Johns-Manville Corporation

Annual Report 1979

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“*Johns-Manville*
has a strategy for the early 80's
...and a commitment
to succeed.”

Contents

The Company

Johns-Manville, founded in 1858, is a diversified manufacturing, mining and forest products company. Its product lines fall into seven major business segments: Fiber Glass Products, Forest Products, Pipe Products and Systems, Roofing Products, Non-Fiber Glass Insulations, Asbestos Fiber, and Industrial and Specialty Products and Services.

Johns-Manville employs 32,500 people at more than 130 plants, mines, and sales and administrative offices, about one third of which are outside the United States.

The company is one of the world's leading manufacturers and marketers of insulation products, a major national producer of beer and soft drink carrierboard and cartons, the largest producer of asbestos-cement and polyvinyl chloride plastic pipe in North America, the world's largest producer of diatomite, and the free world's largest producer of asbestos fiber.

Technology developed by Johns-Manville is respected worldwide and marketed through licensing and technical assistance agreements.

Johns-Manville Corporation

Financial Highlights

(All dollar figures except per share are in thousands)

	1979	1978
Revenues		
Net sales	$2,276,429	$1,648,599
Other income, net	20,933	27,990
Total	$2,297,362	$1,676,589
Earnings Before Income Taxes	$ 217,826	$ 238,064
Net Earnings Available for Common Stock	$ 91,053	$ 121,602
Net Earnings Per Common Share	$ 4.13	$ 5.62
Average Common Shares Outstanding *(000 omitted)*	22,044	21,642
Average Preferred Shares Outstanding *(000 omitted)*	4,603	
Cash Dividends on Common Stock	$ 41,692	$ 38,972
Dividends Per Common Share	$ 1.89	$ 1.80
Cash Dividends on Preferred Stock	$ 23,553	
Dividends Per Preferred Share	$ 5.115	
Capital Expenditures	$ 181,923	$ 170,255
Working Capital	$ 321,279	$ 315,478
Common Shareholders' Equity	$ 896,421	$ 834,757
Number of Common Shareholders	27,600	27,500
Number of Preferred Shareholders	24,100	
Number of Employees	32,500	25,800

Market Prices Per Common Share	1979 High	1979 Low	1978 High	1978 Low
For the Quarters Ended				
March 31	25¼	22½	32¼	28⅛
June 30	25¾	23¼	34⅜	28¾
September 30	27¾	24	34¾	28⅛
December 31	26½	21⅞	32¾	22⅛

Market Prices Per Preferred Share	1979 High	1979 Low
For the Quarters Ended		
March 31	62½	61¼
June 30	64⅝	61⅝
September 30	64	58¾
December 31	59	54⅛

Results by Major Business Segments	Revenues		Income From Operations	
	1979	1978	1979	1978
Fiber Glass Products	$ 573,198	$ 514,287	$ 95,650	$107,279
Forest Products	497,398		50,320	
Pipe Products and Systems	304,856	303,334	17,983	25,861
Roofing Products	272,677	253,807	14,360	23,219
Non-Fiber Glass Insulations	267,862	231,190	27,190	35,484
Asbestos Fiber	168,199	157,291	56,477	54,592
Industrial and Specialty Products and Services	308,390	290,845	43,474	35,911
Corporate, net	11,020	19,894	(23,436)	(22,971)
Eliminations and Adjustments	(106,238)	(94,059)	(1,751)	944
Total	$2,297,362	$1,676,589	$280,267	$260,319

Chairman's Message

(Left to right)
John A. McKinney,
Chairman of the Board
and Chief Executive Officer;
Fred L. Pundsack,
President
and Chief Operating Officer;
Francis H. May, Jr.,
Vice Chairman of the Board.

Johns-Manville's performance for 1979 was disappointing in light of the general state of the economy.

Rapid cost inflation was the primary factor negatively affecting 1979 results. Generally, Johns-Manville did not obtain adequate price increases to cover rapidly rising costs. This was particularly true in the early stages of 1979, but as the year progressed some relief was gained through selective selling price increases. For perspective, domestic costs rose by 17.1% during 1979, while selling prices charged J-M customers increased by only 9.3%. In order to deal with this problem, a stringent monitoring program was instituted to keep close surveillance on the relationship between cost and selling prices.

