Johns-Manville Corporation

1978 Annual Report

"...relying upon basic business philosophies and concentrating on superior products and services, controlling expenses and expanding in areas of high return..."

Our Profile
Johns-Manville, founded in 1858, is a diversified manufacturing and mining company producing a variety of basic products within six major business segments: Fiber Glass Products, Non-Fiber Glass Insulations, Pipe Products and Systems, Roofing Products, Asbestos Fiber and Industrial and Specialty Products and Services. Following the close of 1978, Olinkraft, Inc. was merged into a wholly owned subsidiary of J-M. Olinkraft will become a seventh business segment in 1979.

Our Products
Johns-Manville is one of the world's leading manufacturers and marketers of insulation products. It is also a leading supplier of fiber glass insulation, pipe, roofing and asbestos fiber products. Olinkraft, Inc., which was merged into a J-M subsidiary early in 1979, manufactures wood and paper products.

Technology developed by J-M is respected worldwide and marketed through licensing and technical assistance agreements.

Our People and Locations
The Johns-Manville family of 25,800 employees in 1978 worked at more than 100 plants, mines, and sales and administrative offices, about one-third of which are outside the United States. The number of employees increased by about 7,100 in January 1979 following the merger with Olinkraft. Olinkraft has 29 locations, three of which are outside the U.S.

JM

(All dollar figures except per share are in thousands)	1978	1977
Revenues		
Net sales	$1,648,599	$1,461,432
Other, net	27,990	18,363
Total	1,676,589	1,479,795
Earnings Before Income Taxes	238,064	191,547
Net Earnings	121,602	102,627
Net Earnings Per Common Share	5.62	4.78
Average Common Shares Outstanding (000 omitted)	21,642	21,453
Cash Dividends Paid on Common Stock	$ 38,972	$ 33,259
Dividends Per Common Share	1.80	1.55
Capital Expenditures	170,255	95,501
Working Capital	315,478	366,182
Common Shareholders' Equity	834,757	742,411
Number of Common Shareholders	27,500	28,000
Number of Employees	25,800	25,400

Market Prices Per Common Share For The Quarters Ended:	1978 High	1978 Low	1977 High	1977 Low
March 31	32¼	28⅛	33½	27⅜
June 30	34⅜	28¾	37¼	32⅛
September 30	34¾	28⅛	38¼	31
December 31	32¾	22⅛	34½	30

Results by Major Business Segments

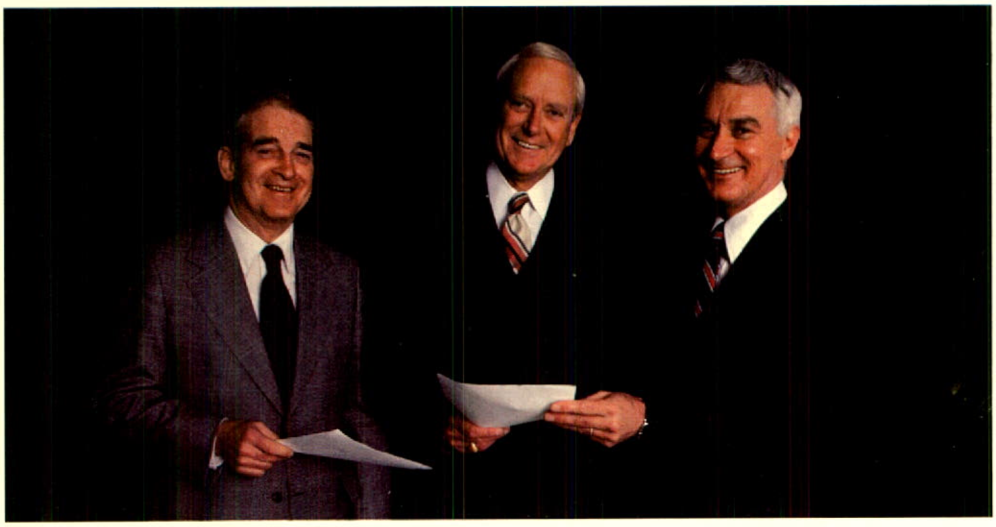
	Revenues		Income (Loss) From Operations	
	1978	1977	1978	1977
Fiber Glass Products	$ 514,287	$ 407,242	$ 107,279	$ 81,661
Pipe Products and Systems	303,334	273,512	25,861	23,552
Roofing Products	253,807	203,612	23,219	13,754
Non-Fiber Glass Insulations	231,190	195,223	35,484	28,237
Asbestos Fiber	157,291	160,682	54,592	59,815
Industrial and Specialty Products and Services	290,845	301,173	35,911	25,431
Adjustments and Eliminations	(94,059)	(74,096)	944	3,492
Corporate, net	19,894	12,447	(22,971)	(24,290)
Total	$1,676,589	$1,479,795	$ 260,319	$ 211,652

Contents

Chairman's Message

"I am confident in the inherent strengths of employees and their willingness to accept the challenge of performance . . ."

Pictured with John A. McKinney, Chairman of the Board and Chief Executive Officer, are (left) Francis H. May, Jr., Vice Chairman of the Board, and (right) Fred L. Pundsack, President and Chief Operating Officer.



Johns-Manville had a record year in 1978, achieving significant increases in revenues and earnings. Additionally, the company entered the forest products business through the acquisition of Olinkraft, Inc.

Operations

We began the year by relying upon our basic business philosophies and concentrated our efforts throughout 1978 on the manufacturing and marketing of superior products and services, controlling expenses and expanding in areas offering a better-than-average return on investment. These efforts and the results of prior expansion programs were successful in moving earnings up 18 percent on a sales gain of 13 percent. This accomplishment of a record year for operations was not just the result of strong demand. Where faced with capacity constraints, we simply outperformed our competitors in obtaining price increases and controlling costs. However, during the latter half of the year, a number of product lines met with price resistance, despite continued high demand and product allocation.

Full production of the Winder, Georgia fiber glass facility was achieved during the first quarter of 1979, though start-up problems held production to one-half capacity for several months longer than anticipated.

In summary, we began the year well, but our performance began to trail off during the latter part of the year. At year end, a number of concerns persisted, primarily centered on projected economic conditions as they affect our ability to maintain margins in the face of increasing costs.

Olinkraft

Following the close of the year, we completed the acquisition of Olinkraft, Inc., a forest products company headquartered in West Monroe, Louisiana.

In my report to you last year, I pointed out that our strategic planning process was restructured to more readily accommodate the possibility of major acquisitions. We decided early in 1978 to broaden our base and to lessen our dependence upon any single product line. We decided to seek to acquire Olinkraft since we believed that its growth prospects were favorable and that its manufacturing processes and business philosophy were compatible with ours. We welcome Olinkraft management and employees into Johns-Manville.

Asbestos

During the past year a great deal of publicity has appeared in the media about asbestos health hazards—most of it attacking the corporation and nearly all of it needlessly inflammatory. Your corporation has acted honorably over the years and has led the asbestos industry, medical science and the federal government in identifying and seeking to eliminate asbestos health problems.

Claims that Johns-Manville did not inform its employees and the public of the hazards and that we tried to hide information concerning the potential hazards of asbestos are unfounded. In particular the U.S. Public Health Service was aware of and itself published studies on the health effects of asbestos beginning in the 1930's.

Also, the media had opportunities over a long period of years to assist in helping to protect the health of those over-exposed to asbestos by emphasizing the dramatic adverse impact and direct connection of smoking to lung cancer. However, they either remained silent or presented data in a manner that would soften its impact.

Our analysis of the asbestos health problem results in these conclusions:

1/ For asbestos diseases, the higher the level and the longer the periods of exposure, the greater the health effect.
2/ Measures introduced by J-M and by much of the industry to reduce exposures have been effective in reducing the incidence of disease.
3/ Adherence to present standards for the safe handling of asbestos products will prevent asbestos-related disease and, in time, eliminate the disease from the work place.
4/ There is not and never has been any hazard to the general public from the processing or use of asbestos products.

We deeply regret that many people are currently suffering the effects of having years ago inhaled an excessive amount of asbestos fiber. Cigarette smokers have been especially at risk. However, there is nothing to be gained by witch hunts to determine fault where none exists. Industry, cigarette manufacturers, government, the medical profession, labor, the scientific and academic communities, and the media are all involved.

Attention today should not be on assessing blame, but on how those suffering from asbestos-related diseases can be properly and fairly compensated. This is why we, as a company, are encouraging legislation which would establish uniform, equitable and comprehensive means of providing compensation for asbestos-related occupational disease.

I encourage you to read the entire review of the asbestos situation which begins on Page 23 of this report. A more complete discussion of pending litigation is contained in the corporation's Annual Report on Form 10-K, which will be sent to you without charge upon request. With respect to those cases, it is important for you to know that we anticipate that, except for amounts not material to the company's consolidated financial position, the cost of pending litigation will be covered by policies of insurance maintained by the company over the years.

Organizational Changes

Following the close of the year, the Board of Directors elected me Chairman of the Board and Chief Executive Officer; Fred L. Pundsack, President and Chief Operating Officer; and Francis H. May, Jr., Vice Chairman of the Board. These changes were made to strengthen our management and financial controls by providing more clear-cut lines of authority between the external and control responsibilities of the Chief Executive's office and the production and marketing functions of the Chief Operating Officer.

John D. Mullens became a member of the Board of Directors and Senior Vice President of the corporation upon the completion of the Olinkraft merger.

In December, Leo J. Bartolanzo was elected Senior Vice President, Finance. Mr. Bartolanzo formerly was Vice President and Controller.

Outlook

In the year ahead, we do not anticipate the economic climate to be as favorable as that of recent years, and wage and price guidelines must be expected to compound problems of maintaining appropriate margins. We have brought under control the operating problems we faced at the beginning of 1978, but I am not optimistic about our ability to recover fully the expected increases in cost of raw materials, labor and energy. I am confident, however, in the inherent strengths of the employees of Johns-Manville and their willingness to accept the challenge of performance as they have so ably done in the past. Thus, I do expect 1979 to be a satisfactory year for the corporation.

John A. McKinney
Chairman of the Board and
Chief Executive Officer

The Olinkraft Profile

"Olinkraft is in the business of growing trees and converting wood into lumber and other wood products, kraft paper, paperboard and packaging products."

On January 19, 1979, Olinkraft, Inc. became a wholly owned subsidiary of Johns-Manville. Olinkraft is in the business of growing trees and converting trees into lumber and other wood products, kraft paper, paperboard and packaging products.

Olinkraft has about 7,100 employees. Headquartered in West Monroe, Louisiana, the company operates 26 production facilities in the United States and three plants in Brazil.

The company is vertically integrated. It supplies approximately half of its wood fiber requirements from timber grown and harvested on nearly 600,000 acres of its own forest land. The acreage is located in Northern Louisiana, Southern Arkansas and East Texas…generally in close proximity to Olinkraft's primary production facilities. Through scientific forest management techniques, these woodlands provide an almost perpetual supply of wood fiber. In addition to providing future raw materials for Olinkraft, these timberlands are managed in a manner that satisfies the needs for public outdoor recreation and wildlife conservation. The company also owns or leases, through its Brazilian subsidiary, more than 100,000 acres of timber resources in Brazil.

The Southern pine grown in Olinkraft's forests feeds the company's paper mill operations, which produce various kraft papers and paperboards for paper packaging products. The remaining trees harvested from the timberlands are used in the company's wood products businesses.

Packaging products and systems are among Olinkraft's major specialties. Beginning in the early twentieth century, the company achieved a number of "firsts" in providing materials and containers for the U.S. packaging industry. For example, Olinkraft was the first to make fourdrinier kraft linerboard from Southern pine, which created a new industry for the South.

Paperboards produced by Olinkraft are sold both to the folding carton industry and converted into cartons internally. Olinkraft cartons are used to package such items as foods, detergents, toys, sporting goods, pharmaceuticals and multiple packaging of beverages. If a product needs a carton, Olinkraft can design the right one. Olinkraft also produces various coated and laminated paper and paperboards for the packaging industry.

At Olinkraft, many types of paper bags are produced. The individual products range from the common, brown kraft grocery bag to specialty and multi-wall bags made to exact customer specifications.

Corrugated containers is another business area for Olinkraft. The company produces containers for a variety of purposes and in all sizes. One of the more innovative of Olinkraft's corrugated containers is made from materials which remain rigid when wet.

In the wood products area, Olinkraft markets a broad line of pine lumber, which is used primarily by the building industry. Plywood manufactured by Olinkraft reaches a total volume of 170 million square feet per year. Particleboard, utilizing by-products from Olinkraft's lumber and plywood operations, is an important product for the company as more uses for this relatively new and inexpensive wood product are found. The company also produces treated lumber—used where wood needs protection from decay, insects and fire. Olinkraft rounds out its wood products with a line of fine hardwood flooring and veneers for furniture and wall paneling.

The Brazilian subsidiary, Olinkraft Celulose e Papel Ltda., in addition to its timberland operations, manufactures kraft paper and paperboards, kraft folding boxboards, multi-wall shipping bags and corrugated containers. Its timber operations make it virtually self-sufficient in pulp needs.

Research and development is vital to Olinkraft's continued growth in its various markets. Work in this area revolves around product and process development and environmental control.

"We harvest trees with tomorrow in mind; for every tree we harvest, we plant six seedlings."

Paul White

Forest Manager
West Monroe, Louisiana

People have come to expect the utmost in quality from Olinkraft products; quality that is derived from many near-perfect trees in Olinkraft forests.

"Paper and paperboard markets are expected to remain strong in 1979, primarily due to low inventories in the industry at year end."

Highlights of 1978

(Results of Olinkraft were not consolidated into 1978 J-M results.)

Revenues up 16 percent to $447 million

Income from operations $47.1 million, an eight percent decrease

Wood product markets remained strong through most of the year; paper and paperboard markets strengthened

No. 7 paper machine started up

Operations Review

A continued strong housing market and steadily improving markets for kraft paper and paperboard products resulted in record sales. Start-up costs for the new No. 7 kraft paper machine at West Monroe adversely affected earnings in 1978.

Market demand for lumber, plywood and particleboard remained strong all year. Some weakening of lumber and plywood prices occurred toward year end as dealers reduced inventories. Particleboard prices, which were favorable during the first half of the year, weakened considerably in the second half.

A new No. 7 paper machine started up in the second half of the year. Initially, linerboard and beverage carrier grades are being produced with gradual changeover to *KrafBrite* cartonboard specifications. There was ready market acceptance for this new type of cartonboard, which will compete directly with clay-coated solid bleached sulphate paperboard for use in folding cartons. Sales of the established specialty grades, *Krafkote* and *Olinkote*, were good all year with excellent order backlogs at year end.

