997, CXP believes that its internally generated cash flow coupled with funds available under its credit facilities will enable CXP to provide adequately for its current operations and future growth.

#### STOCK REPURCHASE PROGRAM

The Company's Board of Directors has approved the repurchase of up to two million shares of the Company's common stock. The Company repurchased a total of 40,196 shares during fiscal 1995, zero in fiscal 1996, and 1,038,100 shares in fiscal 1997. Since the fiscal 1997 stock repurchases did not include purchasing a proportionate amount of stock from its former parent, Centex Corporation, Centex's ownership interest in CXP at March 31, 1997, increased to approximately 51.4% from 49%.

#### INFLATION AND CHANGING PRICES

Inflation has become less of a factor in the U.S. economy as the rate of increase has moderated during the last several years. The Consumer Price Index rose 3.3% in calendar 1996, 2.9% in 1995, and 2.7% in 1994. Prices of materials and services, with the exception of wallboard paper, have remained relatively stable over the three-year period. Strict cost control and improving productivity also minimize the impact of inflation. The impact of inflation on income from operations along with increasing sales prices due to full or near full utilization of industry capacity during the three years ended March 31, 1997, have enabled the Company to increase per unit profit margins, except for concrete, in each successive year.

#### DISCLOSURE REGARDING FORWARD LOOKING-STATEMENTS

Certain sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on current expectations, estimates and projections concerning the general state of the economy and the industry and market conditions in certain geographic locations in which the Company operates. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no guarantees of future performance and they involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in such forward-looking statements.

The Company's business is cyclical and seasonal, the effects of which cannot be accurately predicted. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include the following: general economic conditions, interest rates, changes in economic conditions specific to any one or more of the Company's markets, adverse weather, unexpected operational difficulties, changes in governmental and public policy including increased environmental regulations, public infrastructure expenditures, competition, and the availability of raw materials. Other risks and uncertainties could also affect the outcome of the forward-looking statements.

## Centex Construction Products, Inc. and Subsidiaries

## QUARTERLY RESULTS

(Dollars in thousands, except per share data)  
(Unaudited)

	March 31,	
	1997	1996
-----		
FIRST QUARTER		
Revenues	\$61,058	\$55,104
Earnings Before Income Taxes	\$15,198	\$12,064
Net Earnings	\$ 9,863	\$ 7,830
Earnings Per Share	\$ 0.44	\$ 0.34
SECOND QUARTER		
Revenues	\$65,538	\$66,483
Earnings Before Income Taxes	\$20,052	\$16,179
Net Earnings	\$13,014	\$10,500
Earnings Per Share	\$ 0.59	\$ 0.46
THIRD QUARTER		
Revenues	\$59,117	\$55,429
Earnings Before Income Taxes	\$17,291	\$15,344
Net Earnings	\$11,222	\$ 9,958
Earnings Per Share	\$ 0.51	\$ 0.43
FOURTH QUARTER		
Revenues	\$53,667	\$45,578
Earnings Before Income Taxes	\$11,865	\$ 8,717
Net Earnings	\$ 7,700	\$ 5,656
Earnings Per Share	\$ 0.35	\$ 0.25

## Centex Construction Products, Inc. and Subsidiaries

## SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)  
(Unaudited)

	For the Years Ended March 31,				
	1997	1996	1995	1994	1993
Revenues	\$239,380	\$222,594	\$194,313	\$166,826	\$136,526
Net Earnings	\$ 41,799	\$ 33,944	\$ 21,820	\$ 10,240	\$ 3,112
Total Assets	\$305,637	\$269,575	\$250,103	\$257,315	\$258,994
Total Long-term Debt	\$ 640	\$ 720	\$ 24,500	\$ 15,585	\$ 34,519
Total Debt	\$ 2,640	\$ 720	\$ 24,500	\$ 16,200	\$ 38,943
Deferred Income Taxes	\$ 18,835	\$ 14,344	\$ 6,705	\$ 37,925	\$ 36,224
Stockholders' Equity	\$239,436	\$216,462	\$183,405	\$170,839	\$160,599
Total Debt as a Percent of Total Capitalization (Total Debt, Deferred Income Taxes and Stockholders' Equity)	1.0%	0.3%	11.4%	7.2%	16.5%
Net Earnings as a Percent of Beginning Stockholders' Equity	19.3%	18.5%	12.8%	6.4%	2.0%
Per Common Share -					
Net Earnings (1)	\$ 1.89	\$ 1.48	\$ 0.95	\$ 0.45	\$ 0.14
Cash Dividends (2)	\$ 0.20	\$ 0.05	--	--	--
Book Value Based on Shares Outstanding at Year End (1)	\$ 10.89	\$ 9.42	\$ 7.99	\$ 7.43	\$ 6.98
Stock Prices (1)					
High	\$ 20	\$ 15 1/2	\$ 14 3/8	--	--
Low	\$ 12 1/2	\$ 11 3/8	\$ 8 7/8	--	--

(1) Prior to April 1994, CXP was a wholly-owned subsidiary of Centex Corporation and accordingly did not report per share information. To facilitate comparisons between periods, per share data for prior years has been presented using the 23,000,000 shares outstanding immediately after the Initial Public Offering.