Johns-Manville was also adversely affected by start-ups in a number of expansions of its operations... three fiber glass facilities, a new paper machine at Olinkraft, and additions at two roof insulation plants.

Demand for building insulations was soft in the first half of the year. However, this trend was reversed by about mid-year; and, with regard to residential fiber glass insulation, the year ended with demand still strong.

During 1979, steps were taken to dispose of the low performing sprinkler irrigation business. The net effect of this planned disposition was a negative impact on consolidated earnings of $4.4 million, or $.20 per common share.

Two factors also adversely affected the performance of Olinkraft's Brazilian operations for 1979. Currency devaluations and a retroactive increase in Brazilian corporate income taxes reduced earnings about $4.5 million.

There were, however, some bright spots in 1979. Asbestos fiber enjoyed one of its best years due primarily to the strength in overseas markets where most of the fiber is used for asbestos-cement construction materials. On the whole, exports and international operations had a good year. The filtrations and minerals and Holophane lighting portions of the industrial and specialty products and services area also performed well.

Johns-Manville believes that the costs of claims arising out of injuries due to asbestos-related diseases will have no material adverse financial impact upon the company. Recent developments in the asbestos-health area can be found on page 22 of this report.

After the close of the year, Francis H. May, Jr. decided not to stand for reelection to the board of directors. He also offered his resignation as vice chairman effective March 1, 1980 and will continue as an active J-M employee, pursuing more general assignments in developing financial and management information systems. The board of directors joins me and the employees of Johns-Manville in appreciation to Mr. May for his many contributions over the years.

In other executive changes, G. Earl Parker was elected senior vice president, general counsel and secretary, from vice president, general counsel and secretary; J. T. Hulce was named vice president, purchasing, from assistant to the chairman of the board; and John F. Knoth was appointed vice president and controller, from assistant controller.

In view of the disquieting economic conditions of today, there is no question that 1980 will be a challenging year for American business and Johns-Manville. However, J-M should have a relatively good year in 1980 if certain objectives are achieved. These are: raising selling prices for products to cover cost increases and to restore eroded margins; instituting productivity improvements to reduce costs in general; exploiting new production capacity; and capitalizing on the need for individuals and businesses to conserve energy.

Johns-Manville is the broadest line manufacturer and distributor of insulation products and is in an outstanding position to serve the demand in this area as energy costs and the threat of energy shortages escalate. In addition, the performance of Olinkraft should improve in 1980, and the asbestos fiber and filtrations and minerals businesses are expected to continue relatively strong.

The next section of this annual report details the strategic plan for Johns-Manville for the early 1980's and demonstrates how J-M will meet the plan in the face of an increasingly complex economic and competitive environment. With adherence to the objectives of this strategic plan, combined with the diligent efforts of the more than 30 thousand employees around the world, Johns-Manville will pursue solid growth opportunities during the 80's.

JAMcKinney

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

With the purchase of Olinkraft, Inc., Johns-Manville acquired 700,000 acres of productive timberlands.

Olinkraft foresters pride themselves for their advanced reforestation techniques, which continually renew this valuable natural resource.

Johns-Manville has a strategy for the early 80's... and a commitment to succeed.

Business faces challenging times. While we saw sales grow 38% this past year, our operating income increased by only 8%. The squeeze on our profit margins was due to many factors, but the largest single contributor was the impact of inflation on the cost of doing business.

Raw material costs escalated. Interest rates reached record highs. The availability of money was restricted by Federal Reserve actions. Energy was often in tight and questionable supply, its cost growing as an ever-larger portion of overall production and distribution costs.

And, looking to the near term, even more challenges lie ahead.

However, Johns-Manville accepts these challenges and welcomes the opportunities it foresees. We have, in fact, taken an aggressive posture for the future. We have instituted a five-year strategic plan directed at improving the utilization of capacity recently put in place and capitalizing on internal and external opportunities foreseen in the middle 1980's. Programs directed toward these ends will not only enhance our competitive positions but will also work toward improving our financial strengths.

J-M's strategic plan embraces three major goals...

Goal 1: To rebuild our financial reserves

Johns-Manville was successful in the years 1976 through 1978 in significantly improving earnings, profit margins, return on assets, and cost and expense ratios. We accomplished this by more aggressively pricing J-M products and by tightening the control of internal costs and expenses. Businesses that showed little or no promise of providing satisfactory returns were divested. Effort was concentrated on those businesses offering the greatest growth potential: fiber glass and non-fiber glass insulations, fiber glass mat, and polyvinyl chloride pipe. Finally, considerable amounts of capital were invested in those businesses through capacity expansion programs.