The Bag and Multiple Packaging Divisions experienced very good markets during the year. Multiple Packaging shipments reflected the continued steady growth of soft drink and beer sales in the country. Beverage carrier sales at year end continued strong.

Container Division sales volume grew stronger as the year progressed, although price increases did not keep pace with cost advances.

Providing sufficient wood fiber for the paper mill was a problem as strong markets for wood products caused a shift of manpower and equipment to lumber and plywood log production. Market demand for pulpwood is expected to remain tight throughout 1979.

Olinkraft's Brazilian subsidiary, Olinkraft Celulose e Papel Ltda., performed very well throughout the year. Record sales and earnings were attained.

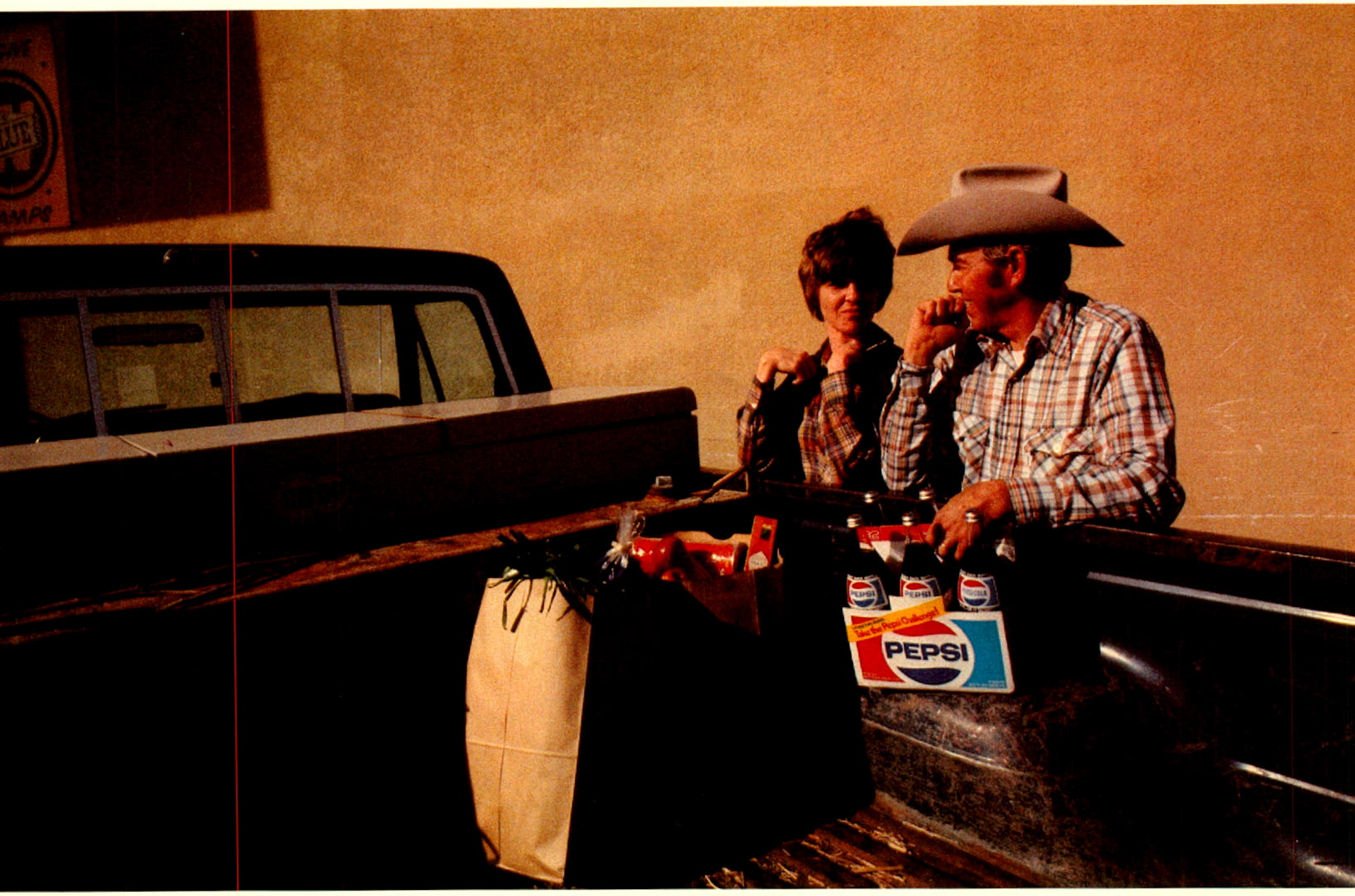
Outlook

Olinkraft's markets are expected to remain strong in 1979. Production volume from No. 7 paper machine is expected to steadily increase so that 25 percent of the mill's total output will be produced on this machine at year end. Kraft paper and paperboard packaging products will generally reflect the nation's business climate. There is expected to be a falling off in performance of the Wood Products Division due to the anticipated decline in housing starts.

"The next time you buy groceries, the odds are that some of them will be packaged in our products. We're proud to be meeting the specialized paper needs of today's consumer."

Woody DeJohn

Plant Manager
West Monroe, Louisiana



Paper products manufactured by Olinkraft are wrapped around many of life's most palatable experiences.

Clay-coated unbleached kraft paperboard
Kraft paper
Paperboard
Corrugated containers
Kraft bags
Pine lumber and plywood
Particleboard
Hardwood veneers
Flooring

"The Fiber Glass Products business, both in the U.S. and internationally, should continue to be a major contributor to the company's growth in future years."

JM

Highlights of 1978

Revenues up 26 percent to $514.3 million—a record

Income from operations $107.3 million, a 31 percent increase—a record

Markets remain strong throughout year

Insulation capacity increases 18 percent

Mat production capacity more than doubles

Union strike restricts earnings growth

Operations Review

The record performance achieved in the Fiber Glass Products business segment was the result of continuing strong market demand and the company's ability to capitalize on that demand through production capacity improvements. Even with those actions, however, market requirements outpaced supply, especially for fiber glass insulations.

The Fiber Glass Products segment serves residential, commercial and industrial markets. Residential insulations account for the largest portion of the product line with commercial and industrial insulations and fiber glass mat making up the rest.

To help meet demands for insulation products in 1978, J-M increased production capacity by 18 percent at its 11 U.S. fiber glass insulation manufacturing facilities. The increase was accomplished through a plant modernization and expansion program started in 1977 that will double insulation production capacity by 1981. Improved manufacturing methods, including the installation of electric-melt rotary equipment at three plants by 1980, are cornerstones of the program. Electric-melt rotary equipment uses less energy per unit of production than conventional methods.

Productivity improvements on existing equipment also added capacity with minimal capital investment. These improvements in the manufacturing process so exceeded expectations that they temporarily outstripped the capacity of the three domestic J-M plants to supply glass marbles used in producing insulation. New equipment is being installed at two plants to increase marble production.

Two other factors reduced J-M's ability to supply more insulation. First, a strike at the Richmond, Indiana plant, which manufactures residential and appliance insulations, began in August and continued through the end of the year. Second, engineering problems delayed the start-up of new residential insulation production equipment at the Winder, Georgia plant. Production on this equipment achieved one-half capacity by year end and full production early in 1979.

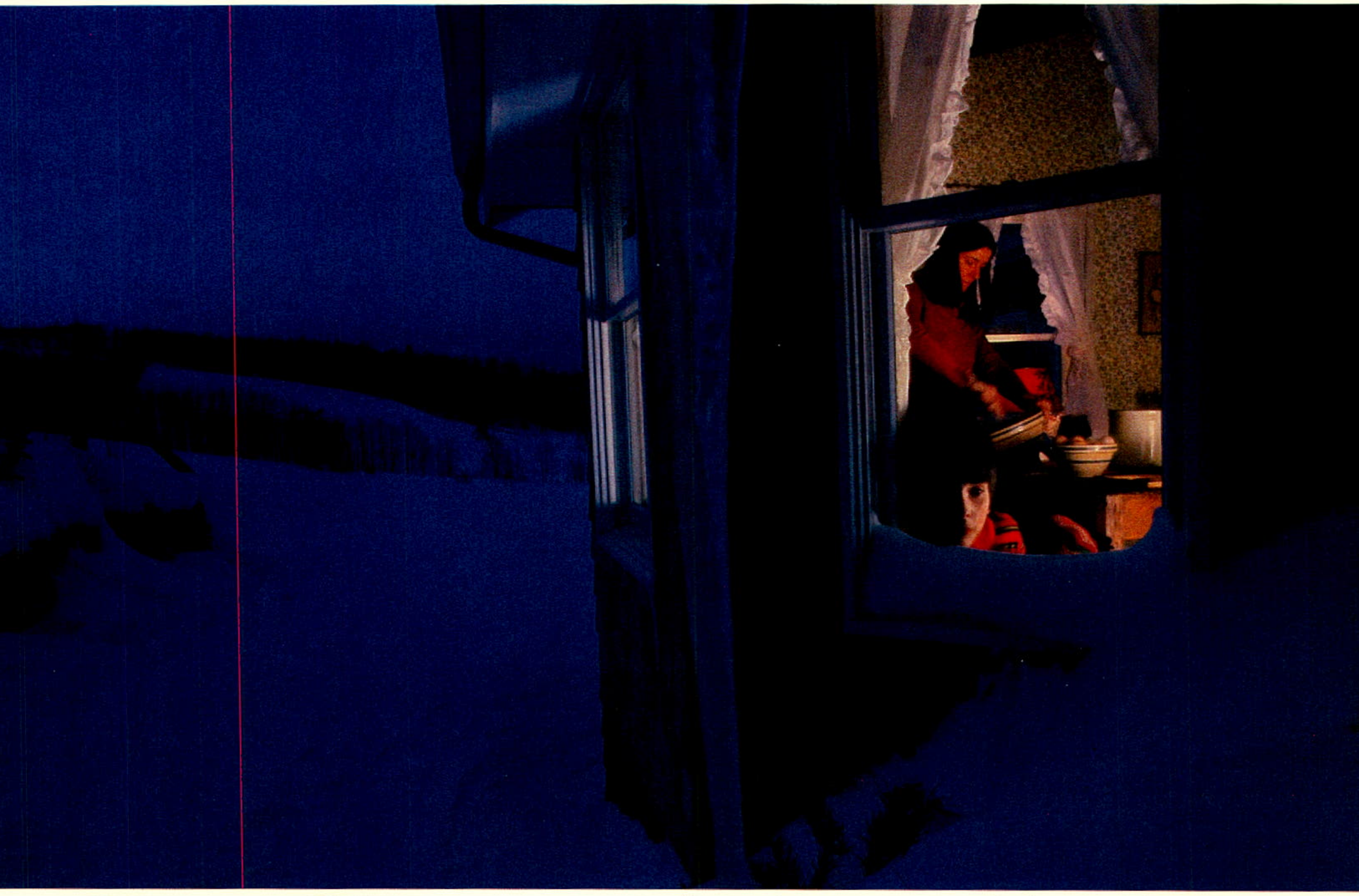
Revenues from the sale of residential fiber glass insulations increased dramatically from 1977, principally because of the high level of new home construction and higher thermal efficiency requirements established by the federal and state governments for insulation. Those requirements increased by approximately 20 percent the amount of insulation installed in the average home in 1978.

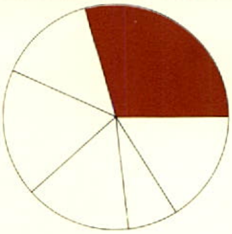
New home construction represented 55 percent of the total market while the retrofit market (adding insulation to existing homes) accounted for 45 percent.

"We're in the energy business here at J-M. There's something special about knowing that our insulation goes into literally thousands of homes . . . insulation that keeps people warm and eases the strain on their pocketbooks."

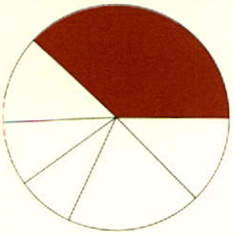
Charlie Farr

Plant Manager
Penbryn, New Jersey





29% of Net Sales



38% of Income from Operations

Fiber glass insulations from Johns-Manville quietly protect families around the world from the extremes of the environment.

- Aerospace Insulations
- Air Conditioning Duct Wrap Insulation
- Air Conditioning Ducts & Accessories
- Air Filtration Media
- Appliance Insulations
- Automotive Hoodliners
- Automotive Top Liners
- Automotive Molded Parts
- Chopped Strand
- Filter Tubes & Cartridges
- Industrial Insulating Boards
- Mats For Roofing & Industrial Uses
- Metal Building Insulation
- Mobile Home Insulation
- Pipe Insulation
- Residential Insulation
- Sliver & Yarn

"Fiber Glass Products will be better able to meet market demands during 1979."

In spite of the strength of demand for residential insulations in 1978, competition in the marketplace prevented the company from obtaining planned price increases, which limited the earnings growth of insulations.

Commercial and industrial insulations increased revenues and earnings over 1977, the result of improved market demands, higher prices for products and improved production efficiencies. Major applications for commercial and industrial insulations are in appliances, heating and air conditioning duct systems, pre-engineered buildings, automobile hoodliners and top liners and pipe insulations.

The company's U.S. fiber glass mat production capacity more than doubled in 1978 when a second mat machine became operational at the Waterville, Ohio manufacturing complex. The principal use for fiber glass mat is as a base for residential shingles and roll roofing used on commercial and industrial buildings. Production capacity for this product will increase by more than 50 percent in 1979 when the Etowah, Tennessee plant opens.

The ability to produce fiber glass is linked to the availability of natural gas or propane for furnaces and production lines. J-M's self-help energy program continued to supply supplemental gas to plants in 1978, keeping them open when public utilities curtailed industrial supplies during the winter months. The program also reduced energy costs during other months of the year. Some 5.5 billion cubic feet of natural gas have been produced from wells drilled by J-M in Ohio since 1976. These supplies have supplemented requirements at five fiber glass plants in Ohio. Eight producing wells in Kansas help fuel the McPherson, Kansas plant.

International markets for Fiber Glass Products improved substantially in 1978, and J-M increased capacity to meet those market improvements. Production at the Innisfail, Alberta plant increased, enabling J-M to serve insulation markets in Western Canada, and the St. Avold, France plant began production with its new electric-melt rotary process in August. The market for fiber glass mat produced at Wertheim, Germany improved in 1978, and production at the facility increased to meet demand for mat, which is used in Europe for roofing, resilient flooring and specialty applications.