(2) Declared initial quarterly cash dividend of five cents per share on March 12, 1996.

	For the Years Ended March 31,				
	1992	1991	1990	1989	1988
Revenues	\$129,832	\$142,188	\$126,358	\$121,211	\$118,002
Net Earnings	\$ 713	\$ 1,118	\$ 3,911	\$ 5,015	\$ 17,840
Total Assets	\$267,303	\$267,654	\$238,817	\$225,797	\$250,856
Total Long-term Debt	\$ 37,713	\$ 47,094	\$ 24,085	\$ 24,937	\$ 56,762
Total Debt	\$ 49,308	\$ 52,322	\$ 28,521	\$ 28,086	\$ 59,516
Deferred Income Taxes	\$ 35,881	\$ 31,553	\$ 31,977	\$ 29,326	\$ 25,930
Stockholders' Equity	\$157,487	\$156,774	\$155,656	\$151,745	\$146,730
Total Debt as a Percent of Total Capitalization (Total Debt, Deferred Income Taxes and Stockholders' Equity)	20.3%	21.7%	13.2%	13.4%	25.6%
Net Earnings as a Percent of Beginning Stockholders' Equity	0.5%	0.7%	2.6%	3.4%	13.8%
Per Common Share -					
Net Earnings (1)	\$ 0.03	\$ 0.05	\$ 0.17	\$ 0.22	\$ 0.78
Cash Dividends (2)	--	--	--	--	--
Book Value Based on Shares Outstanding at Year End (1)	\$ 6.85	\$ 6.82	\$ 6.77	\$ 6.60	\$ 6.38
Stock Prices (1)					
High	--	--	--	--	--
Low	--	--	--	--	--

## BOARD OF DIRECTORS

Robert L. Clarke (2, 3)  
Partner  
Bracewell & Patterson, L.L.P.

O. G. Dagnan (1)  
President and  
Chief Executive Officer

Laurence E. Hirsch (1, 2, 4)  
Chairman and  
Chief Executive Officer,  
Centex Corporation

David W. Quinn (1, 4)  
Vice Chairman,  
Centex Corporation

Harold K. Work (2, 3)  
President, Elk Corporation  
Executive Vice President,  
Elcor Corporation

(Numbers in parentheses indicate Board Committees)

- (1) Executive Committee
- (2) Compensation Committee
- (3) Audit Committee
- (4) Stock Option Committee

CENTEX CONSTRUCTION  
PRODUCTS, INC.  
Laurence E. Hirsch  
Chairman

O. G. Dagnan  
President and  
Chief Executive Officer

Richard D. Jones, Jr.  
Executive Vice President and  
Chief Operating Officer

Arthur R. Zunker, Jr.  
Senior Vice President-Finance, Treasurer and  
Chief Financial Officer

Rodney E. Cummickel  
Vice President

Hubert L. Smith, Jr.  
Vice President

AMERICAN GYPSUM COMPANY  
H.D. House  
President

David P. Emanuel  
Vice President

Kerry G. Gannaway  
Vice President

Geoff W. Gray  
Vice President

CENTEX MATERIALS, INC.  
James E. Bailey  
President

J. David Loftis  
Vice President

ILLINOIS CEMENT COMPANY  
Joseph L. Baker  
President

Steven R. Rowley  
Executive Vice President

Thomas F. Clarke  
Vice President

Henry V. Gross  
Vice President

Frank P. Koepfel  
Vice President

MATHEWS READYMIX, INC.  
Craig J. Callaway  
President

James D. Elliott  
Vice President

MOUNTAIN CEMENT COMPANY  
Alan J. Steagall  
President

W. Jerald Hoyle  
Executive Vice President

John R. Bremner  
Vice President

George B. Coates  
Vice President

NEVADA CEMENT COMPANY  
Alan J. Steagall  
President

John R. Bremner  
Vice President

Ronald L. Gross  
Vice President

TEXAS-LEHIGH  
CEMENT COMPANY  
Gerald J. Essl  
President

R. Lee Hunter  
Vice President

Robert W. Mull  
Vice President

WESTERN  
AGGREGATES, INC.  
Craig J. Callaway  
President

James D. Elliott  
Vice President

CORPORATE HEADQUARTERS  
 3710 Rawlins Street  
 Suite 1600, LB 78  
 Dallas, Texas 75219  
 (214) 559-6514

