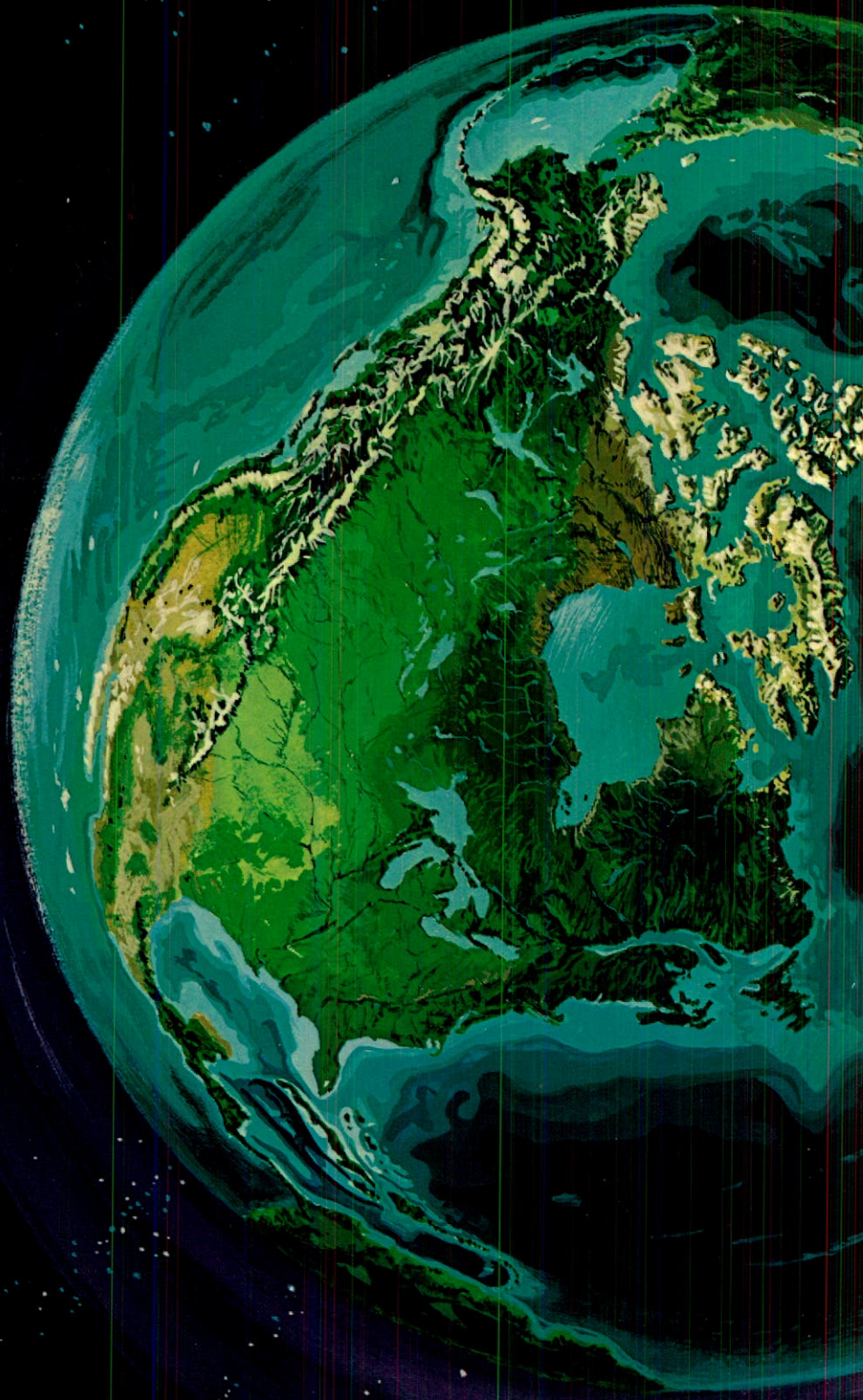





Johns-Manville
annual
report
1973

Johns-Manville
today





Johns-Manville is a widely diversified corporate entity.

The company conducts manufacturing and mining operations in the United States, Canada and 13 other countries. Its principal manufacturing businesses consist of the production of various building construction materials, including lighting fixtures and components; polyvinyl chloride (PVC) and asbestos-cement pipe; commercial and industrial insulation materials, primarily of fiber glass; and miscellaneous industrial specialty products.

The company is a leading miner and supplier of asbestos and certain other nonmetallic minerals, including diatomite, perlite and talc.

Although there are no definitive industry statistics available as to the relative position of a number of its product areas, the company believes it is one of the world's largest producers of asbestos fiber, the second largest producer in the United States of fiber glass products and the largest producer in the United States of PVC plastic pipe.

The company has some 27,900 stockholders and is one of the 30 Dow Jones Industrials.

J-M's corporate worldwide network includes 26,900 employees with a multitude of skills and talents working in 107 plants, 14 mines and 89 sales offices.

The company also maintains licensing arrangements and joint ventures around the world.

Through a carefully planned growth strategy, the company is continually adding businesses, product lines and technologies that strengthen its current business areas and will solidify the company's competitive position in the world business community in the years ahead.

Johns-Manville is in your future making today's ideas work for your tomorrows.

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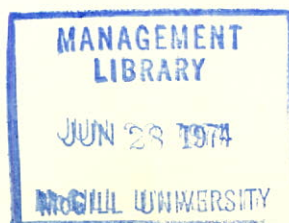
ANNUAL MEETING – The 1974 Annual Meeting of Stockholders will be held at the Century Plaza Hotel, Los Angeles, California, on Wednesday, April 10 at 2:00 p.m., Pacific Time. Each stockholder is cordially invited to attend. Proxy materials for the meeting are included with this mailing.

THE COVER photograph is symbolic of Johns-Manville's fast-growing fiber glass business. J-M has initiated expansion programs throughout the world to more than double its fiber glass output to help meet the ever-increasing demand for this strategic material.

| FINANCIAL HIGHLIGHTS (000 omitted) | 1973 | 1972 | % CHANGE |
|---|------------------|-------------|-----------------|
| NET SALES | \$905,417 | \$798,706 | 13.4 |
| NET EARNINGS | 55,784 | 49,550 | 12.6 |
| Net Earnings Per Share | 3.04 | 2.65 | 14.7 |
| AVERAGE SHARES OUTSTANDING | 18,329 | 18,677 | |
| CASH DIVIDENDS PAID | \$ 21,854 | \$ 22,075 | |
| Dividends Per Share | 1.20 | 1.20 | |
| CAPITAL EXPENDITURES | 106,228 | 74,548 | |
| WORKING CAPITAL | 137,220 | 122,808 | |
| STOCKHOLDERS' INVESTMENT | 505,857 | 477,728 | |
| NUMBER OF STOCKHOLDERS | 27,900 | 25,700 | |
| NUMBER OF EMPLOYEES | 26,900 | 25,300 | |

RESULTS BY MAJOR BUSINESS AREAS (000 omitted)

| | NET SALES | | EARNINGS (Before Income Taxes) | |
|---------------------------------------|------------------|-------------|---|-------------|
| | 1973 | 1972 | 1973 | 1972 |
| Commercial and Industrial Insulations | \$159,654 | \$124,762 | \$ 8,437 | \$ 5,568 |
| Construction Materials | 383,965 | 347,472 | 42,399 | 39,590 |
| Industrial Specialties | 100,731 | 90,990 | 10,774 | 3,792 |
| Mining and Minerals | 96,961 | 88,134 | 18,236 | 19,823 |
| Pipe Products and Systems | 164,106 | 147,348 | 6,551 | 15,082 |
| Non-Product Related Expense, Net | | | (126) | (1,137) |
| Total | \$905,417 | \$798,706 | \$ 86,271 | \$ 82,718 |



PRESIDENT'S REVIEW



The past year provided industry with its share of achievements. Johns-Manville was no exception.

Sales reached the highest level in company history, reflecting increased capacity, aggressive marketing and continued high demand for most of the company's diversified product lines.

Net earnings also set an all-time record, as a result of income gained from the sale of securities in foreign minority investments.

However, earnings from operations, although approximating the record levels set in 1972, were below expectations.

Several factors had a limiting effect on the ratio of operating earnings to sales.

Price controls under the Economic Stabilization Program restricted the company's ability to offset increased cost of operations with proportionate increases in selling prices. Liberalization of price controls during the latter part of 1973 provided some marginal relief from the cost-price squeeze.

The company also incurred considerably higher-than-planned expenses in connection with the pre-

operating and start-up of new facilities to manufacture fiber glass, polyvinyl chloride (PVC) plastic pipe and specialty insulation materials. These costs adversely affected pre-tax earnings by close to \$6 million. However, the investment in new capacity for these high-demand products should have a favorable impact on operations for years to come.

An in-depth evaluation of a company's performance and prospects may best be viewed from the standpoint of financial results and in terms of its growth programs designed to successfully position operations for long-range profitability.

In 1973, we made important progress in implementing our growth strategy.

J-M growth programming is designed to increase profit potential, strengthen and balance marketing posture, and provide increased sales opportunities in foreign and domestic markets.

An important stimulus for any corporate growth is an aggressive, carefully planned capital expenditure program. Since 1970, J-M has nearly tripled its annual rate of capital investments to translate growth objectives

into successful and profitable businesses.

Capital expenditures in 1973 totaled \$106 million. These expenditures, the highest in company history, were directed to those businesses and markets that offered the best potential for future earnings growth.

The new capacity resulting from these capital expenditures should have a positive effect on operations in 1974. The full impact on company performance will be realized in 1975 as various phases of this capital program are completed.

A major portion of capital funds was allocated to a program, instituted in 1971, designed to more than double J-M fiber glass production capacity by the end of 1974. Now that the worldwide energy situation has jolted the public into strict conservation programs, fiber glass insulations have taken on even more vital importance.

Considerable funds were expended to increase production of PVC plastic pipe. The demand for this product continues to expand as state and local governments and industry increase specification of PVC pipe products.

PVC pipe expansion pro-

grams instituted in 1972 will be essentially completed by the end of the first quarter of 1974. This program, involving seven new plants, will place the company in an excellent position to capitalize on the increasing demand for this pipe product line.

Projected shortages of PVC resins may limit the full benefit of this new capacity in the immediate future.

Capital funds were also directed to strengthening the company's position as a leading supplier of asbestos.

Several investments were made to broaden J-M's position as a profitable international corporate entity. International business had a major impact on 1973 financial results.

Sales to foreign countries and overseas operations, excluding Canada, accounted for approximately 17 percent of total sales and approximately 34 percent of total net earnings in 1973. Foreign earnings benefited from a more favorable price structure in overseas markets as opposed to price-regulated domestic markets.

To assure funding of future profitable growth in both foreign and domestic markets, the company com-

pleted the sale of a \$75 million debenture issue.

Proceeds from the sale will provide capital for retiring intermediate and short-term indebtedness, and provide the base for our continuing growth programs.

Although it is customary to make some estimate of expected company results in the year ahead, any projection of performance for 1974 is difficult considering the more-than-usual external economic factors over which we have no control. However, J-M is confident that its unique strengths will continue to be translated into corporate success.

This report contains a comprehensive presentation of the events of 1973, the company's changing profile and strategy for building a strong profit base that will benefit stockholders, employees and our customers.