Outlook

The Fiber Glass Products business, including fiber glass mat, will be better able to meet market demands during 1979, principally because of improved production and increased capacities. Higher government standards for thermal efficiency in building insulations, higher residential fuel prices and new tax incentives will also have positive effects on this business. The probable slowdown in new housing construction, however, will be a negative factor in demand in 1979. Overall, however, the Fiber Glass Products business, both in the U.S. and internationally, should continue to be a major contributor to the company's growth in future years.

"Funny, but most people don't know that we're an important part of refrigerators. It is our insulation that keeps the cold inside. Our insulations also help control noise and conserve energy in dishwashers, freezers and other appliances."

Carl Luerman

Sales Representative
Louisville, Kentucky

The unique insulating problems posed by refrigerating and dishwashing operations have been successfully overcome by the people at Johns-Manville.

Non-Fiber Glass Insulations

"Non-Fiber Glass Insulation products should continue to perform well in 1979 due to the large backlog of construction projects and a continuing emphasis on energy conservation."

Highlights of 1978

Revenues increase 18 percent to $231.2 million

Income from operations up 26 percent to $35.5 million

Fesco roof insulations post record year

Refractory fibers surpass 1977 performances

Calcium silicate insulations down

Operations Review

The Non-Fiber Glass Insulations business improved significantly in 1978 as commercial and industrial construction activity rebounded from previous years. J-M benefited from that recovery with improved pricing structures and better utilization of production facilities. This business segment includes roof insulations, refractory fibers, calcium silicate insulations and a broad range of other commercial and industrial insulating products.

Roof insulations, marketed under the *Fesco* trade name, recorded significant increases in revenues and earnings, reflecting improvements in pricing and market share.

Roof insulation production capacity will increase 30 percent when the Alexandria, Indiana plant converts from an acoustical tile to a roof insulation facility in 1979. A *Fesco-Foam* production line will open at the Natchez, Mississippi plant with added capacity expected to meet demands into the 1980's. Capacities of existing facilities also increased due to production efficiencies.

Tapered Fesco which helps eliminate water ponding on roofs was added to the roof insulation line in 1978. *Fesco Reroof Board*, which can be applied directly over old industrial and commercial roofs, will be introduced in 1979.

Refractory fibers, a major part of the business segment, are used in industrial furnaces, catalytic converters for automobiles and as insulation in the petrochemical industry. This product was in a sold-out position throughout the year, even though production capacity was increased through equipment modification. The addition of a fourth line at Waukegan, Illinois is scheduled to be completed in 1979.

Calcium silicate insulations, another key part of Non-Fiber Glass Insulations, are used in high-temperature pipe and block insulations. This product area did not perform as well as anticipated, principally because of reduced construction activity in public utility and petrochemical areas. An improvement in demand for this product line is expected in 1979.

The remaining part of this business segment includes such products and services as insulating firebrick, insulating boards, insulating siding and contract installation on commercial structures. The company closed its unprofitable reflective insulations facility in Manville, New Jersey during 1978.

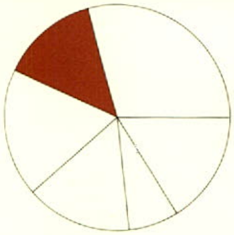
Outlook

The Non-Fiber Glass Insulations business segment should continue to perform well in 1979 due to the large backlog of construction projects and a continuing emphasis on energy conservation. A general downturn in the economy, however, would negatively affect this business segment.

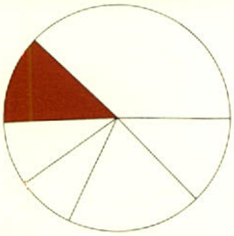
"Car manufacturers came to us looking for a solution. They had catalytic converters to cut air pollution but these converters sometimes overheated and became a hazard. Now our refractory fiber blanket helps insulate the converters as well as the passenger space inside the car, while the converters work toward cleaner air."

Rod Horton

Western Sales Manager,
Refractory Products
Denver, Colorado



14% of Net Sales



12.6% of Income from Operations

The accommodation that is evolving between man and his technology is being aided by Johns-Manville non-fiber glass specialty insulations, such as those used in automobile catalytic converters.

Asbetos Paper & Millboard
Asphalt Insulating Siding (Europe Only)
Calcium Silicate Insulations & Accessories
Insulating Fire Brick
Insulation Contracting
Marine and Industrial Insulation Boards
Metal-Clad Aerospace and Industrial Insulations
Perlite and Foam Insulation Boards
Refractory Fiber, Blankets and Molded Shapes

"While overall growth will not be as great as in the previous two years, the Pipe Products and Systems business is expected to turn in a creditable performance in 1979."

Highlights of 1978

Revenues increase 11 percent to $303.3 million—a record

Income from operations $25.9 million, up 10 percent—a record

Business builds following 1977 turnaround

PVC pipe production continues at full capacity

PVC expansion to increase capacity by 17 percent

A-C pipe demand remains strong

Operations Review

The Pipe Products and Systems business turned in its best performance ever in 1978 as governmental spending for water and sewer projects increased over prior years. Other markets for pipe, residential, commercial and industrial construction, expanded at a record pace during the year.

Approximately 65 percent of all J-M pipe sales is to the private sector; 35 percent goes to public works projects.

Major products in this business segment are polyvinyl chloride (PVC) plastic pipe and asbestos-cement (A-C) pipe. The PVC pipe business operated at full capacity for the third consecutive year as builders specified more of this pipe because of its light weight and durability. Margins for PVC pipe improved during the first quarter, but narrowed later in the year as raw material costs increased.

The company announced in the third quarter that it will expand PVC production capacity by 17 percent during 1979 at six of its nine U.S. plants at a cost of $9 million. Facilities were expanded in 1978 at the Fort Saskatchewan, Alberta plant to better serve PVC pipe markets in Canada.

The A-C pipe business operated at 70 percent of six-day capacity, approximately the same level as 1977, reflecting a steady demand in the marketplace. Primarily because of operating inefficiencies in U.S. plants, compounded by cement shortages and resultant plant stoppages, earnings were adversely affected as compared with 1977. The shortage affected both domestic and export business.

J-M agri-turf irrigation pipe systems and components achieved gains in revenues but income fell short of objectives due in part to farm market investment slowdowns.

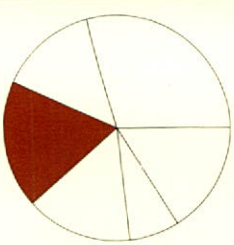
Outlook

Continuing high levels of activity in public works projects and non-residential construction projects will aid Pipe Products and Systems during the early part of 1979. While overall growth will not be as great as in the two previous years, this business is expected to turn in a creditable performance in 1979.

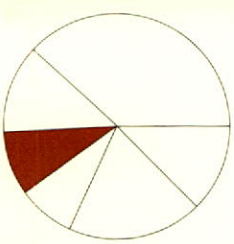
"Ask a fireman what he needs most to fight a fire and he'll probably tell you water. The pipe we make at J-M is used to supply water to fire hydrants. It also brings water into your home."

Wayne Bird

Plant Manager
Stockton, California



18.4% of Net Sales



9.2% of Income from Operations

In fire lines, municipal sewer systems and other water transmission applications, Johns-Manville pipe continues to prove indispensible to a modern day world.

Agricultural & Turf Irrigation Sprinklers, Valves & Controllers
Asbestos-Cement Air Ducts
Asbestos-Cement Electrical & Telephone Ducts
Asbestos-Cement Water & Sewer Pipe
Backflow Prevention Devices
Fiber Glass Reinforced Water & Sewer Pipe
Insulated Pipe
PVC Electrical & Telephone Ducts
PVC Water & Sewer Pipe
Sewer Pipe Fittings

"J-M met the demands of an active market with innovative products backed by aggressive marketing programs."

JM

Highlights of 1978

Revenues $253.8 million, up 25 percent—a record

Income from operations $23.2 million, 69 percent higher—a record

Markets strong for all products

Conversion to fiber glass mat base continues

Operations Review

Record financial performances were achieved in Roofing Products during 1978. J-M met the demands of an active market with innovative products backed by aggressive marketing programs.

The Roofing Products segment includes residential shingles and built-up roofing for commercial and industrial structures. New construction accounts for 40 percent of sales; reroofing represents 60 percent.

J-M continued its gradual conversion in 1978 to fiber glass mat, rather than organic materials, as the base for its roofing products. Since 1973, J-M has sold increasing quantities of fiber glass roofing because of its better durability and fire ratings. By 1980, fiber glass will be the base used in all of J-M's residential shingles. Additionally, a significant portion of built-up roofing will contain fiber glass.

Inventories of both shingles and built-up roofing were increased during the first quarter, but customers were on allocation beginning in August, reflecting the high level of construction activity.

The residential market for shingles, which accounts for a large part of the company's roofing business, was especially strong late in the year, but severe weather reduced first quarter volume. At year's end, residential roofing sales and operating income were well ahead of 1977.

Built-up roofing also achieved record sales and earnings. Principal markets for built-up roofing are commercial and industrial facilities.

Several manufacturing facilities were modified in 1978 to accommodate fiber glass roofing production. After July, five roofing plants produced only fiber glass shingles (80 percent of total J-M shingle output). The remaining two facilities will convert by 1980 when the Etowah, Tennessee fiber glass mat plant is in full operation.

High consumer acceptance in 1978 of the two-piece laminated *Woodlands* shingle, which is a product superior in appearance, durability and fire resistance to conventional wood shake shingles, resulted in the need to expand production facilities at four roofing plants. More than $1 million was allocated for this effort, with three plants doubling their capacities and one more adding to its capacity. Two other plants will begin production of *Woodlands* in 1979.

J-M is investing another $6.6 million to add fiber glass rolled roofing machines at three locations in 1980. These machines will produce built-up roofing.

Outlook

While there may be slower growth in the overall roofing industry in 1979 than in previous years, J-M expects its Roofing Products business segment to remain strong. Reroofing activity should display strength and provide stability to this business segment, even if there is a slowing in new construction activity. Fiber glass products are also expected to give J-M a competitive advantage in all roofing markets.

"A house is only as good as its roof. With our new fiber glass shingles, we're right at the front of the market, and we expect to stay there."

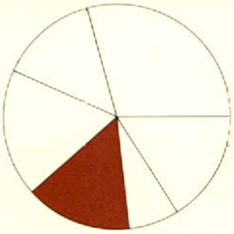
Frank Sydlowski

Plant Manager
Savannah, Georgia

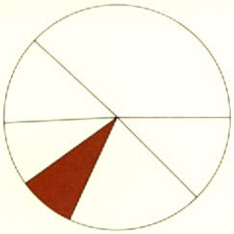
Oblivious to the elements, lightweight, durable fiber glass shingles from Johns-Manville offer homeowners a new dimension in quality roof top protection.

Built-up Roofing Products
Built-up Roofing Systems
Residential Asphalt Shingles (Organic & Fiber Glass)

Roof Coatings
Roof Accessories
Saturated & Coated Felts



15.4 % of Net Sales



8.2% of Income from Operations

"World markets for asbestos fiber are expected to continue their recovery in 1979."

Highlights of 1978

Revenues $157.3 million—down two percent

Income from operations $54.6 million—down nine percent

Overseas markets soft due to slow recovery of world economies

Relations with Quebec government expected to remain good

Operations Review

The Asbestos Fiber business area in 1978 performed better than anticipated, but revenues and income from operations dropped from 1977 levels. Principal reasons for the fall-off from the previous year were reductions in large customer inventories of asbestos fiber that carried over from 1977 and the continuing lag in recovery of Western European and Japanese markets.

Asbestos fiber is sold in markets throughout the world. A major portion of the fiber sold is used as a raw material in products where the fiber is locked in place by cement, rubber, plastics, resins, asphalts and similar binders. Products include asbestos-cement products, brake linings, resilient flooring, roofing and other products that require strength and fire protection, heat resistance, dimensional stability and resistance to rust and rot. In these applications, asbestos fiber poses no hazard to users or the public. Good work practices and dust control programs have reduced the health concerns associated with the manufacture and use of products containing asbestos fiber.

Other factors impacting performance included a decrease in the value of the Canadian dollar, shortfalls in selling certain grades of asbestos fiber, and higher-than-planned expenses.

Although the asbestos fiber market in general experienced some price erosion in 1978, J-M was able to maintain its price levels in most areas.

Because of the expected shortfall in business, the J-M Jeffrey asbestos mine in Quebec operated on a five-day schedule from January through July, although milling operations continued on a six-day basis. All operations increased to six days per week in August as demand increased, and total production for the mine in 1978 reached 590,305 tons. A $77 million program designed to improve working conditions, and ensure safe mining and economical operations at Jeffrey completed its third year.

Outlook

World markets for asbestos fiber are expected to continue their recovery in 1979. Cooperation between J-M and the government of Quebec is expected to continue in a positive manner during 1979.

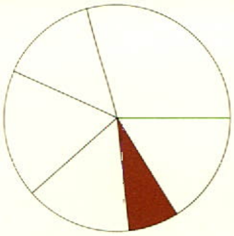
"Asbestos is far more than just a mineral. It is a valuable product safely locked in for use in brake linings for safety and in construction materials and pipe for strength."

Joe McCarthy

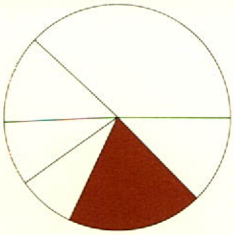
Sales Representative
Waterville, Ohio

Asbestos mined and manufactured by Johns-Manville helps provide "stopping power" to the brakes of some of our most important motor vehicles.

Asbestos Fiber



7% of Net Sales



19.3% of Income from Operations

Industrial and Specialty Products and Services

"Performance in 1978 reflected better utilization of facilities and the elimination of unprofitable operations."

JM

Highlights of 1978

Revenues $290.8 million—down three percent

Income from operations $35.9 million—a 41 percent increase

Major businesses improve performance

Operations Review

Industrial and Specialty Products and Services is a diverse group of businesses that has as its principal areas: Holophane lighting systems, filtration and minerals, and industrial specialties. Performance in 1978 reflected better utilization of facilities and the elimination of unprofitable operations.

Holophane improved its sales and income performances nine percent and 137 percent, respectively, largely because of increases in U.S. commercial and industrial construction activity.

Two major new products were introduced: *Caribe*, an architectural outdoor light, and *Lobay*, an industrial light with a reflecting pattern that allows greater spacing between units. Both were developed at J-M research facilities in Newark, Ohio.

The J-M filtration and mineral products business, comprised of diatomite, perlite and fiber glass filter products, recorded a slight increase in revenues and a significant gain in operating income.