TRANSFER AGENT AND REGISTRAR  
 ChaseMellon Shareholder Services, L.L.C.  
 85 Challenger Road  
 Overpeck Center  
 Ridgefield Park, NJ 07660  
 1-800-635-9270 (toll-free)

STOCK LISTINGS  
 New York Stock Exchange  
 Ticker Symbol "CXP"

#### ANNUAL MEETING

The Annual Meeting of Stockholders of Centex Construction Products, Inc. will be held on Thursday, July 17, 1997 at 10:00 a.m. in the Emerald Room at the Wyndham Anatole Hotel, 2201 Stemmons Freeway, Dallas, Texas.

#### STOCKHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends or change of address should be sent to ChaseMellon Shareholder Services, L.L.C. at the address listed above.

#### FORM 10-K

A copy of the Annual Report on Form 10-K of Centex Construction Products, Inc. is available upon request to the Senior Vice President-Finance at corporate headquarters.

#### STOCK PRICES AND DIVIDENDS

Quarter	Fiscal Year Ended March 31, 1997			Fiscal Year Ended March 31, 1996		
	Price		Dividends	Price		Dividends
High	Low	High		Low		
First	\$ 15 1/4	\$13 5/8	\$ 0.05	\$13 3/4	\$11 3/8	None
Second	\$ 16	\$12 1/2	\$ 0.05	\$15	\$12 5/8	None
Third	\$ 18 1/2	\$14 3/8	\$ 0.05	\$14 5/8	\$11 7/8	None
Fourth	\$ 20	\$16 1/4	\$ 0.05	\$15 1/2	\$13 5/8	\$0.05

The common stock of Centex Construction Products, Inc. is traded on the New York Stock Exchange (ticker symbol CXP). The approximate number of record holders of the common stock of CXP as of June 12, 1997 was 195. The closing price of CXP's common stock on the New York Stock Exchange on June 12, 1997 was \$20 7/8.

## SUBSIDIARIES OF THE COMPANY

Caption	FORM OF ORGANIZATION	STATE OF ORGANIZATION
NAME OF SUBSIDIARY -----	-----	-----
American Gypsum Company	corporation	New Mexico
BP Sand & Gravel, Inc.	corporation	Delaware
CCP Cement Company	corporation	Nevada
CCP Concrete/Aggregates Company	corporation	Nevada
CCP Gypsum Company	corporation	Nevada
CCP Land Company	corporation	Nevada
CEGC Holding Company	corporation	Delaware
Centex Eagle Gypsum Company	corporation	Delaware
Centex Eagle Gypsum Company, L.L.C.	limited liability company	Delaware
Centex Materials, Inc.	corporation	Nevada
Ilce, Inc.	corporation	Nevada
Illinois Cement Company	corporation	Illinois
Illinois Cement Company	joint venture	Texas
M & W Drywall Supply Company	corporation	Nevada
Mathews Readymix, Inc.	corporation	California
Mountain Cement Company	corporation	Nevada
Nevada Cement Company	corporation	Nevada
Texas Cement Company	corporation	Nevada

## Caption

NAME OF SUBSIDIARY -----	FORM OF ORGANIZATION -----	STATE OF ORGANIZATION -----
Texas-Lehigh Cement Company	corporation	Texas
Texas-Lehigh Cement Company	joint venture	Texas
Western Aggregates, Inc.	corporation	Nevada
Western Cement Company of California	corporation	California
Wisconsin Cement Company	corporation	Wisconsin

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants we hereby consent to the incorporation by reference in this Form 10-K of our report dated May 8, 1997, included in the Centex Construction Products, Inc. (the "Company") annual report to stockholders. We also hereby consent to the incorporation by reference of our report dated May 8, 1997, into the Company's previously filed registration statements on Form S-8 (No. 33-82820; No. 33-82928; No. 33-84394) and to all references to our firm included in these registration statements.

ARTHUR ANDERSEN, LLP

Dallas, Texas,  
June 25, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CENTEX CONSTRUCTION PRODUCTS, INC.'S MARCH 31, 1997, FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS		
	MAR-31-1997	
	APR-01-1996	
	MAR-31-1997	4,812
		0
	38,700	
		0
	31,482	
	74,994	363,409
	139,033	
	305,637	
46,726		640
	0	
		0
		220
305,637	239,216	
		237,557
	240,737	0
	172,427	
	3,904	
	0	
	0	
	64,406	
	22,607	
41,799		
	0	
	0	
		0
	41,799	
	1.89	
	0	