I hope you find this report informative and useful as you evaluate the J-M of today and the course it is taking toward tomorrow.



W. R. GOODWIN
President and Chief Executive Officer



Energy shortages are part of today's world. Problems often emerge faster than solutions can be found. A new set of priorities must be established in the months and years ahead so that our course of progress can be recharted. Energy supplies must be conserved to carry us through this period of decision and transition. Johns-Manville will play an important role in the effort to conserve energy.

OPERATIONS PROFILE

Johns-Manville insulation materials took on a new dimension of importance in 1973 as the energy shortages touched so many aspects of daily living.

Fiber glass insulation materials are a proven energy conservation commodity used in the construction industry, in the production of appliances and for heating and air conditioning systems.

J-M's fiber glass sales, encompassing three major J-M business areas—Commercial and Industrial Insulations, Construction Materials and Industrial Specialties—have more than doubled in a relatively short period, from \$92 million in 1969 to more than \$200 million at year-end 1973.

The impact of this demand for fiber glass insulations has resulted in the implementation of a comprehensive and aggressive strategy that will expand company participation in worldwide markets.

Since 1971, J-M has appropriated more than \$100 million to double worldwide fiber glass production capacity.

In 1973 alone, new fiber glass plants were designated for strategic marketing locations around the world. Facilities are now either completed or under construction at McPherson, Kansas; Willows, California; Montreal, Canada; Jurong, Singapore; and St. Avold, France.

Funds have been appropriated for new fiber glass insulation production equipment at Wertheim, Germany. The Schuller operations have been established as a central fiber glass production and technological base for European markets.

The company also acquired Magnebras, S.A., in Sao Paulo, Brazil. Since 1959, Magnebras has been licensed by J-M to produce insulation materials.

Other projects to expand fiber glass capacity were completed at existing J-M fiber glass plants at Cleburne, Texas; Penbryn, New Jersey; Parkersburg, West Virginia; Defiance and Waterville, Ohio; and Caracas, Venezuela.

Insulation materials: important ingredients in industrial processes

J-M's other commercial and industrial insulation materials have paralleled world economic growth. The company first produced insulation materials in 1858. Since then, they have developed into key ingredients used in the basic process industries, utility generation facilities, non-residential construction and in the aerospace programs.

The growth of J-M insulation sales during 1973 related to increased economic activity in those industries and markets served by J-M. Major product lines such as high temperature and specialized insulation materials for the aircraft, automobile, atomic energy and appliance industries showed substantial increase over 1972.

To meet increased demands for its insulation materials, several programs were instituted to expand the company's market position.


Facilities at Manville, New Jersey and Long Beach, California were converted, and additional facilities installed at Waukegan, Illinois, to manufacture THERMO-12, a new high

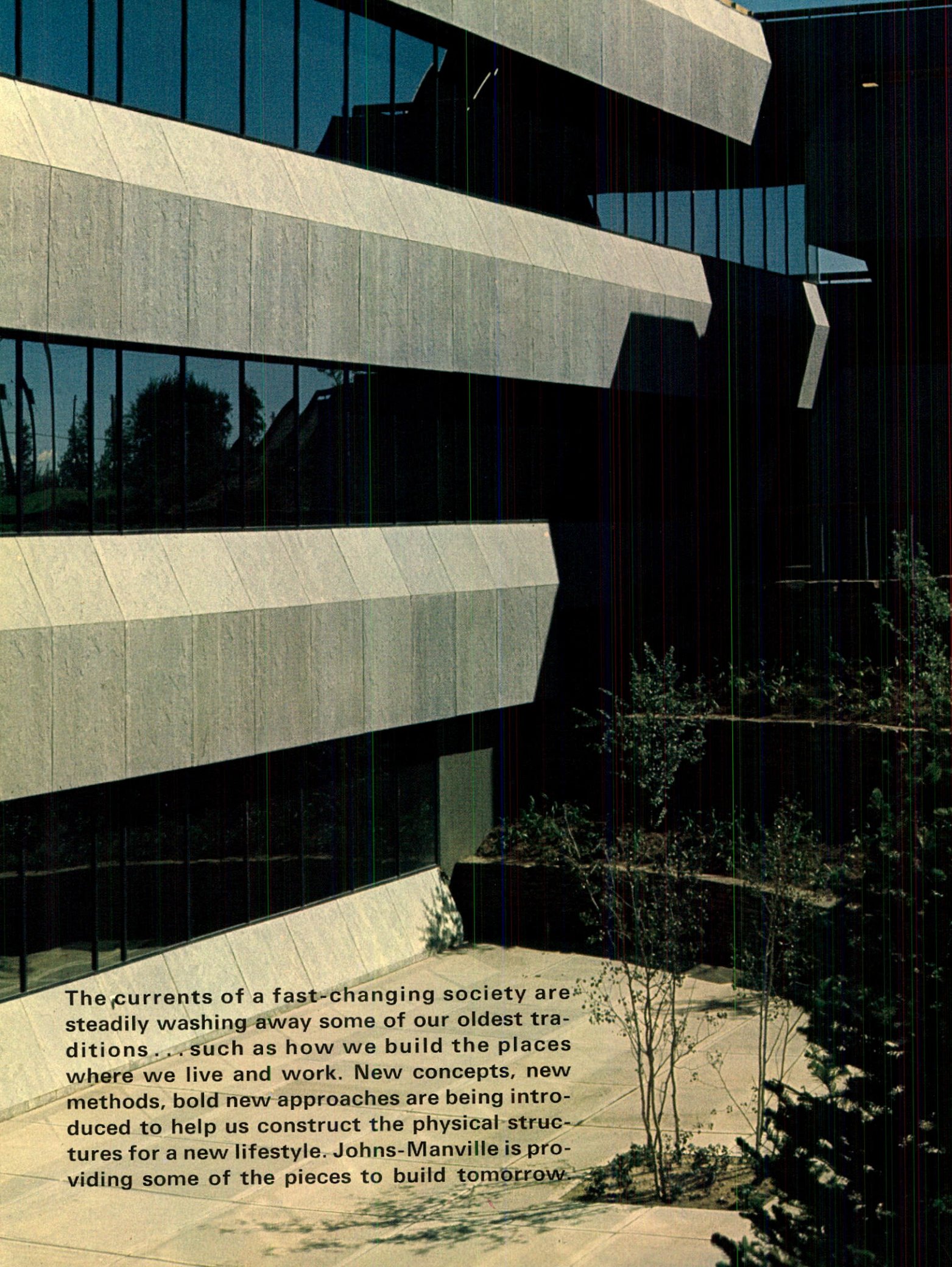
temperature calcium silicate insulation developed by J-M research. THERMO-12 is used as a specialty insulation in the utility, petrochemical, paper and pulp, steel and non-ferrous industries.

J-M fortified its long-range domestic position as a leading supplier of fiber glass automotive hoodliners and topliners in 1973 with a program to expand production facilities at Defiance and Parkersburg.

Operations were expanded to meet future demands for other highly specialized insulation materials. Additional refractory fiber facilities were approved for Waukegan and St. Marcellin, France. Refractory fiber materials are used in combustion chambers for oil-fired heating units, industrial furnace construction, supplies for the forestry industry and as both insulation and support for electrical heating elements in the new glass-surfaced home cooking ranges.

The surge in demand for fiber glass and other insulation materials makes Commercial and Industrial Insulations one of J-M's most active business areas.

 **COMMERCIAL AND INDUSTRIAL INSULATIONS**—Johns-Manville produces a variety of insulation products which are sold to the construction, aircraft, aerospace, nuclear energy, automobile, appliance and marine industries. In addition to fiber glass thermal and acoustical insulation, these products include pipe and block insulation; insulating fire brick; refractory fiber products; refractory cements; special insulation products for automotive, appliance, aircraft and marine industries; flexible and rigid fiber glass insulations for heating and air conditioning systems in commercial, institutional and residential buildings; and high-performance insulations for aerospace and atomic energy applications.



The currents of a fast-changing society are steadily washing away some of our oldest traditions . . . such as how we build the places where we live and work. New concepts, new methods, bold new approaches are being introduced to help us construct the physical structures for a new lifestyle. Johns-Manville is providing some of the pieces to build tomorrow.

The hallmark by which Johns-Manville may best be known is construction materials . . . the ingredients to build homes, schools, factories, hospitals and skyscrapers. To be sure, it is an important element of the company, but the profile is changing.

J-M direction in the decade of the 1970s has been toward a product and marketing strategy compatible with the long-range needs of world markets.

The emphasis has been on versatility. The company has structured both production and marketing operations so that it can compete strongly in those markets that may be "up" in a particular year. The company's unique lineup of products, systems and services can be easily directed to non-residential, residential or the maintenance, remodeling and repair sectors of the construction industry to meet specific market demands.

J-M made important forward strides in 1973 in its strategy to develop integrated ceiling systems for commercial, industrial and institutional buildings.

J-M Holophane lighting systems have been packaged with the company's popular acoustical ceiling materials and formally introduced to the construction industry. The integrated system offers new dimensions in lighting and sound control.

Harnessing advanced technology and making less electricity do more work, the company perfected unique, highly efficient lighting components for outdoor areas, large and small, and for indoor facilities such as schools, offices, stores, industrial areas and warehouses.

The rise in demand for fiber glass insulations stems, in part, from increased worldwide attention focused on energy conservation standards for the construction industry.

The full potential of insulations as an effective means of conserving energy is just beginning to be realized. As an example, for every unit of energy it takes to produce one unit of fiber glass insulation, 600 units of energy are saved over the average lifetime of a structure.

The adoption of higher thickness standards by Federal agencies is resulting in increased usage of fiber glass insulations for new housing units, mobile homes and remodeling projects.

Fiber glass roofing shingles continued to show extraordinary growth in 1973. Considered by many to be one of the most innovative roofing products of this century, J-M fiber glass shingles doubled in usage both in 1972 and 1973.

New facilities position J-M in growing markets

Several capital expenditure programs were instituted in 1973 to strengthen J-M's Construction Materials business.

Funds were appropriated for programs designed to increase capacity for perlite-based FESCO roof insulation, another important product for energy conservation. A new manufacturing facility is currently under con-

struction in Shenandoah County, Virginia. When completed in 1975, the new facility will help meet higher demands for FESCO roof insulation in the eastern third of the U.S.

Facilities at the Rockdale, Illinois plant are being expanded for the production of FESCO/FOAM roof insulation to meet the sharp rise in usage of thicker and more effective roof insulation materials.

The growing need for electric power generating facilities, especially nuclear plants, has created a more active market for J-M asbestos-cement cooling tower fill sheets. J-M sold five times as many fill sheets in 1973 as in 1972. These incombustible materials are essential in meeting the unique cooling requirements of electric power generating utilities to combat thermal pollution of rivers and lakes.

J-M Construction Materials business was also expanded in overseas markets. A new facility was approved for the company's Wissembourg, France location to produce insulating sidings, a rolled wood fiber and asphalt material designed for easy residential application.

JM CONSTRUCTION MATERIALS — Johns-Manville manufactures: fiber glass building insulations; fiber glass and felt-based asphalt roofing shingles; lighting fixtures and components for indoor and outdoor industrial and commercial use; sound control and decorative ceilings; asbestos-cement board materials; built-up roofing and roof insulation; siding products; pipe protection materials; insulating board; gypsum wall board; wall panel systems; pressed and extruded asbestos-cement exterior sidewalls; and high-pressure plastic decorative laminates.