Diatomite is used as a filter aid for foods, beverages and pharmaceuticals, and as a filler in paints and plastics. *Microsweet*, a product developed by J-M that extends the useful life of cooking oils, was introduced in 1978. The company's major diatomite mine is in Lompoc, California, and J-M operates smaller facilities in France, Mexico and Spain.

Perlite is mined at No Agua, New Mexico and is used by J-M in the manufacture of *Fesco Board* roof insulation. Other uses are in acoustical ceiling tile, horticultural applications and in cryogenic insulations.

Fiber glass filter products are used in high-efficiency commercial and industrial air filter systems and in the filtration of industrial liquids. This product area is expected to have significant growth in 1979.

In the industrial specialties area, price increases, combined with cost reductions, helped sealing components increase revenues and earnings over 1977 levels. The major markets for these products are the processing equipment, public utility and transportation equipment industries.

Cobra railroad products, particularly *Cobra* composition brake shoes for freight cars and locomotives, continued their historical growth patterns with sizable sales increases.

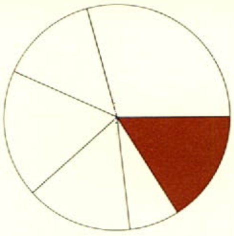
Outlook

In the Industrial and Specialty Products and Services business segment overall, the outlook for 1979 is positive, especially for those products linked to industrial production.

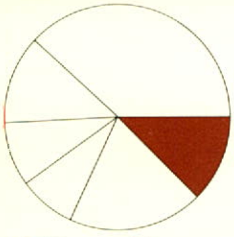
"There is plenty of romance at Old Montreal here in Quebec. It's being rebuilt and people are coming back to enjoy the city's charm. We developed special lighting applications to help keep that charm but still serve the needs of people for good lighting."

Clement Cournoyer

Assistant Plant Manager
St. Hyacinthe, P. Q.



16.2% of Net Sales



12.7% of Income from Operations

Johns-Manville Holophane lighting systems play an unheralded but integral role in today's urban living experience.

Airline Services
Asbestos Felts
Asbestos Papers
Asbestos Textiles
Asbestos-Cement Shingles (Europe Only)
Cellulose Membrane Filter Products
Diatomite Filter Aids
Diatomite Filler Materials
Emergency Lighting & Power Supply Products
Engineering Services
Expansion Joints
Industrial & Architectural Asbestos-Cement Sheets
Industrial, Commercial, Highway and Outdoor Lighting Fixtures & Accessories
Integrated Lighting & Ceiling Sytems
Mechanical Packings
Molded Packings
Oil Seals
Perlite Ore
Precast Concrete Construction Products
Rope & Sheet Packing
Synthetic Silicates
Vinyl Siding

International Operations Report
Record Revenues and Earnings

International Operations at J-M reported record revenues and earnings for nearly all business areas in 1978, primarily because of increased manufacturing capacities in Canada, Germany and France.

J-M's International Operations at the end of the year included 29 plants and mines, 17 sales offices and more than 175 distributors. Following is a brief analysis of performance in each operating area outside the U.S.:

Canada

Canadian Products manufacturing operations had revenues that were eight percent lower than in 1977; earnings returned to acceptable levels following a disappointing 1977.

Latin America and Far East

LAFE subsidiaries reported record results in 1978 due to higher levels of capacity utilization. Sales and income for this group increased 7.5 percent and 76 percent, respectively, compared to 1977.

Europe

Most European subsidiaries showed improvement over 1977. The major contributors were the Belgian operations and Glaswerk Schuller in Germany which achieved 71 percent and 28 percent earnings increases, respectively, over 1977.

Exports

Continued moderate improvement in almost all international economies in 1979, along with anticipated sales increases, should sustain J-M's export momentum in 1979.

J-M Active In Health & Safety Programs

J-M continued its historic pattern of progress during 1978 in programs designed to assure the health, safety and environmental quality of operations and activities. Programs implemented included:

A "No Smoking" policy—first developed in 1976—was implemented at all asbestos-using locations in the U.S. and is being expanded to Canadian and international operations.

The program resulted from research indicating that asbestos workers who smoke have a 92 times greater chance of developing lung cancer than those who do not smoke. With rare exception, asbestos workers who do not smoke have no greater risk of lung cancer than the general non-smoking public.

Important data on use of sputum cytology as a screening tool in asbestos-exposed populations were generated through a corporate-wide research effort initiated in 1976. The program, conducted at medical institutions across the country, is designed to study methods for early detection of cancer.

Hearing conservation programs at plants were broadened and updated by certification of personnel and addition of audiometric testing equipment.

Labor Agreements Reached

Johns-Manville negotiated 15 labor agreements with unions representing some 2,100 employees in the U.S. and Canada. Three strikes occurred in 1978. One, starting in December 1977 at the Los Angeles, California plant, was settled in February. A strike at the Pittsburg, California plant lasted for four months. The third strike started in August at the Richmond, Indiana plant and continued through year's end.

Real Estate Earns Profit

Johns-Manville Properties Corporation, a wholly owned real estate subsidiary, earned $3.2 million in 1978, with profitable operations at its three projects.

During 1978 the media continued its sensationalized coverage of the lawsuits and government hearings involving occupational health and asbestos-related diseases. It is a credit to the officials of the Environmental Protection Agency and the Occupational Safety and Health Administration that they have maintained a rational and scholarly approach to the asbestos situation in the face of so many exaggerated claims by the media and plaintiff lawyers.

Throughout history whenever there has been adversity or tragedy, men have sought a scapegoat. And, even today, it appears that our legal system is more concerned with finding a fault for every undesired happening than with providing fair and reasonable compensation for the consequences of such happenings.

It is now known that excessive inhalation of asbestos fiber can, over a period of time, cause or contribute to occupational disease. Asbestos-related disease does exist; thus, it is perhaps understandable that people would cast about for an "asbestos scapegoat." What is inexcusable is the manner in which many lawyers, the media, and even some in the "public interest" arena have sought to exploit the tragedy of asbestos-related disease through the repetition of inaccuracies, half-truths and exaggerations.

The evidence does not support the allegations leveled at J-M, and we want you, our shareholders, to know the facts.

Statements on asbestos and health by the media and some officials have been inaccurate, incomplete, exaggerated and sensationalized.

All too familiar are the tendencies of the media to capitalize on and sensationalize tragedy and the eagerness of some in the public eye to grab for quick and easy headlines. Nowhere has this been more evident than in the treatment of asbestos and health issues. While some of the untruths presented by the media and others may be from lack of facts, which in itself is inexcusable, far more often they have resulted from a deliberate distortion in the face of facts and out of a very apparent anti-business bias. For example:

A reporter from a leading New York daily newspaper stating to a person being interviewed about asbestos that she was "not interested in facts—only a story."

A financial daily newspaper failing to publish vital medical information on smoking and its direct relationship to lung cancer in asbestos workers.

Television producers carefully editing answers of J-M officials to conform to an apparently preconceived story line.

A reporter from a Washington, D.C. daily refusing to explore fully the particular dangers of cigarette smoking in conjunction with asbestos exposure because he was only interested in a cover-up story.

A newspaper in Norfolk, Virginia publishing a headline misrepresenting the ruling of a United States District Court judge.

A cabinet official speculating on disease estimates without disclosing the almost total lack of scientific support for the figures.

A Congressman issuing press releases and making inflammatory comments based only upon information supplied by attorneys for people suing the asbestos companies.

A "journalist" attacking J-M in *Environmental Action* magazine, producing an article so inaccurate and vicious as to suggest malice.

These examples are not fiction, but merely a few of many instances we have witnessed which exhibit the philosophy, "a good story at any cost." All too often reporters and others have dutifully published as fact the adversary conclusions fed them by lawyers suing J-M. One can but conclude that fantasy and sensationalism make better copy than fact, and that fantasy and sensationalism it shall be.

The asbestos-related diseases of today are a result of past high exposures which were thought to be safe at the time by the United States Public Health Service.

Unfortunately, asbestos-related diseases have a long latency period; that is, a long period of time between first exposure and onset of any disease. Accordingly, we know that the asbestos-related disease being seen today is the result of exposure of 20, 30 and 40 years ago when medical knowledge concerning asbestos was only a fraction of what it is today.

In years past people were exposed to airborne asbestos particles in excess of what is now considered a safe exposure level. In 1938, limits for exposure to asbestos were recommended by the U.S. Public Health Service and adopted shortly thereafter by the American Conference of Governmental Industrial Hygienists, and these limits were accepted by industry as safe working conditions for employees. Further, these levels were accepted without criticism by government health officials and the medical and scientific communities for over 30 years. Knowledge subsequently gained has shown the earlier research to be incomplete. This is the simple fact, not sensational ...but true.

Individuals exposed to asbestos-containing insulation materials are particular victims of the incomplete knowledge of earlier years.

Much of the present asbestos litigation involves individuals who were overexposed to dust from industrial thermal insulation materials which contained small amounts of asbestos (usually less than 15 percent). Incidentally, many of these persons worked in environments controlled by the government and used products which were delivered to government specifications. Scientists and physicians studied these workers and repeatedly concluded that their occupational exposures to asbestos were consistently below the "safe level" recommended by the United States Public Health Service. In fact, in 1946, eminent scientists employed by the United States Navy studied several shipyards and concluded that insulation work was "not a dangerous occupation"—a finding which went uncriticized and unchallenged in American medical literature for almost 20 years.

It was not until 1964 that the particular risk to this category of worker was clearly identified by Dr. Irving J. Selikoff of Mt. Sinai Hospital in New York City.

We are asked why earlier knowledge generated from studies of mine, mill and factory situations where workers had been exposed to 100 percent asbestos fiber did not lead to earlier knowledge of a possible hazard to those exposed to industrial insulation products. The completely different work environments and experiences were thought by the medical community to make any extrapolation from one group to another invalid. Dr. Selikoff himself indicated this very clearly and concisely in 1970, stating:

"In the asbestos mining and manufacturing industry, the risk of heavy exposure to the occupational dusts had been recognized for some years. And this primary industry has understood the need to install ventilation systems and other dust control devices to reduce the hazard. Experience had indicated that reduction of dust levels and exposures could result in greatly improved health experience among asbestos factory workers. But the extrapolation of that experience to another classification of workers—specifically those who fabricate and install insulating materials—was a more sophisticated task for clinical medicine and epidemiology."

How different things might have been had modern methods of medical research been available to the U.S. Public Health Service in those early years. How different things might have been had it not taken the scientists and physicians decades to discover that the recommended limits were not stringent enough.

Perhaps it is partly the frustration of "how different things might have been" that causes the shallow thinker to engage in hindsight and raise questions about standards of conduct. Unfortunately, such an exercise contradicts the facts.

J-M has acted responsibly to discover the cause of and eliminate occupational disease among asbestos workers.

Media representatives and some elected officials have consistently ignored J-M's intensive efforts to solve asbestos health problems and, in fact, have untruthfully portrayed those efforts. Whether such untruths have been deliberate, we leave to reasonable men to judge. But, it is clear that J-M's actions have been appropriate and proper. Some examples of action taken by J-M:

Initiation in 1930 of the first American medical studies of possible health hazards from asbestos. This was in response to information that the heavy and constant asbestos exposures in the textile mills of England might be hazardous. These studies preceded by years any independent action by the United States Public Health Service or any medical organization.

Organization in the 1930's of industry support for extended research at the Saranac Laboratories of the Trudeau Foundation, a leading pulmonary disease research facility.

Voluntary adoption and adherence to the recommended exposure limits of the United States Public Health Service.

Physical examination programs available for employees continually since the 1930's; leading research efforts in the early detection of disease.

Information prepared and distributed since the 1930's to inform employees of the work practices and protections necessary to eliminate the hazards recognized at the time.

Respirator programs installed where exposure might exceed "safe exposure levels."

Hundreds of engineering projects and millions of dollars spent for dust control, including the "invention" of equipment where none existed.

The first to place warning labels on asbestos insulation products in 1964 in response to the new evidence that dust from such products might create a hazard to people working with the products.

Continued funding of independent medical and scientific research including that of leading experts such as Dr. Irving J. Selikoff of Mt. Sinai Hospital in New York City.

Cooperative programs with industry and with labor organizations to disseminate information about asbestos and health, and to continue research.

Adoption of mandatory no-smoking programs for workers occupationally exposed to asbestos—the first broad-scale, anti-cancer program in American industry.

The historic concern of Johns-Manville for its employees is exemplified by a 1934 statement stating that it was undertaking investigations to obtain "the best practice possible for the elimination of dust and the protection of employees." Additionally:

In 1938, "It is the policy of Johns-Manville to make working conditions in its factories and mines everywhere safe, healthful and pleasant."

And today, "We equip our plants for the highest degree of personal safety, assuming it is economically and technically possible to do so. When technology is not available, or when it is not feasible economically from a competitive standpoint to make these installations, we will elect to discontinue a particular operation rather than knowingly endanger the health or life expectancy of a single employee."

The numerous allegations made in the public media inferring that Johns-Manville failed to act in a responsible manner in developing and communicating medical and scientific information on the possible health hazards of asbestos in the interest of sales and profits are false and inexcusable. The facts clearly show that nothing could be further from the truth. Johns-Manville's long history of voluntary commitment to the resolution of asbestos-related occupational disease problems is unparalleled in industry, labor or government.

The media and government have ignored the connection between cigarette smoking and lung cancer, the most serious and insidious of diseases in asbestos workers.

If it were not for cigarette smoking, lung cancer would not be a significant occupational disease problem among asbestos workers. This simple, yet crucial, fact has been repeatedly confused by the medical community and continues to be largely ignored by the media and government.

Our knowledge of the relationship of an increased incidence of lung cancer among asbestos workers is of rather recent vintage. A few cases of lung cancer among individuals with asbestosis were reported in the late 1930's and the 1940's, but the researchers were careful to disclaim a causal relationship. In the 1950's an English study strongly suggested an increased incidence of lung cancer. But, an industry-sponsored study of the type recommended by the American Medical Association failed to disclose any such increased incidence in the North American workers studied. This confirmed a 1956 publication by E. Cuyler Hammond, a noted scientist, Vice President of the American Cancer Society and co-author with Dr. Selikoff of many of the leading articles on asbestos-related diseases. In that study Hammond concluded that sufficient evidence did not exist to causally relate lung cancer and asbestos exposure.