One vital force in this dynamic era of sophisticated technological change is the corporation with its unique character, role and contributions. As the producer of our material goods, it is industry that must provide us with the products and services to implement progress. Johns-Manville is a company that serves industry.

Among the major markets for J-M Industrial Specialties product lines are the transportation, appliance, equipment, electrical, petroleum, marine and paper industries.

Important to each of these industries are highly specialized products that are key pieces in the manufacturing process or in the actual product lines. In some cases, it's "nuts and bolts" type products such as packings and gaskets; in other cases, it's component products such as COBRA brakeshoes for high-speed trains.

European operations have healthy impact on earnings performance

Just as fiber glass operations made a tremendous impact on J-M's insulation business in 1973, so did fiber glass mat production give impetus to earnings in the company's Industrial Specialties business.

Much of this impact came from J-M international operations. Fiber glass mats, manufactured by the J-M Schuller plant in West Germany, found substantially higher usage in expanding European markets. Fiber glass mats are important reinforcement materials used in the production of floor and wall coverings, roofing products and pipeline water-proofing and wrapping jackets. The J-M Schuller operations specialize in the development of fiber glass mat technology and production line design concepts that are sold to other manufacturers.

The Schuller facilities complement the J-M fiber glass production operation and research facilities at Waterville, Ohio, giv-

ing J-M a solid base in the world marketplace.

Fiber glass: important ingredient in reinforced plastic components

Fiber glass reinforcement materials used in the manufacture of engineered plastics continued to set a lively growth pace in several U.S. markets.

Fiber glass reinforced plastics have important uses in the manufacturing of automobile components, electrical equipment, furniture, appliance parts and sports equipment.

The requirements for J-M fiber glass reinforcement materials continued on the upswing in 1973 as engineered plastic parts gained further acceptance as replacement for metal components.

Specialty products benefit from higher production levels

Sales of several other J-M Industrial Specialties products benefited from the overall 10 percent increase in U.S. manufacturing production levels.

This increase was particularly pronounced in the durable goods industries. Specifically, non-electrical machinery, iron and steel production, and fabricated metal products were among the pacesetters. Spending for consumer goods, such as passenger cars and household appliances, also jumped over 1972 levels, giving a further sales boost to Industrial Specialties product lines.

An important and growing

segment of the Industrial Specialties business is the manufacturing and marketing of electrical insulation materials, such as papers, boards and composites of asbestos and fiber glass.

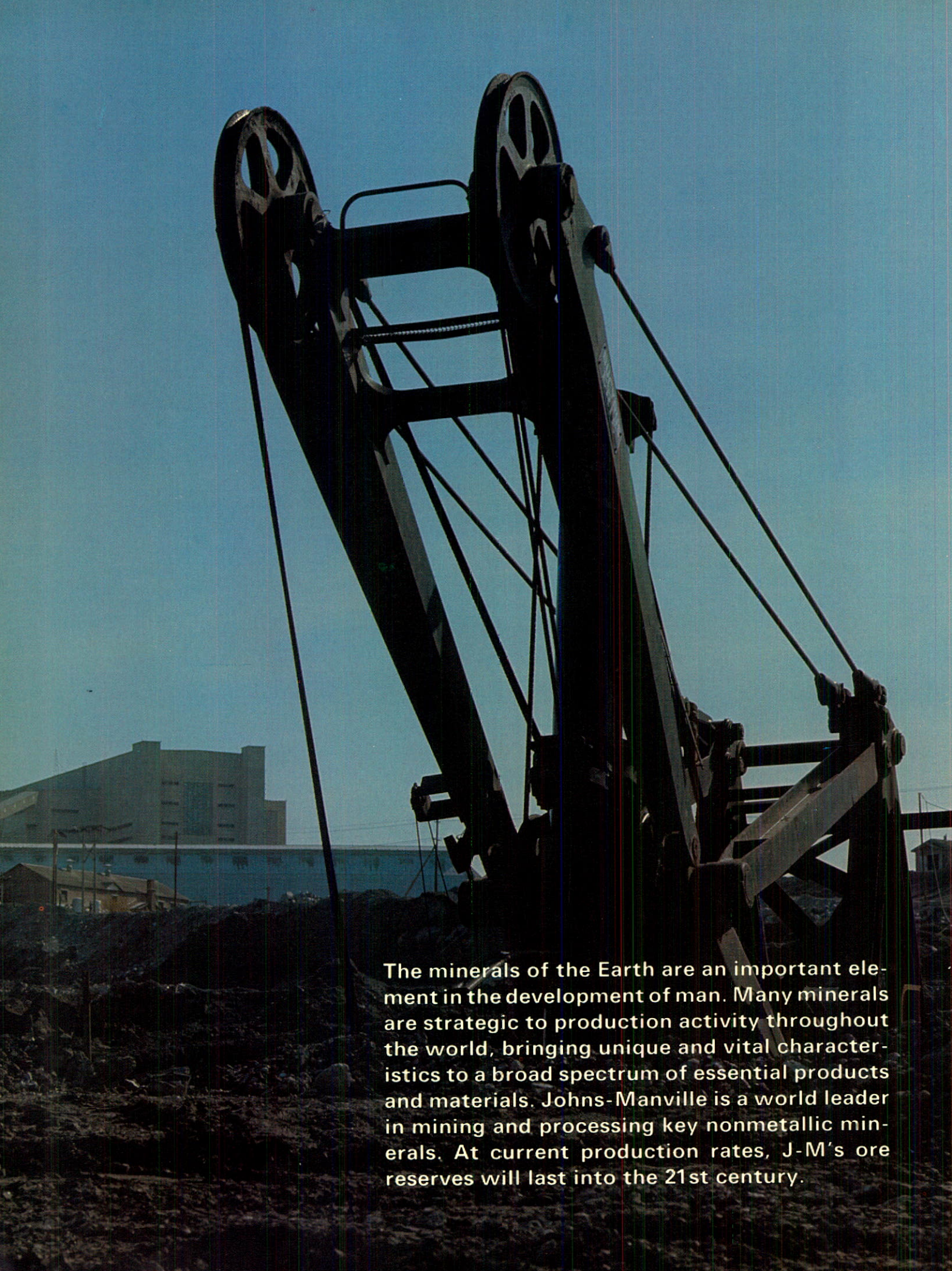
As the dependency on generated electricity increases the world over, J-M products in this area take on higher degrees of importance.

J-M has long played a prominent role in the technological development of electrical insulation materials.

A new product mix focuses on providing a variety of insulating materials for electrical equipment. These products conserve energy and build in added safety factors. One important development in 1973 was the introduction to the consumer electronics market of an insulation material for color television. This insulation has a higher degree of safety and inflammability than anything used to date.

The company improved its line of expansion joints used as flexible connectors for ducts. During 1973, J-M secured a sizable contract for expansion joints to be used in turbine systems in U.S. naval vessels.

JM INDUSTRIAL SPECIALTIES – Products in this line of business include packings, gaskets and mechanical seals for pumps, valves and pressure vessels; specialty asbestos textiles and parts; composition brake shoes for high-speed and standard service trains; papers, boards and composites of asbestos and fiber glass for electrical equipment; fiber glass reinforcements for engineered plastics used in automobiles, electrical components, appliances, marine and recreational products, chemical processing equipment and construction materials; and fiber glass continuous-filament yarn for reinforcing paper and tape.



The minerals of the Earth are an important element in the development of man. Many minerals are strategic to production activity throughout the world, bringing unique and vital characteristics to a broad spectrum of essential products and materials. Johns-Manville is a world leader in mining and processing key nonmetallic minerals. At current production rates, J-M's ore reserves will last into the 21st century.

Johns-Manville's Mining and Minerals operations encompass a wide range of activities including mining, processing, manufacturing, marketing and exploration. Emphasis centers on four nonmetallic minerals – asbestos, diatomite, perlite and talc.

Profit margins in this business area were negatively affected in 1973 by higher operating costs at most mine-mill operations and lower grade asbestos ore recovery. Price increases realized during the year did not offset these higher operating costs.

Asbestos has many essential functions in construction, industry and transportation. Over the years, fireproof asbestos has saved lives and property.

Worldwide demand for asbestos continues to grow

All the asbestos J-M was able to produce in 1973 – a record 681,000 tons – was sold early in the year. J-M asbestos is marketed in more than 70 countries.

To insure the quality of J-M asbestos fiber and a high level of supply to keep up with mounting world demand, J-M neared completion in 1973 of a five-year, \$75 million long-term recovery program at its giant Jeffrey Mine in Quebec.

These new facilities assure J-M of an asbestos yield in excess of 600,000 tons annually from Jeffrey for the next 40 years.

As a leading world producer of asbestos fiber, J-M has been at the forefront in developing standards that protect asbestos workers. For as long as it's been

known that asbestos could be harmful to those handling the fiber, J-M has spent millions of dollars for equipment and technology to prevent the inhalation of asbestos dust by workers in its mines, mills and plants.

J-M contributed to U.S. Department of Labor studies that led to the adoption of occupational health standards in 1972 for all U.S. manufacturing operations using asbestos. J-M is ahead of the rest of industry in meeting those regulations because of its efforts over the years to improve the working environment. The company also feels that compliance with these regulations will have no major effect on sales and earnings.

J-M established an Environmental Affairs Department in 1973 to distribute technological information to help customers meet health standards and insure safe handling practices in asbestos-manufacturing operations.

Industries and communities alike have initiated treatment and waste water disposal systems to prevent contamination of our rivers, lakes and streams.

J-M is an important contributor to these projects with its line of filtration materials.

Filter aids, produced from diatomite, are used by municipalities and industries to filter raw, treated and waste water.

Marketed worldwide under the trade name CELITE, J-M filter aids are also used extensively to filter swimming pool water, pharmaceuticals, food and beverages, dry cleaning solvents, chemicals and a myriad of other liquids.

J-M's principal source of diatomite is in Lompoc, California.

Ore reserves at this location assure J-M of a supply position for more than 40 years.

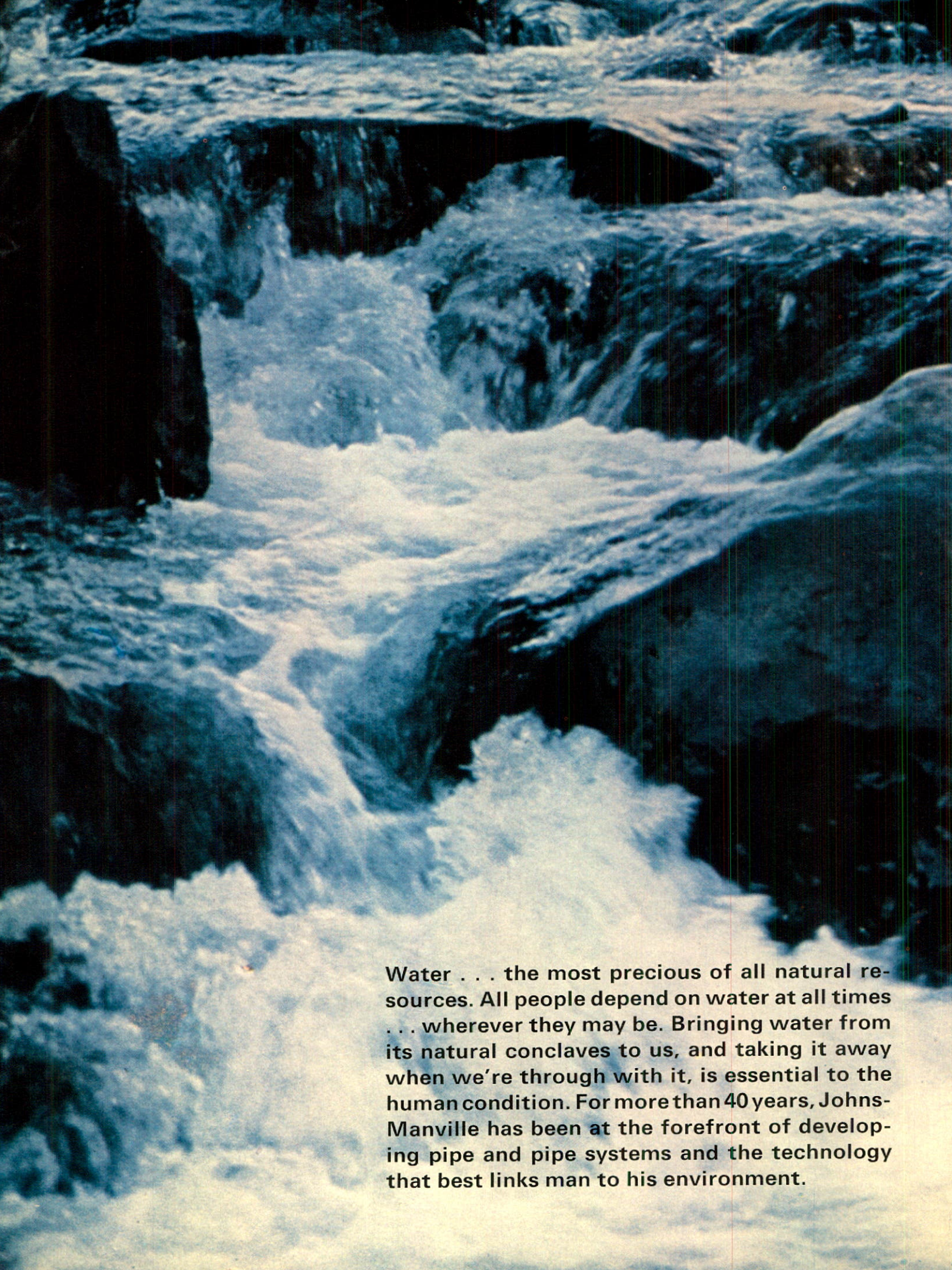
Perlite is used by J-M internally to make FESCO roof insulations, acoustical tile and fire-retardant building materials. Perlite is also shipped to other manufacturers who use it as a lightweight aggregate in concrete, plaster and soil conditioners. In addition, perlite is used in the production of cryogenic insulations and filter aids.

J-M mines and processes perlite at No Agua, New Mexico. At the current rate of production, J-M perlite reserves will last into the 21st century.

Industrial grade talc, marketed as DESERTALC, is mined at the Death Valley, California facility and processed at plants in Los Angeles, Dunn Siding and Lompoc, California. Talc is used as a functional filler, process aid and pigment extender in plastics, paints, papers and ceramics.

In light of current shortages of certain raw materials, particularly prime pigments and resins, talc has taken on an added dimension of importance as a controlling agent and extender material.

JM MINING AND MINERALS – Johns-Manville is a principal supplier of asbestos fiber used in the manufacture of construction, fire protection and insulation materials. The company is also a significant producer of diatomite, used industrially to filter and clarify liquids, and as a functional filler in paints, plastics, agricultural chemicals and polishes. Perlite is used as a filter aid and lightweight aggregate in manufacturing insulation and fire retardant building materials. The company also mines industrial grade talc, which is used primarily in the manufacture of plastics, paints and papers.



Water . . . the most precious of all natural resources. All people depend on water at all times . . . wherever they may be. Bringing water from its natural conclaves to us, and taking it away when we're through with it, is essential to the human condition. For more than 40 years, Johns-Manville has been at the forefront of developing pipe and pipe systems and the technology that best links man to his environment.

When introduced more than 10 years ago, polyvinyl chloride (PVC) plastic pipe was heralded as the "pipe of the future." There is little doubt today that prediction was a sound one.

The trend to this new breed of pipe for water and sewer service, irrigation systems and conduit systems for telephone and electrical lines was particularly pronounced in U.S. and Canadian markets during 1973.

Expansion programs make J-M leading PVC pipe producer

Recognizing the potential for this product, J-M has put a comprehensive expansion program into effect.

The \$30 million capital expenditure program included funds to build seven new PVC plastic pipe plants in the U.S. and Canada.

A major portion of the program was completed by year-end. Plants in Butner, North Carolina; Pueblo, Colorado; Tucson, Arizona; Wilton, Iowa; Jackson, Tennessee and Montreal, Canada are now in production. The McNary, Oregon plant will start up in 1974. Start-up expenses for these facilities and price restrictions that did not ease until late in 1973 resulted in an earnings drain on J-M's Pipe and Pipe Systems business area.

Shortages in petrochemical resins and other raw materials necessary for the production of PVC plastic pipe have prevented these new pipe plants from operating at full capacity. However, the substantially increased PVC capacity now makes J-M the

foremost producer of this product line in the U.S.

J-M TRANSITE asbestos-cement pipe earnings were also adversely effected by price restrictions.

J-M TRANSITE pipe has long been popular for use in public water and sewer projects, drainage systems and as duct for the utility companies. TRANSITE pipe offers many advantages over metallic pipe such as corrosion resistance, lighter weight and economies in installation.

TRANSITE pipe also serves as an excellent alternative for PVC plastic pipe in many applications. This will help J-M offset possible PVC pipe setbacks during this period of fuel and raw materials shortages.

Pipe systems are vital to the world's growing population

The advancement of technology for water distribution pipe products and systems is critical to an expanding world population.

J-M is fully aware of the potential and impact of this direction on the future. Consequently, a series of action programs — built around key acquisitions — has helped J-M piece together under its Pipe and Pipe Systems business a mosaic that enables the company to provide total systems for a wide variety of applications.

J-M's pipe product package today includes a complete line of pipe products and accessories as well as portable and stationary irrigation systems that can cover

hundreds of acres from one central point.

Computer systems: tomorrow's look taking shape today

Computerized turf irrigation systems are also an important piece in this mosaic. Such irrigation systems are being used more and more for golf courses, parks, university campuses, highways, residential landscapes and farms.

During the year, J-M established the Agri-Turf Division to consolidate under one marketing responsibility the functions of all key pieces such as computer technology and pipeline accessories acquired in the past two years. This new division will continue to seek other products and services that will broaden the company's profit base.

The following pages report on new business additions to the expanding systems mosaic of J-M pipe operations, as well as important growth developments in other major business areas.

JM PIPE PRODUCTS AND SYSTEMS—Johns-Manville manufactures several types of nonmetallic pipe for a great number of applications, including asbestos-cement pipe for water and sewer systems, storm drains, underdrains, vents and air ducts; PVC plastic pipe for water, sewer, irrigation and communications systems; insulated pipe for conveying chilled or warm water in central heating and cooling systems; and conduit for power and telephone cables. Other pipe-related products include pipeline accessories and irrigation equipment for agricultural applications and turf-irrigation markets such as golf courses, parks and residential landscaping.



The tide of change in the everyday activities of the world has made it necessary for corporations to rechart their future directions. The corporation that is versatile enough to change its direction is the corporation that will realize the full potential of the 70's and the years beyond.

GROWTH PROFILE

Johns-Manville's growth strategy is based on the philosophy that industry is the cornerstone of a world economy, and its present and future corporate actions will definitely influence the course we take in the years ahead. Long-term objectives of this strategy are aimed at strengthening the company's diversified marketing posture and putting emphasis on those products that will stabilize themselves in the changing business climate of the future.

The strategy is based on a systems approach, bringing together products and services that complement present and new J-M businesses and provide the company with product packages that will be attractive to markets all over the world.

Acquisitions, mergers, joint ventures, licensing arrangements and technical assistance programs of 1973 helped to turn that strategy into viable operations that benefit the company's major business areas. While J-M's growth program has not reached its ultimate objectives, it is making an impact on company operations and business interests in many parts of the world.

International operations show marked growth

The company's international operations reached unprecedented proportions in terms of both sales and earnings and physical scope in 1973.

In financial terms, J-M sales to foreign countries and overseas operations, excluding Canada, jumped from \$116 million in 1972 to \$153 million in 1973. Earnings increased from \$12

million to \$19 million.

The network of J-M's international operations expanded in 1973. Plants, mines and sales offices, distributorships, minority investments, licensing arrangements and technical assistance programs now encompass more than 100 countries.

The company coordinated the broad responsibilities of transferring technology through licensing programs and joint ventures by forming a Technology Transfer Department.

Trade missions: in pursuit of new business

J-M pursued several new dramatic avenues of interest in 1973. A management team opened the door to Eastern Europe with a trade mission to Poland, Bulgaria and Romania. The visit to Sofia, the Bulgarian capital, was the first by an American corporation since 1966. At meetings with government officials and trade ministers, company officers discussed possible joint ventures and licensing arrangements. The company is now following up these missions with supplemental discussions of specific arrangements, not only with these countries, but with Russia, Hungary, East Germany and other nations. The company plans to make these trade missions an important part of its search for new world business areas in the coming years.

Several major J-M business areas were strengthened by acquisitions completed during 1973. Each acquisition, while in itself may represent a small segment of the company's complex overall operation, is an impor-

tant element in helping J-M achieve an integrated systems capability in strengthening and balancing its competitive stance in world markets.

Small pieces help make a big picture

Several acquisitions that were made related to the following major business areas:

Commercial and Industrial Insulations —

As part of the company's all-out efforts regarding fiber glass home insulation materials, J-M acquired Hamilton Manufacturing Co. of Richmond, Virginia. Hamilton gives J-M the ability to produce laminated and coated papers used as facings on J-M fiber glass insulation materials.