It was not until the mid 1960's that enough evidence became available to show an increased incidence of lung cancer among individuals who smoked cigarettes and who were occupationally exposed to asbestos. To this day scientists disagree as to whether asbestos is causally related to lung cancer or whether it acts only as a modifier for smoking-induced cancer. However, there is agreement in the medical community on the simple fact set forth earlier: *but for cigarette smoking, lung cancer would not have been a significant health factor among people occupationally exposed to asbestos.*

One can but wonder why the media steadfastly refuses to give any significant or serious attention to the role of cigarette smoking in cancer causation. The few mentions in journals are worded so as to minimize the hazard. Courageously, Rep. Millicent Fenwick of New Jersey recognized the cigarette connection and introduced legislation to provide a system of uniform compensation for asbestos-related disease. This bill called upon the tobacco companies to join the asbestos industry and government in funding such compensation. Mrs. Fenwick's bill died in committee while tobacco subsidy payments were approved as usual.

One can but wonder why federal regulatory agencies have made no move to prohibit cigarette smoking among those occupationally exposed to asbestos. J-M has adopted such a non-smoking policy, and amazingly, some of the very same parties who attack J-M for alleged failures to protect employees are now criticizing us for restricting a worker's freedom to smoke. Frankly, it is inconceivable and intellectually dishonest for those who cry cover-up and negligence to ignore the role of cigarette smoking in causing cancer.

Charges of cover-up and conspiracy are unfounded.

Perception often substitutes for fact and reality; untruths repeated often and loudly become accepted as reality. The fact is that there simply is no credible evidence that J-M should have known of particular health hazards associated with asbestos at earlier periods of time than when we did, and there is no evidence that J-M failed to respond appropriately to medical knowledge of possible hazards as the information became available. Faced with this absence of damaging evidence, certain irresponsible members of media, elected officials and lawyers ignore the facts, alleging cover-up and conspiracy, and seek to alter the perception of J-M as a responsible corporation and employer. These allegations are a red herring. A few examples reveal the sham of such allegations:

It is claimed that J-M and others conspired in the 1930's to prevent publication of information on asbestos health issues. The fact is that the documents relied on to demonstrate a conspiracy are dated a full 10 months after the publication by the United States Public Health Service of the results of J-M sponsored asbestos medical studies—the first such studies done in this country. If suppression were a goal, publication in the United States Public Health Service reports would seem a poor vehicle to reach that goal.

J-M and others are claimed to have manipulated the data published by the United States Public Health Service. Unable to ignore the existence of industry-sponsored medical research, our detractors argue that research conducted by Dr. Anthony Lanza was tainted by virtue of pre-publication review of the findings. Pre-publication review is nothing sinister, and, in fact, takes place today for virtually all sponsored medical research including that sponsored by the federal government. Such allegations are deliberate untruths totally unsupported by the evidence. No one in the media has had the courage to admit that the review of this 1935 paper resulted in no substantive changes as published by the United States Public Health Service *except to accentuate one possible hazard.* This can hardly be called a cover-up. There can be but one motive for such a callous disregard of the truth—to distort, mislead, sensationalize and thereby profit from the adversity of others.

Another charge is that the industry sought to control and suppress the development and publication of medical information concerning asbestos through its research programs at Saranac Laboratories. Some elementary reasoning reveals this argument for what it is—a myth. If suppression were a motive, why would J-M lead an effort to sponsor and fund research at a leading institution? Additionally, if data were suppressed, then how does one explain the published reports of the Director of the Saranac Laboratories which annually reviewed the ongoing research projects and listed the yearly publications in leading medical journals? How does one explain the attendance of the chief medical officer of the United States Public Health Service at the Saranac Symposia to discuss ongoing research? How does one explain the efforts of J-M and others to speed up, complete and publish research even after the death of the director of the laboratory in 1946?

Some allege that J-M's settlement years ago of asbestos disease-related lawsuits meant that we knew of possible hazards to applicators or users of asbestos insulation products long before the medical acknowledgment of such a hazard in the mid 1960's. The fact is that such cases involved neither insulation applicators nor insulation products. They were cases arising out of factory operations in New Jersey, where, due in large part to J-M sponsored research, a possible hazard of continual exposure to raw asbestos fiber in a factory environment had been identified. Neither the product which contained less than 15 percent asbestos nor the work environment were comparable. The workers' claims took the form of lawsuits because in the 1930's asbestos-related illness was not covered by New Jersey workers' compensation laws.

These are facts—unglamorous facts withheld by reporters, public figures and lawyers who must rely on unsupported accusations in an effort to alter perceptions. Perceptions based upon fact are useful in moving the involved parties to a resolution of the problem. But, perceptions based upon untruthful, misleading, inaccurate and unfounded accusations can only delay a much needed consensus on this pressing societal concern.

J-M stands ready to join with responsible parties to seek adequate and uniform compensation for asbestos-related illnesses.

While the incidence of disease is diminishing and will eventually disappear, the tragic fact remains: asbestos-related disease does exist, and people have been disabled.

There are two options for dealing with this reality. J-M can continue to litigate claims in the courts, or we can seek an equitable, uniform compensation system.

Litigation is based upon a finding of fault, and with respect to asbestos-related disease, there simply is no fault on the part of J-M, a fact increasingly recognized by juries throughout the nation. Litigation is, of course, favored and fostered by lawyers in search of lucrative fees and by "media personalities" in search of sensational stories. Litigation carries with it personal hardship for everyone—delay, extraordinary expense, and uneven and uncertain results. Fortunately, there is a choice.

Forward-thinking members of Congress have concluded that the time for dwelling on fault is past, and the time has arrived to address the issue of compensation for asbestos-related disease. They have proposed a system of speedy, equitable and uniform compensation, and have called upon industry and government to share the responsibility of providing the funds necessary to provide compensation. While such a program will be costly, perhaps more costly to J-M than continuing to litigate claims, J-M has endorsed the concept, as has the International Association of Heat and Frost Insulators & Asbestos Workers, whose members are perhaps the most directly affected. We believe it is the only way in which those injured will be fairly and uniformly compensated without extraordinary delay and expense.

J-M and others who support such legislation have been castigated and criticized for such support. Some claim, perhaps from self interest, that such legislation would be a "bail out" of the industry.

Far from a "bail out," such a system would, in all probability, entail as great or greater costs to J-M than continuing litigation since the evidence clearly supports the conclusion that J-M acted positively and progressively, consistent with medical and scientific knowledge.

A compensation system to replace lawsuits in appropriate situations continues to gain favor among industry, labor, academia, professional task forces within the federal government and members of Congress. It is simply the most effective and efficient way to satisfy a goal of fair compensation for persons suffering from occupational disease. We will continue our support of such programs—it is the right thing to do.

There is no evidence of danger in the use of asbestos in schools or other public buildings.

Much has been made of the use of sprayed insulation containing asbestos on school ceilings. Again, the facts have been ignored in favor of headlines. Johns-Manville neither made nor sold such materials. Further, the facts are that the use of asbestos spray materials in the construction of schools or other public buildings has not been shown to be hazardous. Nevertheless, a well-designed program to determine the presence of airborne asbestos fibers in such buildings would be prudent. Should excessive levels be discovered, programs to seal or remove the material would be in order.

Fibers in most asbestos-containing products are "locked in" and safe.

In most of our asbestos-containing products, the fibers are "locked in" by cement, plastic or other binders; such fibers are not easily released during normal handling and application. We are confident that, with proper precautions, asbestos and asbestos-containing products can continue to be used without a health risk. An example of this is asbestos-cement pipe which has been in useful service in the U.S. for decades.

After an extensive study, the American Water Works Research Foundation, concluded: "No firm evidence shows that the proper use of asbestos-cement pipe poses a hazard to health by reason of ingestion of asbestos fiber."

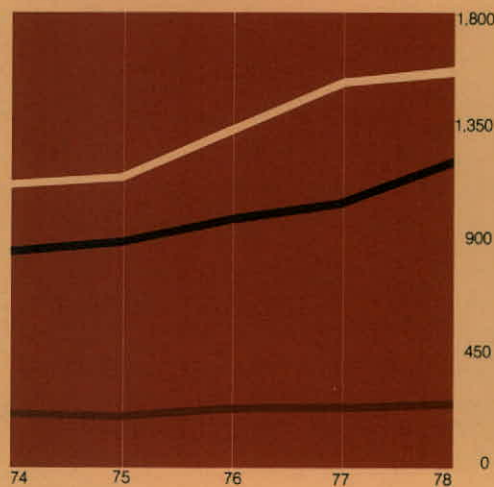
Summary

Johns-Manville has been a leader in establishing safety precautions and has acted responsibly over the years, consistent with the known facts of the health hazards of asbestos fiber. We deeply regret that many people, our friends, colleagues and employees among them, are currently suffering the effects of having years ago inhaled an excessive amount of asbestos fiber. Cigarette smokers have been especially hard hit. However, there is nothing to be gained by witch hunts to determine fault where none exists. Industry, cigarette manufacturers, government, the medical profession, labor, the scientific and academic communities and the media are all involved. Attention today should not be on assessing blame, but on how those suffering from asbestos-related diseases can be properly and fairly compensated. This is why we, as a company, are encouraging legislation which would establish uniform, equitable and comprehensive means of providing compensation for asbestos-related occupational disease.

The events of the past cannot be undone. Johns-Manville has learned from those events and, today, continues to be a leader in American industry in providing healthful working conditions and advanced medical programs for its employees.

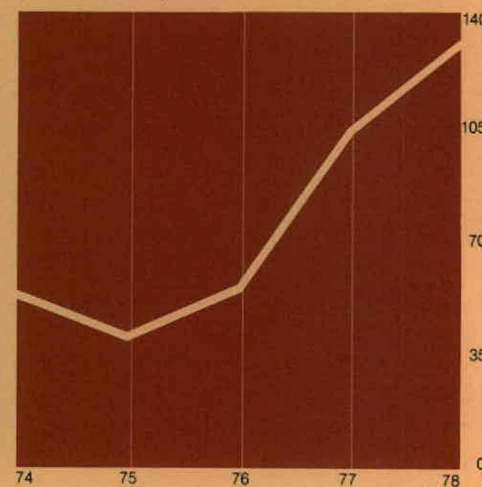
Contents

Net Sales/Cost of Sales/ Expenses (In Millions of Dollars)

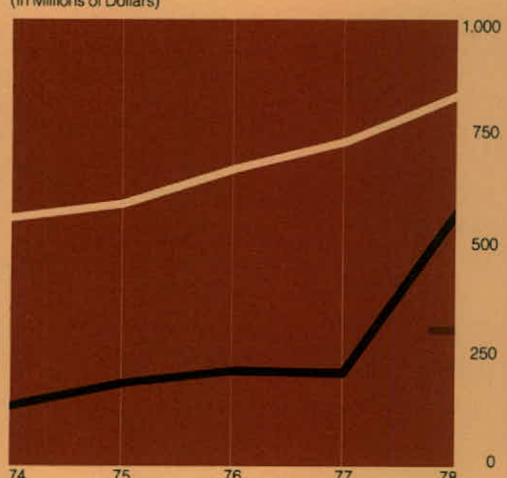


□ Net Sales
■ Cost of Sales
■ Selling, General and Administrative Expenses

Earnings Before Extraordinary Item (In Millions of Dollars)

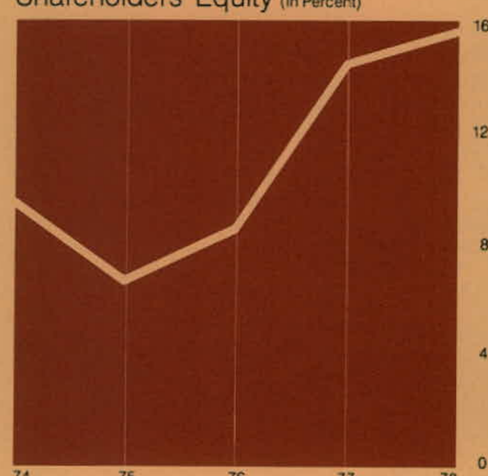


Long-Term Debt and Capital (In Millions of Dollars)

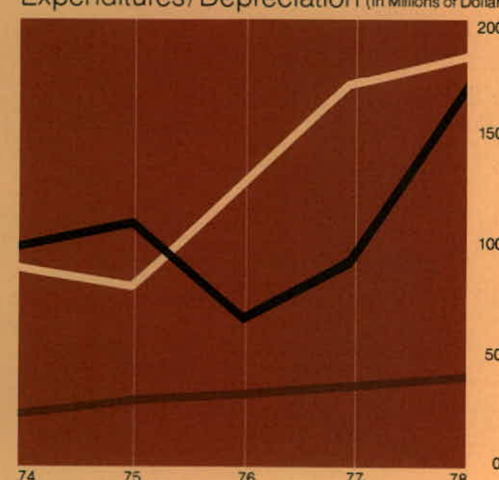


□ Common Shareholders' Equity
■ Long-Term Debt
■ Cumulative Preferred Stock (1978 Only)

Return on Average Common Shareholders' Equity (In Percent)



Funds From Operations/Capital Expenditures/Depreciation (In Millions of Dollars)



■ Capital Expenditures
□ Funds From Operations
■ Depreciation & Depletion

Five-Year Summary of Operations

(All figures except per share are in thousands)

Summary of Earnings	1978	1977	1976	1975	1974
Revenues					
Net sales	$1,648,599	$1,461,432	$1,308,771	$1,107,012	$1,105,508
Other, net*	27,990	18,363	(17,571)	10,737	6,731
Total	1,676,589	1,479,795	1,291,200	1,117,749	1,112,239
Costs and Expenses					
Cost of sales	1,190,318	1,066,310	983,431	852,786	838,462
Selling, general and administrative	193,401	173,659	166,159	151,842	152,010
Research, development and engineering	32,551	28,174	25,236	24,393	18,807
Total	1,416,270	1,268,143	1,174,826	1,029,021	1,009,279
Income from Operations	260,319	211,652	116,374	88,728	102,960
Interest Expense	22,255	20,105	15,153	18,990	15,798
Earnings Before Income Taxes and Extraordinary Item	238,064	191,547	101,221	69,738	87,162
Income Taxes	116,462	88,920	47,804	31,325	36,549
Earnings Before Extraordinary Item	121,602	102,627	53,417	38,413	50,613
Extraordinary Item					21,270
Net Earnings	$ 121,602	$ 102,627	$ 53,417	$ 38,413	$ 71,883
Per Common Share Data:					
Earnings Before Extraordinary Item	$5.62	$4.78	$2.64	$2.04	$2.73
Extraordinary Item					1.15
Net Earnings	$5.62	$4.78	$2.64	$2.04	$3.88
Dividends	$1.80	$1.55	$1.35	$1.20	$1.20

**Included in 1976 is a loss of $30 million for asset dispositions, reduction of intangible assets and a provision for Flextran product liability claims.*

See page 34 for management's analysis and discussion of operations and pages 41 through 48 for the notes to the consolidated financial statements.