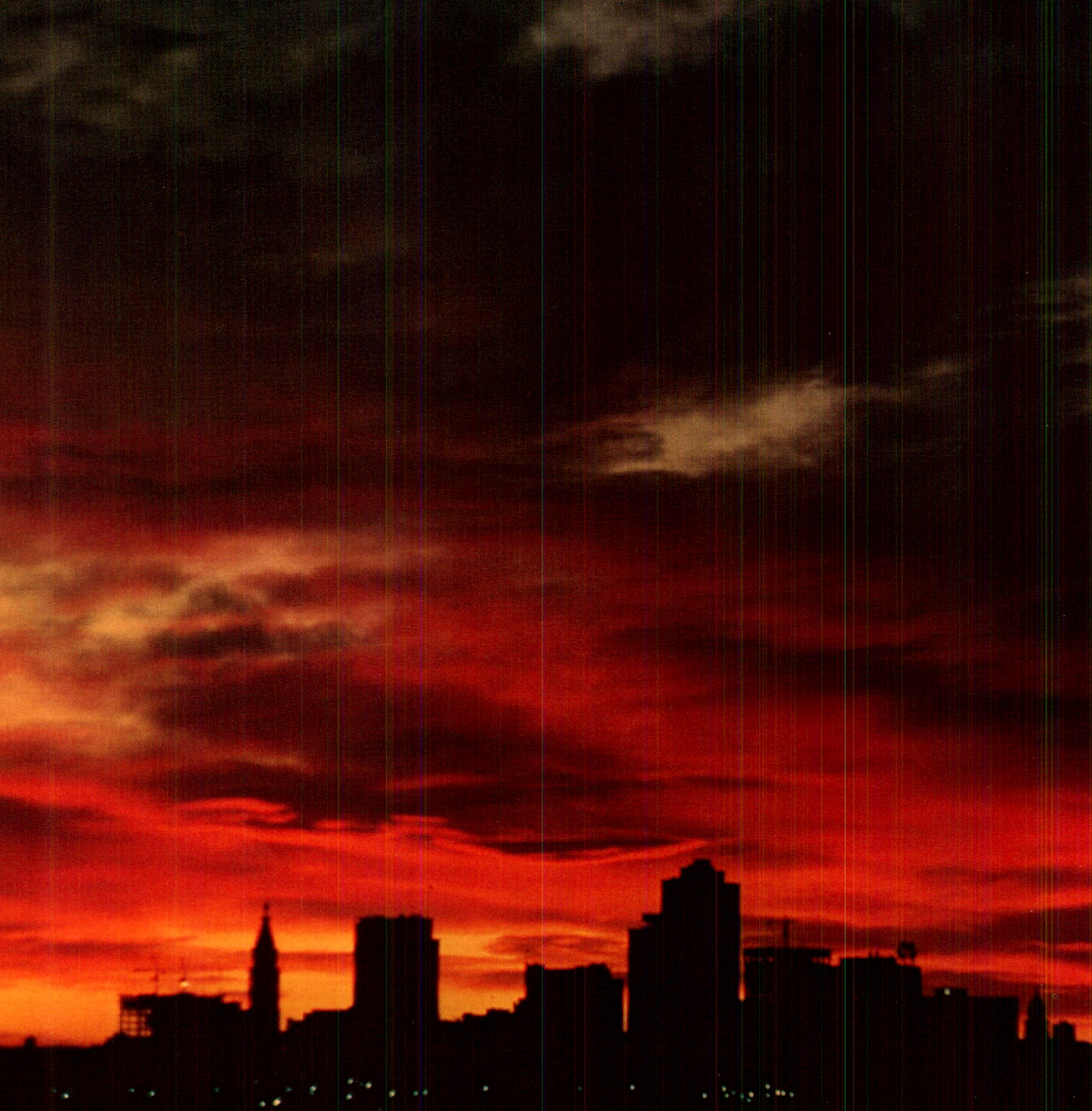
J-M now can develop new facings internally and can supply itself with approximately 50 percent of all its fiber glass insulations facing requirements.

The acquisition of Zeston, Inc. of Edison, New Jersey complements J-M's comprehensive efforts in diversifying its insulations capabilities.

Zeston manufactures pre-molded high and low-temperature polyvinyl chloride (PVC) insulation, plastic pipe fittings and covers, color jacketing systems and heat transfer compounds.

Construction Materials —

The development of J-M's totally integrated ceiling systems was further strengthened by the acquisition of National Ceiling Systems Corp. of Morton Grove,



The dawn of tomorrow. We are at the launching pad of a whole new generation. Almost every aspect of our lifestyle is changing. We must alter substantially our economic and social patterns. With a carefully developed strategy, with in-depth evaluation of the priorities before us and with meaningful action programs, Johns-Manville is helping to prepare for the orderly arrival of that inevitable tomorrow.

Illinois. National Ceiling markets integrated ceiling systems that combine air distribution, fire protection, lighting and acoustical control into a pre-engineered assembly.

National Ceiling Systems has the capability to provide suspension grids, custom lighting fixtures and air distribution methods that offer an unusually wide choice of aesthetics and functions. This acquisition provides an important added dimension to J-M's ceiling/lighting business.

J-M established a marketing base in Europe for acoustical ceiling product lines by entering into a joint venture with Nobel-Bozel to form Alphacoustic.

Alphacoustic manufacturing operations at Pontarlier, France produce acoustical ceiling materials used in commercial applications such as offices, schools, hospitals and shopping centers.

Pipe and Pipe Systems –

The acquisition of Plastics Corp. of America of Fort Lauderdale, Florida expanded J-M's position and technological capability for plastic injection molding products. The acquisition provides a product line that includes pipeline accessories and fittings for pipe systems used in water distribution, sewer irrigation, industrial, gas, electrical and residential construction applications. Plastics Corp. acquisition is a natural extension of the company's growing network of PVC plants and pipeline accessory products.

J-M acquired Club Car, Inc. of Augusta, Georgia. Club Car produces golf cars and electrically powered vehicles for both recreational and industrial uses.

The golf car operation will be integrated into the present marketing and distribution of integrated irrigation systems for golf courses and resort complexes.

Mineral exploration: in search of future profits

The company broadened in 1973 its mineral exploration programs as it continues to search for minerals that will be basic to the industrial world of tomorrow.

The company's exploration efforts focus on copper, molybdenum, lead/zinc, kaolin, fluor-spar, platinum, uranium and gold. Exploration teams are now working in Colorado, Utah, Montana, Oregon, British Columbia, Northern Ontario, Ireland, Nepal and Australia.

Prompt disclosure will be made of any significant developments in the company's exploration program.

Divestiture is an important element in any corporate growth program. J-M continually reviews present products and product lines for purposes of divestiture if they do not fit into the overall plan for a broad marketing base and increased profits.

J-M made progress in its limited land development venture in 1973. The company is investing limited funds in unique projects that will serve as models for leisure-time communities of the future. J-M feels that real estate has characteristics that are quite desirable, particularly when considering inflationary trends. Consequently, real estate operations are designed to be a part of the corporate balance wheel.

The second phase of the Elk-

horn at Sun Valley project was completed in 1973, opening to the public a complete leisure-time community of condominiums, shops, restaurants and recreational facilities.

An agreement in principle was reached to acquire a controlling interest in Key Transportation, Inc. of Ogden, Utah. Key operates the Sun Valley Key Airlines, which is the principal airline serving Sun Valley. Key also serves eight other cities in Utah and Idaho and operates other aviation-related businesses.

This acquisition is designed to improve year-round service to the Sun Valley area and Elkhorn, helping J-M in its efforts to develop that leisure-oriented community.

The company owns approximately 1,550 acres of real estate in Bernards and Bedminster Townships in New Jersey. This property is being held for future development.

Building communities of tomorrow today

The company's plans to develop a small portion of the 10,000-acre Ken-Caryl Ranch near Denver, Colorado took important directions in 1973. A master plan to build residential, commercial and recreational facilities was approved by local planning officials.

With the planning, zoning and development philosophy well established, J-M is ready in 1974 to create a "community of tomorrow" where people will discover unique opportunities to satisfy the new demands of a creative and leisure-oriented lifestyle.

To assure proper control and implementation of each real estate investment, J-M brought all land development responsibilities together under one specialized group.

Research and development: a key to successful operations

An important step in consolidating company administrative and staff operations at the Ken-Caryl Ranch was the completion of the new Research and Development Center. The new research facility provides J-M technological advantage in developing new products and systems and improving existing products and processes.

The new multi-million dollar R & D Center marks the first important phase for J-M in building a World Headquarters complex on the Ken-Caryl Ranch.

The new research facility contains a unique laboratory service concept found in only a few select industrial development facilities throughout the world, and a scientific library that is one of the most complete of its kind.

Research has long been at the root of J-M success and will continue to help mold the company's future.

Complementing J-M's in-house research and engineering capability is a technology-in program whereby J-M seeks and obtains outside technology that can benefit J-M operations.

Construction begins on new World Headquarters complex

The second major step in de-

veloping the J-M World Headquarters was the groundbreaking for the headquarters complex. When completed in 1976, the new building will consolidate corporate headquarters facilities and all administrative functions into one geographic location.

This will give J-M a more efficient base for directing its growing network of worldwide operations.

The design for the new World Headquarters was selected through a first-of-its-kind competition among nine architectural firms under the auspices of the American Institute of Architects.

Regional sales offices improve customer service

Johns-Manville has implemented a plan to regionalize company sales offices where appropriate, in an effort to establish more efficient methods of providing customers with product information and services.

Regionalization will help the company achieve three essential objectives: concentrate and simplify the sales office functions; establish a better pattern of communications between J-M and customers; and establish a more positive company image. The first regional sales center was opened toward year-end in Waterville, Ohio for the North Central United States.

A northeastern office will become operational in 1974 and studies are underway to determine where additional regional sales offices will be advantageous to J-M and its customers.

Corporate advertising in 1973

was aimed at better identifying the role of the company in many aspects of daily life. Through a series of advertisements on sports programs televised nationally, and through ads in major newspapers and magazines, the company gave an overview of its aggressive philosophy and specifically discussed fiber glass insulation and PVC plastic pipe, two of its most growth-oriented businesses.

The changing complexion of J-M reflects itself in every phase of company operations — marketing emphasis, production, research and technological development.

J-M's planned growth program focuses on the new priorities of creating and providing products and services that preserve our natural resources, build a better urban environment and help chart the course of progress.

Johns-Manville is making today's ideas work for your tomorrows.

FINANCIAL PROFILE

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Form 10-K...Stockholders and members of the financial community interested in receiving Johns-Manville Corporation's Form 10-K as filed with the Securities and Exchange Commission may obtain a copy by writing to:

Secretary
Johns-Manville Corporation
Greenwood Plaza
Denver, Colorado 80217

Comments on 1973 Financial Results

Sales in 1973 reached a record level of \$905.4 million compared with \$798.7 million in 1972, an increase of 13%. All segments of the Company's business contributed to the sales gain reflecting the generally high level of business activity worldwide. Net earnings of \$55.8 million in 1973 compared with \$49.6 million in 1972. On a per share basis, 1973 net earnings were \$3.04 on average shares outstanding of 18,329,000, and in 1972, \$2.65 on average shares outstanding of 18,677,000. Included in 1973 net earnings are gains on the sales of investments in several foreign companies, the effects of which contributed \$6.3 million, or \$.34 per share, to 1973 net earnings. No tax provision was accrued on these gains by reason of foreign tax credits available. Income from operations in 1973, although exceeding that of the prior year by \$.9 million, fell short of expectations. Operating income suffered the effects of price controls in the U.S. which inhibited the Company's ability to increase selling prices sufficient to offset significant cost increases incurred during the year. In addition, higher depreciation costs in 1973 and start-up costs incident to bringing new fiber glass, PVC pipe and specialty insulation plants into production further adversely affected earnings.

Income, other than from operations, as reflected in the Statement of Earnings, declined by \$3.6 million from the prior year and was due principally to higher interest costs which were \$8.9 million in 1973 compared with \$3.7 million for 1972.

Total U. S., foreign and state income taxes were \$30.5 million in 1973, and \$33.2 million in 1972. Income taxes were 35.3% of pre-tax earnings in 1973 compared with 40.1% in 1972. The reduction in the rate for 1973 is attributable primarily to higher investment tax credit flow through (\$3.3 million in 1973 versus \$1.9 million in 1972) and a higher proportion of foreign income which, on average, was taxed at lower rates than in 1972.