(All dollar figures except per share are in thousands)

Other Financial Information	1978	1977	1976	1975	1974
Percentage of Earnings Before Extraordinary Item to Total Revenues	7.3	6.9	4.1	3.4	4.6
Percentage of Earnings Before Extraordinary Item to Common Shareholders' Equity at Beginning of Year	16.4	15.3	9.2	6.8	10.0
Common Shareholders' Equity	$834,757	$742,411	$672,015	$580,512	$561,437
Book Value Per Common Share	$ 38.27	$ 34.58	$ 31.37	$ 30.81	$ 30.04
Common Dividends Paid	$ 38,972	$ 33,259	$ 27,251	$ 22,589	$ 22,239
Capital Expenditures	$170,255	$ 95,501	$ 69,517	$110,333	$105,576
Depreciation and Depletion	$ 42,401	$ 38,575	$ 34,403	$ 31,114	$ 28,329
Common Shares Outstanding at End of Year (000 omitted)	21,813	21,471	21,421	18,842	18,690
Number of Common Shareholders at End of Year	27,500	28,000	28,300	29,100	29,900
Number of Employees at End of Year	25,800	25,400	24,800	24,000	26,600
Wages, Salaries and Employee Benefits	$507,000	$453,400	$419,100	$365,100	$374,500

Results By Major Business Segments And Geographic Areas

The following tables summarize financial information relating to the Company's operations within different industries:

(Thousands of Dollars) Years Ended December 31

	1978	1977	1976
Revenues:			
Fiber Glass Products	$ 514,287	$ 407,242	$ 357,823
Pipe Products and Systems	303,334	273,512	217,526
Roofing Products	253,807	203,612	171,197
Non-Fiber Glass Insulations	231,190	195,223	158,721
Asbestos Fiber	157,291	160,682	154,625
Industrial and Specialty Products and Services	290,845	301,173	309,450
Corporate revenues, net (f)	19,894	12,447	(22,574)
Elimination of intersegment sales (a)	(94,059)	(74,096)	(55,568)
Total	$1,676,589	$1,479,795	$1,291,200
Income From Operations:			
Fiber Glass Products	$ 107,279	$ 81,661	$ 59,823
Pipe Products and Systems	25,861	23,552	(2,688)
Roofing Products	23,219	13,754	8,363
Non-Fiber Glass Insulations	35,484	28,237	18,457
Asbestos Fiber	54,592	59,815	60,237
Industrial and Specialty Products and Services	35,911	25,431	18,741
Corporate expense, net (f)	(22,971)	(24,290)	(48,556)
Eliminations and adjustments (c)	944	3,492	1,997
Total	$ 260,319	$ 211,652	$ 116,374
Depreciation and Depletion:			
Fiber Glass Products	$ 17,995	$ 13,716	$ 10,598
Pipe Products and Systems	5,629	5,698	5,795
Roofing Products	1,964	1,818	1,688
Non-Fiber Glass Insulations	4,554	4,175	4,149
Asbestos Fiber	5,856	5,674	4,743
Industrial and Specialty Products and Services	4,343	5,198	5,274
Corporate	2,060	2,296	2,156
Total	$ 42,401	$ 38,575	$ 34,403
Additions to Property, Plant and Equipment:			
Fiber Glass Products	$ 109,554	$ 57,791	$ 20,224
Pipe Products and Systems	8,515	6,624	8,685
Roofing Products	5,065	3,707	4,034
Non-Fiber Glass Insulations	19,923	6,974	5,579
Asbestos Fiber	10,761	10,232	9,419
Industrial and Specialty Products and Services	12,416	9,389	10,693
Corporate	7,773	5,436	14,433
Total	$ 174,007	$ 100,153	$ 73,067

December 31

	1978	1977	1976
Assets:			
Fiber Glass Products	$ 474,575	$ 361,545	$ 308,043
Pipe Products and Systems	204,440	197,138	188,772
Roofing Products	92,288	83,404	72,838
Non-Fiber Glass Insulations	156,990	130,868	122,265
Asbestos Fiber	137,232	141,034	129,582
Industrial and Specialty Products and Services	188,863	177,199	194,078
Corporate (d)	205,553	321,494	245,326
Eliminations and adjustments (c)	(88,861)	(78,882)	(72,704)
Assets acquired in merger of Olinkraft (e)	845,875		
Total	$2,216,955	$1,333,800	$1,188,200

The following tables set forth the Company's operations by geographic area:

	1978	1977	1976
		(Thousands of Dollars) Years Ended December 31	
Revenues:			
United States	$1,315,728	$1,147,680	$ 997,131
Canada	267,007	270,510	267,623
Overseas	195,400	152,436	148,312
Corporate revenues, net (f)	19,894	12,447	(22,574)
Elimination of intergeographic sales (b)	(121,440)	(103,278)	(99,292)
Total	$1,676,589	$1,479,795	$1,291,200
Income from Operations:			
United States	$ 185,227	$ 157,902	$ 84,723
Canada	61,456	54,571	53,987
Overseas	35,668	19,978	24,254
Corporate expense, net (f)	(22,971)	(24,290)	(48,556)
Eliminations and adjustments (c)	939	3,491	1,966
Total	$ 260,319	$ 211,652	$ 116,374

	1978	1977	December 31 1976
Assets:			
United States	$ 854,810	$ 722,479	$ 676,011
Canada	210,174	216,162	206,850
Overseas	189,303	152,734	132,935
Corporate (d)	205,553	321,494	245,326
Eliminations and adjustments (c)	(88,760)	(79,069)	(72,922)
Assets acquired in merger of Olinkraft (e):			
United States	714,206		
Overseas	131,669		
Total	$2,216,955	$1,333,800	$1,188,200

Notes:

a/ Intersegment sales were as follows (at prices approximating market):	1978	1977	(Thousands of Dollars) Years Ended December 31 1976
Fiber Glass Products	$ 32,666	$ 20,626	$13,304
Roofing Products	504	530	255
Asbestos Fiber	41,109	35,308	29,186
Industrial and Specialty Products and Services	19,780	17,632	12,823
Total	$ 94,059	$ 74,096	$55,568

b/ Intergeographic sales were as follows (at prices approximating market):

	1978	1977	1976
United States	$ 28,679	$ 28,751	$33,363
Canada	85,339	72,477	65,601
Overseas	7,422	2,050	328
Total	$121,440	$103,278	$99,292

c/ Includes the elimination of intersegment and intergeographic inventory profits and the adjustment of business segment and geographic inventories, which are carried at standard costs, to the historical inventory bases used in consolidation.

d/ Corporate assets are principally cash, marketable securities, prepaid income taxes and investments in and advances to associated companies and the real estate subsidiary (excluding such assets acquired in the merger of Olinkraft—see Note e).

e/ Olinkraft is an integrated paper and forest products company whose principal products are unbleached kraft paper and paperboard, converted paper products for packaging and wood products. Olinkraft's operations and assets will be reported in a new "Wood and Paper Products" business segment in future periods.

f/ Includes a $30 million charge in 1976 for asset dispositions, reduction of intangibles and Flextran pipe claims to conform to the 1978 financial statement presentation.

Management's Analysis and Discussion of Operations

1978 Compared to 1977

Net sales for the year ended December 31, 1978 increased 13%to a record $1.65 billion versus $1.46 billion in 1977. A 15% rise in sales of U.S. manufactured products was almost equally divided between price and volume increases. Net sales by overseas subsidiaries rose 23%, reflecting improving business conditions in Europe, but continued weakness in demand for asbestos fiber and the decrease in the value of the Canadian dollar relative to the U.S. dollar resulted in an 8% decrease in Canadian sales.

Other revenues were $9.6 million higher in 1978, due principally to the equity earnings of the unconsolidated real estate subsidiary and of the Company's 49% ownership in Olinkraft, Inc. between November 8 and December 31, 1978 (see Note 2, "Acquisition of Olinkraft, Inc.").

The ratio of cost of sales to net sales decreased 0.8% to 72.2% between 1977 and 1978. Favorable benefits realized from higher capacity utilization and internal cost controls were somewhat offset by costs relating to expansion programs and to a work stoppage at the Richmond, Indiana fiber glass plant.

A nominal decline of 0.2% was recorded in the ratio of selling, general and administrative expenses to total revenues. Higher employee benefit costs prevented a more substantial decrease in the ratio.

Research, development and engineering expenditures rose 16% in response to the Company's accelerated research efforts into new products and processes and into improving and refining existing ones.

Income from operations was $260.3 million in 1978, a level 23% greater than for the prior year. The increase resulted primarily from improved sales and cost performance, and higher equity earnings in 1978.

Interest expense of $22.3 million in 1978 exceeded the 1977 figure by $2.2 million, most of which related to the financing required for the Olinkraft acquisition.

Income taxes were 48.9% of pre-tax earnings in 1978 versus 46.4% in 1977. Excluding the tax effects on unusual asset dispositions and write-downs and the equity earnings and interest amounts relating to the Olinkraft acquisition, the effective income tax rate in 1978 was 49.5% compared with 46.9% in 1977. Most of this increase was attributable to higher state and local income taxes in the U.S. and lower levels of earned depletion in Canada.

Net earnings rose $19 million (18.5%) to $121.6 million ($5.62 per common share) from $102.6 million ($4.78 per common share) in the prior year.

1977 Compared to 1976

Culminating 1977 with a strong fourth quarter, the Company achieved a net sales level of $1.46 billion, up 11.7% from the $1.3 billion level reached in 1976. Most of this sales growth occurred in the United States, where unit volume of shipments of U.S. manufactured products increased by 8% while prices in 1977 averaged 8% higher than the prior year. Canadian sales declined by 2.6%, reflecting lower worldwide asbestos fiber shipments and the sluggish Canadian economy. Sales by overseas subsidiaries were only 2.9% higher than in 1976, resulting from the economic slowdown experienced by many European countries.

Other revenues increased in 1977, reaching $18.4 million and exceeding the level for the previous year by $35.9 million. The change resulted primarily from higher interest income in 1977, and a $30 million charge in 1976 for asset dispositions, intangible write-downs and a product liability provision.

The ratio of cost of sales to net sales continued its downward trend, reaching 73% in 1977 in contrast to 75.1% in 1976. Several factors contributed to this improved performance, including more favorable pricing, greater manufacturing efficiencies and more stringent cost control programs.

The ratio of selling, general and administrative expenses to total revenues was 11.7% compared to 12.9% in 1976. This reduction reflects the Company's ongoing efforts in controlling overhead expenses.

Significant sales growth and improved cost and expense controls in 1977, coupled with the $30 million unusual charge to other revenues in 1976, gave rise to an 82% increase in 1977 income from operations over the 1976 level.

Interest expense increased to $20.1 million in 1977 from $15.2 milion in 1976. The increase was primarily attributable to mortgage interest on the Company's World Headquarters building occupied in mid-1976.

Income taxes were 46.4% of pre-tax earnings in 1977, versus 47.2% in 1976. Excluding the tax effects on unusual asset dispositions and write-downs, and a product liability provision, the effective income tax rates were 46.9% and 45.0% in 1977 and 1976, respectively, with the increase resulting from higher earnings levels without a proportionate increase in tax credits and deductions.

Net earnings of $102.6 million ($4.78 per common share) in 1977 were 92% higher than in 1976 ($53.4 million; $2.64 per common share), which included a loss of $.92 per common share on unusual provisions, relating principally to asset dispositions.

Johns-Manville Corporation
and Subsidiary Companies

Consolidated Balance Sheet

	(Thousands of Dollars) December 31	
Assets	1978	1977
	(Note 2)	
Current Assets		
Cash (including time deposits of $25,187,000 in 1978, $19,450,000 in 1977)	$ 28,161	$ 39,471
Marketable securities, at cost (approximates market)	37,868	120,553
Accounts receivable (net of allowances of $6,507,000 in 1978, $5,497,000 in 1977)	327,621	262,655
Inventories (Notes 1b and 3)	219,249	148,711
Prepaid expenses (principally deferred income taxes)	31,871	29,872
Total Current Assets	644,770	601,262
Investments in and Advances to Associated Companies (principally outside U.S.) (Note 1a)	33,200	25,003
Investment in and Advances to Real Estate Subsidiary (Note 1a)	36,654	34,894
Property, Plant and Equipment, at cost (Note 1c)		
Land and land improvements	98,512	63,674
Buildings	320,665	263,938
Machinery and equipment	1,042,715	642,384
	1,461,892	969,996
Less, Accumulated depreciation and depletion	373,926	336,648
	1,087,966	633,348
Timber and timberlands, at cost	371,662	
Property, plant and equipment, net	1,459,628	633,348
Deferred Charges and Other Assets	42,703	39,293
	$2,216,955	$1,333,800

The accompanying notes are an integral part of the consolidated financial statements.

	(Thousands of Dollars) December 31	
Liabilities	1978	1977
	(Note 2)	
Current Liabilities		
Short-term debt	$ 23,367	$ 18,459
Accounts payable	126,579	68,657
Wages and compensation	44,063	36,845
Income taxes	70,674	56,973
Other taxes	13,440	11,102
Other accrued liabilities	51,169	43,044
Total Current Liabilities	329,292	235,080
Long-Term Debt (Note 4)	543,244	203,249
Other Non-Current Liabilities	60,497	23,301
Deferred Income Taxes (Note 1e)	150,274	129,759
	1,083,307	591,389
Contingencies and Commitments (Notes 5 and 6)		
Preferred Stock		
Cumulative Preferred Stock, $1.00 par, authorized 10,000,000 shares; $5.40 series, 4,598,327 shares at stated value of $65 per share (Note 7)	298,891	
Common Shareholders' Equity		
Common Stock, $2.50 par, authorized 50,000,000 shares; issued: 1978—22,008,466 shares, 1977—21,703,235 shares (Note 8)	197,413	188,493
Earnings Reinvested	643,317	561,019
	840,730	749,512
Less, Cost of treasury stock, 1978—195,329 shares, 1977—232,199 shares (Note 8)	5,973	7,101
	834,757	742,411
	$2,216,955	$1,333,800

Consolidated Earnings and Earnings Reinvested

	(Thousands of Dollars, except Per Share Amounts)	
Earnings	1978	1977
Revenues		
Net sales	$1,648,599	$1,461,432
Interest income	10,136	7,564
Equity earnings (Note 1a)	8,645	3,640
Royalties and fees	6,277	5,067
Other income, net	2,932	2,092
Total	1,676,589	1,479,795
Costs and Expenses		
Cost of sales	1,190,318	1,066,310
Selling, general and administrative	193,401	173,659
Research, development and engineering	32,551	28,174
Total	1,416,270	1,268,143
Income From Operations	260,319	211,652
Interest Expense	22,255	20,105
Earnings Before Income Taxes	238,064	191,547
Income Taxes (Notes 1e and 11)		
Current	98,423	69,048
Deferred	18,039	19,872
Total	116,462	88,920
Net Earnings	$ 121,602	$ 102,627
Net Earnings Per Common Share (Notes 1f and 8)	$5.62	$4.78
Earnings Reinvested		
Earnings Reinvested at Beginning of Year	$ 561,019	$ 492,153
Net Earnings	121,602	102,627
	682,621	594,780
Dividends ($1.80 per common share in 1978 and $1.55 per common share in 1977)	(38,972)	(33,259)
Loss on Dispositions of Treasury Stock (Note 8)	(332)	(502)
Earnings Reinvested at End of Year	$ 643,317	$ 561,019

The accompanying notes are an integral part of the consolidated financial statements.