Commercial and Industrial Insulations, Construction Materials and Industrial Specialties all showed gains in both sales and pre-tax earnings. Much of the gain in both sales and earnings derived from fiber glass products included in all of these business segments. Sales of total fiber glass products within the Company increased 30.6% in 1973 to \$211.2 million. Pre-tax profits of fiber glass products increased 62.0%. Mining and Minerals, and Pipe Products and Systems, although posting gains in sales, contributed lower earnings than in 1972. Mining and Minerals profits suffered from higher costs in the Company's mining operations and from a poor assortment of fibre extracted

from its asbestos fibre operation. The reduction in earnings for Pipe Products and Systems was primarily a result of high start-up costs at new PVC pipe plants and inability to secure adequate price relief from increased costs.

Capital expenditures of \$106 million reached a new high in 1973. A large part of these expenditures was directed toward increasing the Company's production facilities in the fiber glass and PVC pipe areas. It is expected that capital expenditures will continue at this high level for the next few years.

Depreciation and depletion amounted to \$25.5 million for 1973 compared with \$21.1 million for 1972.

To support the high capital expenditure level and growing working capital needs, the Company has increased its external financing. Short-term borrowings increased during the year by \$20.7 million. In addition, the Company raised \$25 million through intermediate term bank loans and also obtained \$16.5 million during 1973 for construction of new plants through the sale of industrial revenue bonds. On January 10, 1974, the Company issued \$75 million of 30 year debentures. A portion of the proceeds has been used to retire the \$25 million of intermediate term bank loans incurred during the first quarter of 1973. The balance of the proceeds will be used to fund capital expenditure and additional working capital needs of the Company and to eliminate, temporarily, domestic short-term borrowings.

During 1973, the Company acquired 390,000 shares of treasury stock at a total cost of \$9,999,000. Such stock is being used exclusively for deferred compensation plans and the employee thrift stock purchase plan.

Working capital at December 31, 1973 was \$137.2 million, up \$14.4 million from the prior year end. The ratio of current assets to current liabilities at year end was 1.7.

Reflecting the Company's need to reinvest larger amounts of its earnings, the dividend rate in 1973 was held to \$1.20 per share, the same as the prior year.

Summary of Significant Accounting Policies

• PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiaries; the accounts with respect to subsidiaries outside the United States and Canada have been included on the basis of fiscal years ended October 31.

Investments in other companies in which the Company's voting stock interest is 50% or less, but where it is deemed that Company ownership gives it the ability to exercise significant influence over operating and financial policies, are recorded on the equity basis. All other investments are carried at cost or less.

• INVENTORIES

Inventories are stated at the lower of cost (principally on the last-in, first-out basis) or market.

• PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Gains and losses from the normal retirement or replacement of property, plant and equipment are reflected in accumulated depreciation with no effect on current period income. Gains and losses arising from abnormal dispositions are reflected in current period income. Provisions for depreciation and amortization are computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the related assets. Depletion of mineral properties for financial reporting purposes is calculated on the unit-of-production method. Maintenance and repairs are charged to expense and replacements and betterments are capitalized.

• RESERVES FOR PRODUCT GUARANTEES

Anticipated expenses related to product guarantees are recorded in the accounts at the time the products are sold. Such estimated amounts are subsequently adjusted, if necessary, to reflect actual experience.

• INCOME TAXES

The provision for U. S., foreign and state income taxes includes deferred income taxes resulting principally from the excess of accelerated depreciation taken for tax purposes over amounts computed on the straight-line method for financial reporting purposes.

Deferred income taxes include provision for taxes on such undistributed earnings of subsidiaries outside the United States as the Company anticipates may be received as dividends, and on undistributed earnings of companies in which investments are recorded on the equity basis. Deferred income taxes have not been provided on undistributed earnings amounting to \$182,396,000 at December 31, 1973 for subsidiaries out-

side the United States and for a domestic international sales corporation, because it is intended that this amount will be reinvested in these companies.

The investment tax credit, amounting to \$3,269,000 in 1973 and \$1,872,000 in 1972, is accounted for as a reduction of income tax expense in the year in which the related property is placed in service.

• RESEARCH, DEVELOPMENT, EXPLORATION AND START-UP EXPENSES

Costs associated with development of new products, changes in existing products, start-up of new production facilities and exploration in connection with new mines are charged to expense as incurred.

• FOREIGN CURRENCY EXCHANGE ADJUSTMENTS

Current assets and current liabilities of foreign subsidiaries are translated into U. S. dollars at rates of exchange prevailing at the end of their fiscal years or at rates prevailing at December 31, if significantly lower. All other assets and liabilities are translated at historical rates of exchange. Income and expenses are translated at average rates during the year, except that depreciation is translated at rates prevailing when the related properties were acquired. Unrealized exchange gains, net of realized and unrealized exchange losses, are deferred as a reserve for future exchange fluctuations and are included in other accrued liabilities. Realized exchange gains are credited to income.

Other Financial Information

• ACQUISITIONS IN 1973

During 1973 the Company acquired Zeston, Inc., a manufacturer of pipe jacketing and fitting covers, and the net assets of an affiliated company and certain patents in exchange for 180,000 shares of treasury stock; and acquired Plastics Corporation of America, a manufacturer of plastic molds and PVC injection molding, in exchange for 13,974 shares of treasury stock; these acquisitions were accounted for as poolings of interests. The combined net sales and net earnings of the pooled companies for the year 1973 were \$3,980,000 and \$211,000, respectively (including \$2,216,000 net sales and \$76,000 net earnings prior to acquisition). The 1972 financial statements have been restated to reflect the Zeston pooling and, accordingly, 1972 net sales and net earnings were increased \$2,381,000 and \$279,000, respectively. Results of operations from the inception of Plastics Corporation in October 1972, which were not significant, are included in the consolidated statement of earnings for 1973. There was no material effect on earnings per share in either year as a result of these poolings of interests.

Also during 1973 the Company purchased the common stock of Hamilton Manufacturing Company, Inc., a manufacturer of insulation paper, for \$800,000; purchased the common stock of Club Car, Inc., a manufacturer of golf carts, for \$1,531,000; and purchased the common stock of National Ceiling Systems Corporation, a fabricator of integrated ceiling systems, for \$752,000 with additional contingent future payments not to exceed \$900,000. In 1973 the Company used 5,000 shares of treasury stock and issued \$700,000 of debentures to acquire the 20% minority interest of a subsidiary company. Had these purchase acquisitions been completed prior to 1972, they would not have materially affected 1973 and 1972 consolidated net sales and net earnings.

Treasury stock costing \$6,017,000 was used during the year for acquisitions.

• COMPENSATING CASH BALANCES

Under informal provisions of lines of credit for short-term loans with three banks, the Company has agreed to maintain cash balances with these banks ranging from 5 to 15% of the available lines of credit and, in addition, up to 10% of the loans made against these lines. At December 31, 1973, such compensating cash balances amounted to \$3,700,000. These funds are expected to become available for current operations within one year.

• CONSTRUCTION FUNDS HELD BY TRUSTEES

During 1972 and 1973 the Company entered into leasing agreements with seven municipalities which issued industrial revenue bonds totaling \$32,150,000. The proceeds have been deposited with trustees, and are being used for the construction of new plants.

• FOREIGN SUBSIDIARIES AND EXCHANGE ADJUSTMENTS

The consolidated financial statements include the following amounts relating to foreign subsidiaries (excluding Canadian subsidiaries):

| | <u>1973</u> | <u>1972</u> |
|-------------------|----------------------|--------------|
| Total assets | <u>\$109,857,000</u> | \$83,136,000 |
| Total liabilities | <u>\$ 63,837,000</u> | \$36,550,000 |
| Net sales | <u>\$101,782,000</u> | \$72,232,000 |
| Cost and expenses | <u>81,941,000</u> | 61,693,000 |
| Income taxes | <u>8,396,000</u> | 5,769,000 |
| Net earnings | <u>\$ 11,445,000</u> | \$ 4,770,000 |

Foreign exchange adjustments aggregated \$1,498,000 and \$1,360,000, respectively, in 1973 and 1972. Realized exchange gains of \$241,000 and \$209,000, respectively, were credited to earnings and unrealized exchange gains, net of exchange losses, of \$1,257,000 and \$1,151,000, respectively, were deferred as a current reserve for future exchange fluctuations in 1973 and 1972. At December

31, 1973, the balance in such reserve was \$3,220,000. Translated at rates of exchange in effect on December 31, 1973, long-term debt would increase by \$1,185,000.

• LONG-TERM DEBT

Long-term debt consists of the following:

| | <u>1973</u> | <u>1972</u> |
|--|---------------------|--------------|
| Japanese bank loan – 7¾%, due 1979 | <u>\$15,000,000</u> | \$15,000,000 |
| Domestic bank loans, due 1976 through 1980 (see note a) | <u>25,000,000</u> | |
| Mortgages and loans (principally foreign subsidiaries) – 4-15%, due 1974 through 1992 | <u>11,990,000</u> | 11,239,000 |
| Industrial revenue bonds (see note b) | <u>32,150,000</u> | 15,650,000 |
| | <u>84,140,000</u> | 41,889,000 |
| Less: current maturities | <u>2,440,000</u> | 812,000 |
| | <u>\$81,700,000</u> | \$41,077,000 |

Notes: (a) Interest at 110% of the applicable minimum commercial lending rates from time to time in effect until January 1975 and ranging between 110% and 120% of such rates thereafter, with no compensating balances required.

(b) Relating to capitalized leases with interest rates ranging from 3.70% to 7.75% and maturing serially from 1974 through 1993.

Long-term debt maturing within the next five years is as follows:

| | |
|------|---------------------|
| 1974 | \$ 2,440,000 |
| 1975 | 2,662,000 |
| 1976 | 17,570,000 |
| 1977 | 3,770,000 |
| 1978 | <u>3,248,000</u> |
| | <u>\$29,690,000</u> |

On January 10, 1974, the Company issued \$75,000,000, 7.85% Sinking Fund Debentures due 2004. Sinking fund payments of \$3,000,000 annually, commence in 1985. It is expected that a portion of the proceeds will be used to retire the domestic bank loans of \$25,000,000, due 1976 through 1980.

• LEASES

Total rental expense was \$10,512,000 in 1973 and \$9,616,000 in 1972. At December 31, 1973, minimum rental commitments of the Company and its subsidiaries under all noncancelable leases, excluding leases capitalized, are as follows:

| | | | |
|------|-------------|------------|---------------------|
| 1974 | \$5,955,000 | 1979-1983 | \$ 3,243,000 |
| 1975 | 5,118,000 | 1984-1988 | 879,000 |
| 1976 | 4,096,000 | 1989-1993 | 250,000 |
| 1977 | 3,591,000 | After 1993 | 700,000 |
| 1978 | 1,785,000 | | <u>\$25,617,000</u> |

Minimum rental commitments under noncancelable leases by major categories of properties are as follows:

| | |
|-------------------------|---------------------|
| Buildings | \$22,236,000 |
| Machinery and equipment | 3,381,000 |
| | <u>\$25,617,000</u> |

• **CAPITAL STOCK AND STOCK OPTIONS**

The Company has 10,000,000 shares authorized of Cumulative Preferred Stock, \$1.00 par value, of which none was issued at December 31, 1973.