Changes in Consolidated Financial Position

		(Thousands of Dollars)	
Funds Provided By		1978	1977
Operations			
Net Earnings		$121,602	$102,627
Items Not Requiring (Providing) Working Capital			
Depreciation and depletion		42,401	38,575
Deferred income taxes (non-current portion)		20,515	21,634
Amortization and reduction of intangible assets		943	2,800
Provisions for the dispositions of assets		886	6,319
Undistributed equity earnings		(4,604)	(989)
Total		181,743	170,966
Issuance of Cumulative Preferred Stock (Note 7)		298,891	
Issuance of Long-Term Debt		205,862	15,795
Increase in Other Non-Current Liabilities		12,037	12,570
Common Stock Issued in Connection With Employee Stock Purchase Plan		8,920	
Dispositions of Property, Plant and Equipment		5,073	18,626
Decrease in Investment in and Advances to Real Estate Subsidiary		1,467	146
Cost of Treasury Stock Issued		1,128	1,530
Decrease in Investments in and Advances to Associated Companies		66	3,530
Net Change in Working Capital		50,704	(54,373)
Total		$765,891	$168,790
Funds Used For			
Acquisition of Olinkraft, Inc. (Note 2)	$595,546		
Less, Olinkraft's working capital	53,645	$541,901	
Dividends on Common Stock		38,972	$ 33,259
Additions to Property, Plant and Equipment		174,007	100,153
Reduction of Long-Term Debt		7,125	20,707
Increase in Deferred Charges and Other Assets		3,554	14,169
Loss on Dispositions of Treasury Stock		332	502
Total		$765,891	$168,790

The accompanying notes are an integral part of the consolidated financial statements.

Changes in Consolidated Financial Position
(continued)

Working Capital Changes	1978 (Note 2)	1977
	(Thousands of Dollars)	
Current Assets		
Cash	$ (11,310)	$ 14,407
Marketable securities	(82,685)	54,421
Accounts receivable	64,966	23,337
Inventories	70,538	4,332
Prepaid expenses	1,999	3,788
Net Increase	43,508	100,285
Current Liabilities		
Short-term debt	(4,908)	1,921
Accounts payable	(57,922)	(10,703)
Wages and compensation	(7,218)	(5,263)
Income taxes	(13,701)	(25,467)
Other taxes	(2,338)	(355)
Other accrued liabilities	(8,125)	(6,045)
Net Decrease	(94,212)	(45,912)
Net Change in Working Capital	$ (50,704)	$ 54,373

The accompanying notes are an integral part of the consolidated financial statements.

Notes To Consolidated Financial Statements

1/ Summary of Significant Accounting Policies

a/ Principles of Consolidation
The consolidated financial statements include the accounts of the Company and all of its subsidiaries, except the Company's real estate subsidiary which is recorded on the equity basis since it is dissimilar to the other operations of the Company.

The Olinkraft, Inc. (Olinkraft) assets acquired and liabilities assumed in a purchase transaction have been included in the consolidated balance sheet at December 31, 1978. The results of the Olinkraft operations will be consolidated in the statement of consolidated earnings beginning January 1, 1979. For information concerning the purchase of the net assets of Olinkraft, see Note 2, "Acquisition of Olinkraft, Inc."

Investments in associated companies in which the Company's voting stock interest is 50% or less and where it is deemed that the Company's ownership gives it significant influence over operating and financial policies are recorded on the equity basis. All other investments are carried at the lower of cost or net realizable value.

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

c/ 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 earnings. Gains and losses arising from abnormal dispositions are included in earnings currently.

Depreciation and amortization are computed using the straight-line method based on estimated useful lives of the related assets. Depletion of mineral properties is calculated using the unit-of-production method. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged against earnings as incurred.

The Company is engaged in a reforestation program which will convert its natural forest to timber plantations over approximately 35 years. Cost of timber harvested is based on the unit cost rates calculated using the total estimated yield of timber to be harvested during the conversion period for the natural forest and during the growth cycle for each plantation.

d/ Pensions
The Company and its subsidiaries have pension plans covering substantially all of their employees, who are generally eligible to participate in these plans after one year of service. Pension costs, as actuarially determined under the aggregate cost method, are funded as accrued.

e/ Income Taxes
Income taxes are provided at rates applicable in the countries in which the income is earned.

The investment tax credit is accounted for as a reduction of income tax expense in the year in which the related capital expenditure becomes eligible for investment benefit under applicable tax regulations.

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Deferred income taxes result principally from the use of accelerated methods of depreciation for tax purposes.

Deferred income taxes are also provided on such undistributed earnings of subsidiaries outside the United States as the Company anticipates it will receive as dividends, as well as on undistributed earnings of associated companies in which investments are recorded on the equity basis. However, deferred taxes have not been provided on those undistributed earnings, which are intended to be permanently reinvested, of subsidiaries outside the United States and of a domestic international sales corporation.

f/ Earnings Per Common Share
Earnings per common share are computed using the weighted average number of common shares outstanding during the applicable period.

2/ Acquisition of Olinkraft, Inc.

The Company acquired all of the net assets of Olinkraft, an integrated paper and forest products company, through a $65 per share cash tender offer for 49% of the outstanding Olinkraft common stock and a subsequent share-for-share exchange of 4,598,327 shares of Johns-Manville cumulative preferred stock, $5.40 series, for the remaining outstanding Olinkraft common stock. The cash tender was completed on November 8, 1978 at a cost of $286,326,000, excluding expenses, and the subsequent merger, which was approved by Olinkraft shareholders on December 28, 1978, was consummated on January 19, 1979.

At the time of the merger, Olinkraft's key employees held options to purchase 115,874 shares of Olinkraft common stock. The holders of these options elected to have their existing options converted into substitute stock options to purchase either Johns-Manville cumulative preferred or common stock. Consequently, substitute options were granted to purchase 39,162 shares (13,881 exercisable at January 19, 1979) of cumulative preferred stock at prices ranging from $17.57 to $50.13 per share; and to purchase 185,945 shares (19,414 exercisable at January 19, 1979) of common stock at prices ranging from $7.25 to $20.67 per share.

The net assets acquired in the Olinkraft acquisition as reflected in the December 31, 1978 consolidated balance sheet, after allocation of the $595,546,000 purchase price, consisted of (thousands of dollars):

Current assets	$137,557
Investments in and advances to associated companies	6,886
Property, plant and equipment	700,633
Deferred charges and other assets	799
	845,875
Current liabilities	83,912
Long-term debt	141,258
Other non-current liabilities	25,159
	250,329
	$595,546

The following pro forma information summarizes the combined results of Johns-Manville and Olinkraft as though the purchase had been effective as of January 1, 1977; however, the pro forma information is not necessarily indicative of the combined results of operations as they may be in the future or as they might have been for the periods indicated had the merger been consummated on that date (thousands of dollars, except per share amounts):

	Years Ended December 31 1978	1977
Revenues	$2,095,975	$1,856,508
Net earnings available to common stock	$ 103,482	$ 90,825
Net earnings per common share	$4.78	$4.23

3/ Inventories

The major classes of inventories were as follows:

	(Thousands of Dollars) 1978	1977
Finished goods and goods-in-process, including contracts in progress, less advance billings of $22,859,000 in 1978 and $15,722,000 in 1977	$118,359	$ 88,737
Raw materials	73,858	49,650
Supplies	27,032	10,324
	$219,249	$148,711

Inventories stated at current value would be approximately $89,439,000 and $83,673,000 greater than the above amounts at December 31, 1978 and 1977, respectively.

As required by Accounting Principles Board Opinion No. 16, inventories of Olinkraft were recorded in the consolidated balance sheet at fair value at the date of acquisition resulting in a financial accounting basis for the LIFO inventories which exceeded the tax basis by approximately $10,900,000 at December 31, 1978.

4/ Long-Term Debt

Long-term debt consisted of the following:

	(Thousands of Dollars) 1978	1977
Revolving credit and term loan agreement, 11.75%, due 1983 through 1988	$201,000	
Notes payable to insurance companies, 4.65% to 9.625%, due 1979 through 1996	101,724	
Sinking fund debentures, 7.85%, due 2004, $3,000,000 annual sinking fund payments commencing in 1985	75,000	$ 75,000
Mortgage loan on World Headquarters building, 9.375%, semi-annual payments through 2011	69,239	69,565
Mortgages and loans (principally foreign subsidiaries), 4.0% to 17.0%, due 1979 through 2008	68,492	30,890
Capitalized lease obligations (principally related to industrial revenue bonds at 4.75% to 7.8%), maturing serially from 1979 through 2002	43,055	35,256
	558,510	210,711
Less, current maturities	15,266	7,462
	$543,244	$203,249

Long-term debt maturities were as follows:

	(Thousands of Dollars)
1979	$ 15,266
1980	16,531
1981	19,506
1982	18,392
1983	49,888
After 1983	438,927
	$558,510

Effective November 22, 1978, the Company entered into a revolving credit and term loan agreement with twelve banks to borrow up to $300,000,000. Under the terms of the agreement, the Company may borrow against this commitment on a revolving basis through October 31, 1982, at which time the Company may convert the revolving loan outstanding into a six year term loan to be repaid in equal quarterly installments. Interest rates on these borrowings are at the lead bank's prime rate for the first three years and rise in steps to 110% of prime for the last three years of the agreement. During the revolver period, the Company is required to pay an annual commitment fee equal to 0.5% of the unused portion, and a financing fee in lieu of maintaining compensating cash balances. Provisions in the agreement require that the Company maintain certain working capital and debt-to-equity ratios and limit the total dollar amount of various types of borrowing and lease arrangements.

5/ Contingencies

The Company is a defendant or co-defendant in numerous legal actions alleging damage to the health of persons exposed to dust from asbestos-containing products manufactured or sold by the Company and, in most cases, by certain other defendants. These suits typically allege that the Company and other defendants failed in their duty to warn of the hazards of inhalation of asbestos fiber in dust originating from asbestos-containing products. In the opinion of Management, the Company has substantial defenses to these legal actions, resulting in part from its prompt warnings of the possible hazards of exposure to asbestos fiber emitted from asbestos-containing insulation products following the 1964 publication of scientific studies linking pulmonary disease in insulation workers to asbestos exposure.

The Company is also a defendant or co-defendant in a number of cases brought by some of its own employees and by employees of manufacturing companies which used asbestos fiber in their operations. These suits typically allege that the Company and other defendants failed to warn of the hazards associated with the use of such fiber. In the opinion of Management, the Company has substantial defenses to these legal actions including the fact that it had no special knowledge not in the possession of the plaintiffs' employers which would give rise to a special duty on the part of the Company, and, with respect to employees of the Company, that applicable workers' compensation statutes provide the exclusive remedy for any such injuries.

Management believes that policies of insurance maintained provide adequate coverage for any amounts the Company may be obligated to pay as a result of the pending asbestos health cases with the possible exception of actions by employees of the Company and of punitive damages directly alleged against the Company in some cases. In the opinion of Management, any ultimate liability will not have a material adverse effect on the Company's consolidated financial position or results of operations.

6/ Leases

Total rental expense was $18,839,000 in 1978 and $18,356,000 in 1977. At December 31, 1978, minimum rental commitments of the Company and its subsidiaries under long-term noncancelable operating leases were as follows:

	(Thousands of Dollars)
1979	$11,358
1980	8,236
1981	6,753
1982	4,590
1983	2,869
After 1983	14,187
	$47,993

Minimum rental commitments under long-term noncancelable operating leases by major categories of properties were as follows:

	(Thousands of Dollars)
Land and buildings	$28,871
Machinery and equipment	19,122
	$47,993

7/ Cumulative Preferred Stock

On January 19, 1979, the Company issued 4,598,327 shares of cumulative preferred stock, $5.40 series, to consummate the acquisition of Olinkraft (see Note 2, "Acquisition of Olinkraft, Inc."). The preferred shares issued in this transaction have been presented as though they were outstanding at December 31, 1978, the effective date of the merger for financial reporting purposes.

Under a mandatory sinking fund provision, the Company is required to redeem the $5.40 preferred series between 1987 and 2009 at $65 per share plus accrued dividends. The annual redemption requirements will consist of varying percentages applied to the number of outstanding shares on October 20, 1986, as follows: 5% annually from 1987 through 1996, 4% annually from 1997 through 2007, and 3% in 2008. All remaining outstanding shares are required to be redeemed in 2009.

On any sinking fund redemption date, the Company has the option to redeem, at $65 per share plus accrued dividends, an additional number of shares not in excess of the number of shares required to be redeemed on the sinking fund redemption date. In addition, the Company has the option to redeem any or all of the $5.40 preferred series at $67.70 per share plus accrued dividends beginning on January 19, 1984, and at annual declining redemption prices thereafter until January 19, 1989 when all subsequent redemptions will be at $65 per share.

No dividends may be paid on common stock if the Company is in default on the payment of preferred dividends or the required sinking fund redemptions on the $5.40 perferred series. Upon involuntary liquidation, all $5.40 preferred series shares are entitled to $65 per share plus accrued dividends before any distributions can be made to common shareholders.

8/ Common Stock

Activity relating to common stock and treasury stock was as follows:

	Common Stock		Treasury Stock	
	(Thousands of Dollars)			
	Shares	Amount	Shares	Amount
Balance at January 1, 1977	21,703,235	$188,493	282,127	$ 8,631
Return to treasury of common shares previously in escrow			7,000	212
Treasury stock issued in connection with:				
Deferred compensation plans			(3,628)	(111)
Exercise of stock options			(53,300)	(1,631)
Balance at December 31, 1977	21,703,235	188,493	232,199	7,101
Common stock issued in connection with:				
Employee stock purchase plan	305,231	8,920		
Treasury stock issued in connection with:				
Deferred compensation plans			(2,470)	(76)
Exercise of stock options			(34,400)	(1,052)
Balance at December 31, 1978	22,008,466	$197,413	195,329	$ 5,973

At December 31, 1978, there were 12,636 shares of common stock contingently issuable under deferred compensation plans.

Under the Company's Executive Incentive Program, qualified stock options and non-qualified stock options may be granted to officers and key employees to purchase shares of the Company's common stock. Qualified options expire five years and non-qualified options expire ten years after the date of grant, with all options becoming exercisable one year after the date of grant. At December 31, 1978, 7,000 qualified options and 357,850 non-qualified options to purchase shares of the Company's common stock at prices ranging from $16.25 to $39. 875 were outstanding under the Program of which 344,250 options were exercisable at December 31, 1978. Total option prices for options exercised in 1978 and 1977 amounted to $728,000 and $1,083,000, respectively. There are 72,250 shares of common stock reserved for future grants under the Program. The number of common shares available for options under the Program will be reduced by the total number of options granted and increased by the total number of options cancelled or expired.

In 1978 the shareholders amended the Executive Incentive Program to permit stock appreciation rights to be granted on non-qualified common stock options. Such stock appreciation rights permit an option holder, in lieu of exercising an option, to receive in cash or common stock an amount equal to the excess of the market price of the common stock on the date the right is exercised over the option price of the related option. In 1978 stock appreciation rights were granted on 214,450 outstanding non-qualified stock options.

There have been no charges to earnings relating to the Executive Incentive Program, except in connection with stock appreciation rights issued in 1978. Expense is accrued on stock appreciation rights to the extent that the current market price exceeds the option price for the underlying shares.

Effective January 1, 1978, the Board of Directors adopted a Long-Term Incentive Unit Plan. Participants in the Long-Term Incentive Unit Plan will not be eligible to receive awards under the Plan unless they have waived all rights to stock options for periods beginning after December 31, 1981. At December 31, 1978, participants in the Plan held common stock options for 217,250 shares due to expire after December 31, 1981. It is anticipated that no additional grants of stock options will be made to persons participating in the Long-Term Incentive Unit Plan.

There was no material dilution of earnings per common share with respect to shares issuable under the above plans. Weighted average common shares outstanding used to compute earnings per common share were 21,642,000 and 21,453,000 in 1978 and 1977, respectively.

9/ Pensions

Total pension expense was $20,196,000 in 1978 and $15,388,000 in 1977.

The difference between the actuarially computed value of vested benefits and the total of the amounts in the pension funds and accrued on the consolidated balance sheet is not material.

10/ Exchange Adjustments

Gains of $1,238,000 and $583,000 resulting from foreign exchange adjustments were included in earnings in 1978 and 1977, respectively.

11/ Income Taxes

Income tax expense consisted of the following:

	(Thousands of Dollars) 1978	1977
Current:		
U.S. Federal	$ 45,574	$34,599
U.S. State and Local	8,933	3,860
Foreign		
Canadian Federal and Provincial	25,549	12,842
Canadian Provincial Mines	8,891	10,705
Other	9,476	7,042
	98,423	69,048
Deferred:		
U.S.	15,795	11,464
Foreign		
Canadian Federal and Provincial	(3,840)	4,764
Canadian Provincial Mines	2,637	1,553
Other	3,447	2,091
	18,039	19,872
	$116,462	$88,920

The investment tax credit amounted to $8,444,000 in 1978 and $3,720,000 in 1977.

The cumulative undistributed earnings of subsidiaries outside the United States and of a domestic international sales corporation on which the Company has not provided deferred income taxes at December 31, 1978 were approximately $270,000,000.

The effective income tax rate on consolidated pre-tax earnings differs from the U.S. Federal income tax rate of 48% for the following reasons:

	% of Pre-Tax Earnings 1978	1977
U.S. Federal income tax statutory rate	48.00%	48.00%
Increase (decrease) resulting from:		
Investment tax credit on assets	(3.55)	(1.94)
Excess of tax over financial statement depletion	(.55)	(2.65)
Difference between U.S. Federal statutory rate and foreign effective rates, excluding depletion	1.37	3.64
Other, net	3.65	(.63)
	48.92%	46.42%

12/ Business Segment Information

See *"Results By Major Business Segments and Geographic Areas"* on pages 32 and 33 for summarized financial information relating to the Company's operations in different businesses and geographic areas during 1978 and 1977.

13/ Unaudited Financial Information

a/ Replacement Cost

The Securities and Exchange Commission (SEC) requires the disclosure of current replacement cost information for certain of the Company's assets, costs and expenses in its Annual Report on Form 10-K filed with the Commission. The SEC and Management caution against simplistic use of the data due to the subjective judgments inherent in its determination and the fact that the data may not be fully comparable among companies.

The replacement of inventories and plant and equipment reflected on the accompanying balance sheets, excluding the newly acquired assets of Olinkraft, would generally require a substantially greater investment than the historical cost reflected for these assets. Consequently, the amounts of the cost of sales and depreciation expense associated with the replacement cost of these assets are generally higher than the comparable historical amounts reflected in the accompanying financial statements. The Company has historically been able to compensate for such cost increases by increasing selling prices.

b/ Interim Results

Results for the four quarters of 1978 and 1977 are shown below (thousands, except per share amounts):

	1978 Three Months Ended				1977 Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues								
Net sales	$440,248	$435,169	$434,855	$338,327	$394,332	$384,505	$375,469	$307,126
Other, net*	14,144	3,687	4,453	5,706	(4,196)	6,125	4,189	12,245
Total	454,392	438,856	439,308	344,033	390,136	390,630	379,658	319,371
Costs and Expenses	382,747	378,908	364,764	289,851	334,841	335,300	322,834	275,168
Income from Operations	71,645	59,948	74,544	54,182	55,295	55,330	56,824	44,203
Interest Expense	7,168	4,927	5,128	5,032	5,342	4,931	4,983	4,849
Earnings Before Income Taxes	64,477	55,021	69,416	49,150	49,953	50,399	51,841	39,354
Income Taxes	30,151	27,657	34,892	23,762	23,780	23,831	23,985	17,324
Net Earnings	$ 34,326	$ 27,364	$ 34,524	$ 25,388	$ 26,173	$ 26,568	$ 27,856	$ 22,030
Weighted Average Common Shares Outstanding	21,762	21,685	21,612	21,518	21,472	21,467	21,445	21,428
Net Earnings Per Common Share	$ 1.58	$ 1.26	$ 1.60	$ 1.18	$ 1.22	$ 1.24	$ 1.30	$ 1.03
Dividends Per Common Share	$ .45	$ .45	$ .45	$ .45	$ .40	$ .40	$ .40	$ .35

*During 1977, the Company substantially completed a program of divesting operations which did not conform to the Company's future plans for growth. Consequently, "Revenues: Other, net" for the three-month periods ended March 31 and December 31, 1977 included a gain of $9,766,000 and a loss of $8,310,000, respectively, relating to asset dispositions.

Management's Report

The accompanying financial statements have been prepared by Management in conformity with generally accepted accounting principles appropriate in the circumstances, and the representations in the financial statements, and the fairness and integrity of such statements, are the responsibility of Management. Management has determined, after consulting with the Company's legal counsel and other knowledgeable parties, that all material uncertainties have been appropriately accounted for or disclosed.

The financial statements prepared by Management have been examined in accordance with generally accepted auditing standards by Coopers & Lybrand, Independent Certified Public Accountants, whose report is also presented on this page.

Johns-Manville maintains internal control systems to provide reliable financial information for the preparation of financial statements, to safeguard assets against loss or unauthorized use and to ensure proper authorization and accounting for all transactions. Management is responsible for maintenance of these systems, which is accomplished through communication of established written codes of conduct, systems, policies and procedures; employee training; and appropriate delegation of authority and segregation of responsibilities. To further ensure compliance with established standards and procedures, the Company maintains a substantial program of internal audits. Management believes that existing internal control systems are adequate in achieving the Company's objectives.

Oversight of Management's financial reporting and internal control responsibilities is exercised by the Audit Committee of the Board of Directors, which consists solely of non-employee directors. The Audit Committee meets periodically with financial management, internal auditors and the independent accountants to ensure that each is meeting its responsibilities and to discuss auditing and financial reporting matters.

Accountants' Report

To the Shareholders and Directors of Johns-Manville Corporation:

We have examined the consolidated balance sheets of Johns-Manville Corporation and subsidiary companies as of December 31, 1978 and 1977, and the related consolidated statements of earnings and earnings reinvested and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Canadian subsidiaries, which reflect total assets and net sales constituting 12% and 11%, respectively, in 1978 and 18% and 14%, respectively, in 1977 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, the aforementioned financial statements present fairly the consolidated financial position of Johns-Manville Corporation and subsidiary companies at December 31, 1978 and 1977, 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 7, 1979
Denver, Colorado

Executive Organization

Board of Directors

John A. McKinney
Chairman of the Board and
Chief Executive Officer,*
Johns-Manville Corporation

J. Jacques Beauchemin, Q.C.
President,
Sullivan Mining Group Ltd.

George C. Dillon
Chairman of the Board and
President,
Butler Manufacturing Company

Robert L. Geddes
Dean, School of Architecture and
Urban Planning, Princeton
University; Partner, Geddes Brecher
Qualls Cunningham: Architects,
Princeton, N.J.

William C. Janss
President,
Sun Valley Co., Inc.,
Sun Valley, Idaho

John A. Love
President and
Chief Executive Officer,
Ideal Basic Industries, Inc.

Francis H. May, Jr.
Vice Chairman of the Board,*
Johns-Manville Corporation

William F. May
Chairman and
Chief Executive Officer,
American Can Company

John D. Mullens
Senior Vice President,*
Olinkraft,
Johns-Manville Corporation

George B. Munroe
Chairman of the Board,
Phelps Dodge Corporation

Fred L. Pundsack
President and
Chief Operating Officer,*
Johns-Manville Corporation

John P. Schroeder
Retired, Formerly Vice Chairman,
Morgan Guaranty Trust Company of
New York

Charles J. Zwick
President and
Chief Operating Officer,
Southeast Banking Corporation

Committees of the Board

Executive Committee
John P. Schroeder, Chairman
George C. Dillon
Robert L. Geddes
John A. Love
William F. May
John A. McKinney
George B. Munroe

Finance Committee
John P. Schroeder, Chairman
George C. Dillon
Francis H. May, Jr.
William F. May
John A. McKinney
Charles J. Zwick

Audit Committee
Charles J. Zwick, Chairman
J. Jacques Beauchemin
Robert L. Geddes
William C. Janss
John A. Love
George B. Munroe
John P. Schroeder

Compensation Committee
William F. May, Chairman
J. Jacques Beauchemin
George C. Dillon
William C. Janss
George B. Munroe

Committee On Board
Organization and Operation
George C. Dillon, Chairman
Robert L. Geddes
William F. May
George B. Munroe
John P. Schroeder

**Effective February 1979*

Officers

John A. McKinney
Chairman of the Board and
Chief Executive Officer*

Francis H. May, Jr.
Vice Chairman of the Board*

Fred L. Pundsack
President and
Chief Operating Officer*

L. J. Bartolanzo
Senior Vice President, Finance

E. Paul Burke
Senior Vice President,
Transportation and
Business Logistics

Robert H. Cuje
Senior Vice President,
Industrial and Pipe Products Group*

Charles J. DeBiase
Senior Vice President,
Building Materials Group*

Monroe Harris
Senior Vice President,
Mining Group

Paul Kotin, M.D.
Senior Vice President,
Health, Safety and Environment

Henry B. Moreno
Senior Vice President,
International Group

John D. Mullens
Senior Vice President,*
Olinkraft

Chester E. Shepperly
Senior Vice President,
Marketing and Administration

Chester J. Sulewski
Senior Vice President,
Production and Technology*

Antoine L. Cini
Vice President,
International Operations

Eileen M. DeCoursey
Vice President,
Employee Relations

John B. Dorsey
Vice President,
Corporate Marketing

S. R. Heath, Jr.
Vice President,
Purchasing

J. R. M. Hutcheson
Vice President and Division
General Manager,
Asbestos

John F. Matousek
Vice President,
Electronic Data Processing

G. Earl Parker
Vice President,
General Counsel and Secretary

William A. Sells
Vice President,
Production and Engineering

Faustin J. Solon, Jr.
Vice President,
Corporate Relations

Michael A. Tappin
Vice President,
Labor Relations

James J. Tracy
Vice President and Treasurer

Everett C. Truax
Vice President and Division
General Manager,
Fiber Glass Manufacturing

Harold J. White
Vice President,
Administrative Services

Robert A. Boardman
Assistant Secretary

Alcester McCoy
Assistant Secretary

James F. Beasley
Assistant Treasurer

Richard M. Davis
Assistant Treasurer

**Effective February 1979*

About J-M Stock

Johns-Manville had more than 27,500 shareholders at December 31, 1978. More than 32,000 preferred shareholders were added following the merger with Olinkraft, Inc. in January 1979. J-M is registered on the New York Stock Exchange (symbol JM), and its stock is traded on the Midwest and Pacific exchanges. The company's common stock is one of the 30 included in the Dow Jones Industrial Average.

Annual Meeting

Shareholders are cordially invited to attend the 1979 Annual Meeting of Shareholders to be held at The Regency Inn, 3900 Elati Street, Denver, Colorado, on Friday, May 4, 1979, at 10 a.m., Mountain Time. Proxy materials for the meeting are included with this mailing.

Dividend Reinvestment

J-M offers shareholders the opportunity to participate, at no charge, in an automatic common stock dividend reinvestment program. Participating shareholders may use dividend income to buy additional shares of J-M common stock and may make voluntary cash payments to buy added shares. J-M pays brokerage commissions and service charges on shares purchased through this plan. Inquiries should be directed to the Secretary or the Transfer Agent.

Form 10-K

Shareholders and members of the financial community interested in receiving a copy of the Johns-Manville Corporation Annual Report on Form 10-K for the year ended December 31, 1978, as filed with the Securities and Exchange Commission, may write to:

Secretary
Johns-Manville
Box 5723
Denver, CO 80217

Transfer Agent and Registrar

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015

Counsel

Davis Polk & Wardwell
1 Chase Manhattan Plaza
New York, NY 10005

Auditors

Coopers & Lybrand
2500 Anaconda Tower
Denver, CO 80202

Campbell Sharp
715 Victoria Square
Montreal H2Y 2J1
Quebec

Johns-Manville Corporation

Johns-Manville Corporation
Ken-Caryl Ranch
Denver, CO 80217
(303) 979-1000