At December 31, 1973, there were 52,691 shares of the Company's common stock contingently issuable under deferred compensation plans. During 1973, 3,401 shares of treasury stock costing \$88,000 were issued under the plans.

In April 1972, the stockholders approved an Executive Incentive Program. Under the program both qualified and non-qualified stock options (tandem options) may be granted to purchase shares of the Company's common stock. The program also includes an alternate plan under which holders of qualified options may be granted rights, exercisable in lieu of the exercise of such qualified options, to receive at the Company's sole election either shares of the Company's common stock equal in value to the difference between the aggregate option price of the shares subject to option and the market value of such shares at the date of exercise of the rights, or cash compensation in the amount of such difference. At December 31, 1973, the Board of Directors had granted tandem options to purchase 69,500 shares (and 69,500 rights under the alternate plan), qualified options to purchase 25,750 shares and additional non-qualified options to purchase 69,410 shares of the Company's common stock at prices ranging from \$24.56 to \$39.875. At December 31, 1973, 43,010 qualified and 16,040 non-qualified options were exercisable under this plan. (In January 1973, the Internal Revenue Service issued a ruling that precludes the issuance after January 2, 1973 of qualified options in tandem with non-qualified options or with rights as provided under the alternate plan. Options granted prior to 1973 are not affected by this ruling.)

Under a stock option plan of a previously acquired company, exercisable options for the purchase of 9,100 shares of the Company's stock at prices ranging from \$25.00 to \$36.375 per share were outstanding at December 31, 1973.

There was no material dilution of earnings per share with respect to shares issuable under the above plans.

During 1973, 390,000 shares of treasury stock were acquired for \$9,999,000 and 173,294 shares costing \$5,259,000 were sold to the Trustee for an employee thrift plan.

Common Stock has been restated to reflect a charge of \$97,000 in 1972, and credited for \$43,000 in 1973, in

connection with 1973 poolings of interests.

• **INCOME TAX EXPENSE**

The effective income tax rate for 1973 is 35.34% as compared with the U. S. Federal income tax rate of 48%.

The reasons for this difference are as follows:

| | % of Pretax Income |
|---|--------------------------|
| U.S. Federal income tax statutory rate | 48.00% |
| Reduction in taxes resulting from: | |
| Excess of tax over book depletion | (5.14) |
| Investment tax credit on assets placed in service in 1973 | (3.79) |
| U.S. foreign tax credit allowable on 1973 income tax return | (3.19) |
| Other, net | (.54) |
| | <u>35.34%</u> |

The 1973 effective income tax rate is 4.8% lower than the comparable 1972 effective rate. The reduction in the rate between years is attributable primarily to higher investment tax credit flow through in 1973 and a higher proportion of foreign income which, on average, was taxed at lower rates in 1973.

• **PENSIONS**

The Company and its subsidiaries have pension plans covering substantially all of their employees. Total pension expense was \$7,550,000 in 1973 and \$6,841,000 in 1972. It is the Company's policy to fund pension costs as they accrue. Unfunded past service cost and the excess of vested benefits over amounts in the pension funds are not material.

• **CONTINGENT LIABILITY**

The Company is a defendant in three lawsuits and has received a number of claims alleging material liabilities for defects in reinforced plastic mortar pipe produced prior to the fall of 1971 and sold for use as a sewer conduit under the name FLEXTRAN. Six claims have been settled and the Company knows of eight additional alleged failures. The Company is aware of the potential for further claims related to additional failures of such pipe. In the opinion of the Company, product liability insurance will adequately cover a substantial portion of the costs, the amounts of which presently are not ascertainable, related to claims resulting from pipe failures, except for the cost of supplying pipe to replace pipe found to be defective. The issuer of the insurance policy which is primarily involved in these claims has stated that in its opinion certain kinds of losses representing a substantial portion of the amounts claimed will not be covered by the policy and has filed suit seeking a declaratory judgment as to its obligations under the policy. The ultimate cost to the Company resulting from such claims will not, in the Company's opinion, materially affect the financial position of the Company.

CONSOLIDATED BALANCE SHEET

| ASSETS | December 31 | |
|---|----------------------|----------------------|
| | 1973 | 1972 |
| CURRENT ASSETS | | |
| Cash (including time deposits of \$8,702,000 in 1973) | \$ 19,312,000 | \$ 18,156,000 |
| Marketable securities, at cost (approximates market) | 1,379,000 | 6,098,000 |
| Accounts and notes receivable (net of allowances – \$3,365,000 in 1973, \$3,730,000 in 1972) | 171,443,000 | 147,334,000 |
| Inventories | 117,097,000 | 94,865,000 |
| Prepaid expenses (principally income taxes) | 14,885,000 | 19,594,000 |
| Total Current Assets | <u>324,116,000</u> | <u>286,047,000</u> |
| INVESTMENTS IN AND ADVANCES TO OTHER COMPANIES (principally outside U. S.) | | |
| | <u>39,727,000</u> | 38,210,000 |
| REAL ESTATE HELD FOR DEVELOPMENT (at cost) | <u>17,259,000</u> | 15,958,000 |
| PROPERTY, PLANT AND EQUIPMENT (at cost) | | |
| Construction funds held by trustees | 10,907,000 | 15,428,000 |
| Land and land improvements | 55,321,000 | 51,402,000 |
| Buildings | 169,381,000 | 156,812,000 |
| Machinery and equipment | 493,043,000 | 444,957,000 |
| | <u>728,652,000</u> | 668,599,000 |
| Less: Accumulated depreciation and depletion | 285,241,000 | 290,916,000 |
| | <u>443,411,000</u> | 377,683,000 |
| DEFERRED CHARGES AND OTHER ASSETS | | |
| | <u>26,462,000</u> | 20,324,000 |
| | <u>\$850,975,000</u> | <u>\$738,222,000</u> |

The summary of significant accounting policies and other financial

A N D S U B S I D I A R Y C O M P A N I E S

December 31

LIABILITIES

1973

1972

CURRENT LIABILITIES

| | | |
|---|---------------|---------------|
| Commercial paper..... | \$ 24,350,000 | \$ 14,900,000 |
| Short-term loans..... | 44,893,000 | 33,640,000 |
| Notes and accounts payable..... | 44,803,000 | 36,232,000 |
| Wages and compensation..... | 32,247,000 | 31,929,000 |
| United States and foreign income taxes..... | 8,797,000 | 13,491,000 |
| Other taxes..... | 10,621,000 | 9,409,000 |
| Anticipated relocation costs..... | | 5,805,000 |
| Other accrued liabilities..... | 21,185,000 | 17,833,000 |

| | | |
|--------------------------------|-------------|-------------|
| Total Current Liabilities..... | 186,896,000 | 163,239,000 |
|--------------------------------|-------------|-------------|

| | | |
|---------------------|------------|------------|
| LONG-TERM DEBT..... | 81,700,000 | 41,077,000 |
|---------------------|------------|------------|

| | | |
|--|-----------|-----------|
| RESERVES FOR SELF-INSURANCE AND PRODUCT GUARANTEES..... | 7,888,000 | 8,278,000 |
|--|-----------|-----------|

| | | |
|----------------------------|------------|------------|
| DEFERRED INCOME TAXES..... | 68,634,000 | 47,900,000 |
|----------------------------|------------|------------|

| | | |
|--|-------------|-------------|
| | 345,118,000 | 260,494,000 |
|--|-------------|-------------|

| | | |
|---|--|--|
| CONTINGENT LIABILITY (see page 25)..... | | |
|---|--|--|

CAPITAL STOCK AND EARNINGS REINVESTED

| | | |
|--|-------------|-------------|
| COMMON STOCK, \$2.50 par, 50,000,000 shares authorized, 19,203,235 shares issued..... | 124,674,000 | 124,631,000 |
|--|-------------|-------------|

| | | |
|--------------------------|-------------|-------------|
| EARNINGS REINVESTED..... | 407,323,000 | 375,159,000 |
|--------------------------|-------------|-------------|

| | | |
|--|-------------|-------------|
| | 531,997,000 | 499,790,000 |
|--|-------------|-------------|

| | | |
|--|------------|------------|
| Less: Cost of treasury stock, 1973 – 864,110 shares, 1972 – 669,779 shares..... | 26,140,000 | 22,062,000 |
|--|------------|------------|

| | | |
|--|-------------|-------------|
| | 505,857,000 | 477,728,000 |
|--|-------------|-------------|

| | | |
|--|---------------|---------------|
| | \$850,975,000 | \$738,222,000 |
|--|---------------|---------------|

CONSOLIDATED EARNINGS AND EARNINGS REINVESTED

| EARNINGS | 1973 | 1972 |
|--|----------------------|----------------------|
| NET SALES..... | <u>\$905,417,000</u> | <u>\$798,706,000</u> |
| COST AND EXPENSES | | |
| Cost of sales..... | 674,130,000 | 586,007,000 |
| Selling, general and administrative expenses..... | 135,191,000 | 121,175,000 |
| Research, development and engineering expenses..... | 17,203,000 | 13,483,000 |
| Total..... | <u>826,524,000</u> | <u>720,665,000</u> |
| INCOME FROM OPERATIONS..... | 78,893,000 | 78,041,000 |
| GAIN ON SALES OF INVESTMENTS..... | 6,291,000 | |
| OTHER INCOME, NET..... | 1,087,000 | 4,677,000 |
| EARNINGS BEFORE INCOME TAXES..... | <u>86,271,000</u> | <u>82,718,000</u> |
| U. S., FOREIGN AND STATE INCOME TAXES | | |
| Current..... | 13,405,000 | 21,727,000 |
| Deferred..... | 17,082,000 | 11,441,000 |
| Total..... | <u>30,487,000</u> | <u>33,168,000</u> |
| | | |
| NET EARNINGS..... | <u>\$ 55,784,000</u> | <u>\$ 49,550,000</u> |
| | | |
| NET EARNINGS PER SHARE (Based on average shares outstanding)..... | <u>\$3.04</u> | <u>\$2.65</u> |

EARNINGS REINVESTED

| | | |
|---|----------------------|----------------------|
| EARNINGS REINVESTED AT BEGINNING OF YEAR | | |
| As previously reported..... | \$379,368,000 | \$352,147,000 |
| Pooling of interests, net..... | (4,209,000) | (4,463,000) |
| As restated..... | 375,159,000 | 347,684,000 |
| Pooling of interests not restated..... | (385,000) | |
| NET EARNINGS..... | <u>55,784,000</u> | <u>49,550,000</u> |
| | | |
| DIVIDENDS (\$1.20 per share)..... | (21,854,000) | (22,075,000) |
| LOSS ON DISPOSITIONS OF TREASURY STOCK..... | (1,381,000) | |
| EARNINGS REINVESTED AT END OF YEAR..... | <u>\$407,323,000</u> | <u>\$375,159,000</u> |

The summary of significant accounting policies and other financial

CHANGES IN **CONSOLIDATED FINANCIAL POSITION**

| FUNDS PROVIDED BY | 1973 | 1972 |
|---|----------------------|-----------------------|
| OPERATIONS | | |
| EARNINGS | \$ 55,784,000 | \$49,550,000 |
| EXPENSES NOT REQUIRING WORKING CAPITAL | | |
| DEPRECIATION AND DEPLETION | 25,538,000 | 21,053,000 |
| DEFERRED INCOME TAXES (non-current portion) | 16,061,000 | 11,589,000 |
| Total | 97,383,000 | 82,192,000 |
| DISPOSITION OF PROPERTY, PLANT AND EQUIPMENT | 13,558,000 | 1,717,000 |
| CONSTRUCTION FUNDS HELD BY TRUSTEES | 4,521,000 | (15,428,000) |
| LONG-TERM DEBT | 40,623,000 | 20,069,000 |
| REFUND AND DEFERRAL OF PRIOR YEAR INCOME TAXES | 4,673,000 | |
| Total | <u>\$160,758,000</u> | <u>\$88,550,000</u> |
| FUNDS USED FOR | | |
| DIVIDENDS | \$ 21,854,000 | \$22,075,000 |
| CAPITAL EXPENDITURES (see note below) | 109,345,000 | 78,345,000 |
| INCREASE IN DEFERRED CHARGES AND OTHER ASSETS | 6,138,000 | 2,464,000 |
| REAL ESTATE HELD FOR DEVELOPMENT | 1,301,000 | 1,360,000 |
| INCREASE IN INVESTMENTS AND ADVANCES TO OTHER COMPANIES | 1,517,000 | 7,369,000 |
| INCREASE IN COST OF TREASURY STOCK, NET | 4,078,000 | 8,519,000 |
| LOSS ON DISPOSITIONS OF TREASURY STOCK | 1,381,000 | |
| NET CHANGE IN WORKING CAPITAL | 14,412,000 | (33,281,000) |
| OTHER, NET | 732,000 | 1,699,000 |
| Total | <u>\$160,758,000</u> | <u>\$88,550,000</u> |
| Note - Includes property, plant and equipment of purchased subsidiaries, \$3,117,000 in 1973 and \$3,797,000 in 1972. | | |
| WORKING CAPITAL CHANGES | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,156,000 | (\$ 5,671,000) |
| Marketable securities | (4,719,000) | (29,262,000) |
| Accounts and notes receivable | 24,109,000 | 31,808,000 |
| Inventories | 22,232,000 | 729,000 |
| Prepaid expenses | (4,709,000) | (5,957,000) |
| Net Increase (Decrease) | <u>38,069,000</u> | <u>(8,353,000)</u> |
| CURRENT LIABILITIES | | |
| Commercial paper | (9,450,000) | (14,900,000) |
| Short-term loans | (11,253,000) | (28,798,000) |
| Notes and accounts payable | (8,571,000) | (2,181,000) |
| Wages and compensation | (318,000) | (5,362,000) |
| United States and foreign income taxes | 4,694,000 | 10,223,000 |
| Other taxes | (1,212,000) | 430,000 |
| Anticipated relocation costs | 5,805,000 | 16,042,000 |
| Other accrued liabilities | (3,352,000) | (382,000) |
| Net Increase | <u>(23,657,000)</u> | <u>(24,928,000)</u> |
| Net Increase (Decrease) in Working Capital | <u>\$ 14,412,000</u> | <u>(\$33,281,000)</u> |

ACCOUNTANTS' REPORT

*To the Stockholders and Directors of
Johns-Manville Corporation:*

We have examined the consolidated balance sheet of Johns-Manville Corporation and subsidiary companies as of December 31, 1973, and the related consolidated statements of earnings and earnings reinvested and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of Johns-Manville Corporation and subsidiary companies for the year 1972, which have been restated as described in Other Financial Information – Acquisitions in 1973. The financial statements of Canadian subsidiaries, which reflect total assets and net sales constituting 18% and 11%, respectively, in 1973 and 20% and 12%, respectively, in 1972 of the related consolidated totals, were examined by other auditors whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to amounts included for Canadian subsidiaries examined by other auditors, is based solely upon their reports.

In our opinion, based upon our examinations and the reports of other auditors and, with respect to the consolidated statement of earnings and earnings reinvested for 1973, subject to the outcome of the matters described in Other Financial Information – Contingent Liability, the aforementioned financial statements present fairly the consolidated financial position of Johns-Manville Corporation and subsidiary companies at December 31, 1973 and 1972, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

February 6, 1974

FIVE YEAR REVIEW

(All dollar figures except those per share are in millions)

| | 1973 | 1972† | 1971 | 1970 | 1969 |
|--|------------|------------|------------|------------|------------|
| Net Sales | \$905.4 | 798.7 | 696.3 | 620.4 | 648.3 |
| Earnings Before Income Taxes and Extraordinary Items | \$ 86.3 | 82.7 | 77.9 | 62.2 | 88.4 |
| Income Taxes | \$ 30.5 | 33.2 | 31.7 | 24.9 | 42.2 |
| Earnings Before Extraordinary Items‡ | \$ 55.8 | 49.6 | 46.2 | 37.3 | 46.2 |
| Earnings per Share Before Extraordinary Items§† | \$ 3.04 | 2.65 | 2.49 | 2.06 | 2.53 |
| Net Earnings‡ | \$ 55.8 | 49.6 | 43.6 | 37.3 | 46.2 |
| Net Earnings per Share‡ | \$ 3.04 | 2.65 | 2.35 | 2.06 | 2.53 |
| % of Net Earnings to Net Sales | 6.2 | 6.2 | 6.3 | 6.0 | 7.1 |
| Stockholders' Investment | \$505.9 | 477.7 | 457.9 | 430.3 | 409.7 |
| % of Net Earnings to Investment at Beginning of Year | 11.7 | 10.8 | 10.1 | 9.1 | 11.7 |
| Dividends Paid | \$ 21.9 | 22.1 | 22.0 | 21.9 | 22.1 |
| Dividends Paid per Share | \$ 1.20 | 1.20 | 1.20 | 1.20 | 1.20 |
| Capital Expenditures | \$106.2 | 74.5 | 51.9 | 44.7 | 39.3 |
| Depreciation & Depletion | \$ 25.5 | 21.1 | 18.0 | 16.7 | 16.1 |
| Research, Development & Engineering Expenses | \$ 17.2 | 13.5 | 13.4 | 13.3 | 14.7 |
| Book Value per Share | \$27.58 | 25.78 | 24.60 | 23.71 | 22.62 |
| Shares Outstanding at End of Year | 18,339,125 | 18,533,456 | 18,614,102 | 18,148,712 | 18,107,774 |
| Stockholders | 27,900 | 25,700 | 27,400 | 28,100 | 26,800 |
| Employees | 26,900 | 25,300 | 24,100 | 22,700 | 24,300 |
| Wages, Salaries & Employee Benefits | \$330.3 | 289.1 | 267.6 | 240.2 | 247.7 |

†Data for 1972 restated to include results of Zeston, Inc. and affiliate.

Years prior to 1972 have not been restated since the effect would not be significant.

§On average shares outstanding.

‡1973 includes gain on sales of investments of \$6.3, or \$.34 per share.

EXECUTIVE ORGANIZATION

BOARD OF DIRECTORS

| | | | |
|---------------------------------|--|---------------------------------|---|
| J. Jacques Beauchemin | <i>President, Sullivan Mining Group Ltd.</i> | William F. May | <i>Chairman and Chief Executive Officer, American Can Company</i> |
| George C. Dillon | <i>President, Butler Manufacturing Company</i> | J. A. McKinney | <i>Sr. Vice President, Johns-Manville Corporation</i> |
| Robert L. Geddes | <i>Dean, School of Architecture and Urban Planning, Princeton U.; Partner, Geddes Brecher Qualls Cunningham; Architects, Princeton, N.J.</i> | George B. Munroe | <i>President, Phelps Dodge Corporation</i> |
| W. R. Goodwin | <i>President and Chief Executive Officer, Johns-Manville Corporation</i> | George W. Romney | <i>Former Secretary of Department of Housing and Urban Development, and former President, Chairman and General Manager of American Motors Corporation</i> |
| Joseph A. Grazier | <i>Director and former Chairman of the Board, American Standard Inc.</i> | John P. Schroeder | <i>Executive Vice President, Morgan Guaranty Trust Company of New York</i> |
| William C. Janss | <i>Chairman of the Board and Chief Executive Officer, Sun Valley Company Inc.</i> | Thomas E. Sunderland | <i>Business Consultant and Lawyer, Snell & Wilmer, Attorneys, Phoenix, Arizona</i> |
| Francis H. May, Jr. | <i>Executive Vice President, Johns-Manville Corporation</i> | William L. VanDerbeek | <i>Sr. Vice President, Johns-Manville Corporation</i> |

OFFICERS

| | | | |
|--------------------------------|--|---------------------------------|---|
| W. R. Goodwin | <i>President and Chief Executive Officer</i> | William L. VanDerbeek | <i>Sr. Vice President, Asbestos Fibre, Mining, Canadian Products and Pipe Divisions</i> |
| Francis H. May, Jr. | <i>Executive Vice President for Finance and Administration</i> | Leo J. Bartolanzo | <i>Vice President, Controller</i> |
| E. Paul Burke | <i>Sr. Vice President, Transportation, Purchasing and Physical Distribution</i> | L. R. Blair | <i>Vice President, Technology Transfer</i> |
| Robert H. Cuje | <i>Sr. Vice President, Corporate Marketing</i> | A. L. Cini | <i>Vice President, International Operations</i> |
| Monroe Harris | <i>Sr. Vice President, Corporate Growth Planning and Development Division</i> | Donald H. Lyons | <i>Vice President, Engineering Services</i> |
| J. E. Hesse | <i>Sr. Vice President, Production and Engineering</i> | John F. Matousek | <i>Vice President, Electronic Data Processing</i> |
| A. B. Marchant | <i>Sr. Vice President, Employee Relations</i> | Reynold Nebel | <i>Vice President, Fiber Glass Production and Process Development</i> |
| J. A. McKinney | <i>Sr. Vice President, Legal Services and Secretary</i> | G. Earl Parker | <i>Vice President, Corporate Counsel and Assistant Secretary</i> |
| Henry B. Moreno | <i>Sr. Vice President, Fiber Glass and International Divisions</i> | Faustin J. Solon, Jr. | <i>Vice President, Environmental Affairs</i> |
| Fred L. Pundsack | <i>Sr. Vice President, Research and Development</i> | James J. Spangenberg | <i>Vice President, Treasurer</i> |
| Chester E. Shepperly | <i>Sr. Vice President, Building Materials Divisions</i> | H. J. White | <i>Vice President, Administrative Services</i> |
| Thornton R. Smith | <i>Sr. Vice President, Finance</i> | R. J. Massey | <i>Treasurer, International</i> |
| Chester J. Sulewski | <i>Sr. Vice President, Industrial Products, Filtration and Minerals, and Agri-Turf Divisions</i> | Richard M. Davis | <i>Assistant Treasurer</i> |
| | | Robert A. Goldthwaite | <i>Assistant Treasurer</i> |
| | | J. T. Hulce | <i>Assistant Secretary</i> |
| | | A. McCoy | <i>Assistant Secretary</i> |

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30 West Broadway, New York, N.Y. 10015

REGISTRAR – The Chase Manhattan Bank, N.A., 1 Chase
Manhattan Plaza, New York, N.Y. 10005

COUNSEL – Davis Polk & Wardwell, 1 Chase Manhattan
Plaza, New York, N.Y. 10005

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Johns-Manville