Johns-Manville then made a major acquisition in January of 1979, purchasing Olinkraft, Inc., an integrated forest products company. This move, as with the internal expansion programs, was aimed at realizing long-term benefits. With Olinkraft we foresaw the value of adding substantially to our natural resource asset base and effectively diversifying our product mix.

As expected, the Olinkraft acquisition burdened our financial resources. It increased our interest expense and brought our common shareholders' equity down from 79% of total capitalization just prior to the acquisition to 51% at year-end 1979.

Making products do the job better and for less cost are primary goals of J-M research and development... even to the point of inventing sophisticated, state-of-the-art analytical tools.

This computerized light meter was developed by J-M engineers to accurately apply J-M lighting products, providing excellent light at an energy savings.

For this reason, our most immediate short-term goal is to improve and increase the financial strength of J-M's balance sheet. We will accomplish this by increasing productivity and using the better levels of cash flow that result to provide for most of our new capital needs. Growth of common shareholders' equity should thus accelerate in both dollar amount and as a proportion of total capitalization.

Goal 2: To improve productivity and cost efficiencies

In periods of expansion such as the one Johns-Manville just completed, programs for improving productivity and cost/price ratios tend to suffer. Engineering and production people spend a great deal of time planning and executing those expansions without commensurate time spent optimizing the performance of capacity in place. Now, with many J-M expansion programs well underway or completed, our operating and technical management can once again concentrate on these areas.

We will look for ways to increase the output of our manufacturing processes, concentrating first on those projects promising the shortest pay back periods. We will also evaluate our commodity products in terms of performance versus cost, and we will look for opportunities to realize price increases that are in line with rising costs.

We expect these efforts to contribute to improved profit margins and the cash flow needed to achieve our financial goals—both those of rebuilding balance sheet strength and of capitalizing upon growth opportunities as they present themselves.

Goal 3: To reaffirm J-M's position as a technological leader in terms of product performance and cost of production

Since J-M's beginnings over 120 years ago, we have, for the most part, maintained a technological edge in the marketplace. Even so, we have often been met by stiff and aggressive competition. And today is no exception.

For that reason, Johns-Manville is giving renewed emphasis to research and development. We recently centralized and expanded our process and product development responsibilities to make them more effective. Now, we plan to increase the effort and money spent on improving manufacturing methods, enhancing the competitive strengths of present product lines, and developing new products.

We believe all three goals are attainable. Johns-Manville has the strengths internally to achieve them. We are realistic about the external environment we face in the years ahead. And, while working to meet our goals, we can continue to take advantage of the growth opportunities foreseen for the 1980's.

To fully understand how we will proceed, let us first focus on our internal strengths....

J-M pipe sales representatives are highly trained and well known for their skill in selling high performance products to specification.

At this PVC pipe installation, a J-M sales representative works with the project manager before BLUE BRUTE is laid for a Texas municipal water system.

J-M people will make the difference in how successful we are at reaching our goals.

Johns-Manville employs over 32,000 people at more than 130 plants, mines, and sales and administrative offices around the world. Our company, founded in 1858, has a management team that reflects much of J-M's tradition. That is, management plans in terms of long-range performance while working to achieve good short-term returns.

Typically, our management has "come up through the ranks." Training and career development remain one of our top priorities. As evidence of this, we have in place a program called "human resource planning" which gives promising employees the experience needed to qualify for positions of greater responsibility. This program includes both internal and external management training exposures.

We feel this effort is paying off.

Our sales force is highly trained and recognized throughout industry for its skill in selling high performance products to specification. The people in our mines, mills and manufacturing plants are experienced geologists, production managers, and mining, mechanical, industrial and chemical engineers. Our research and development department is staffed by professionals in the applied sciences—chemists and chemical, mechanical, structural and civil engineers. Many people throughout the company have expertise in working in international commerce. Our support groups—corporate marketing, administration, finance, legal services, business logistics, transportation, and employee and labor relations—work concertedly to both improve J-M's performance and promote cost efficiencies. Finally, the acquisition of Olinkraft brought into J-M a relatively young yet mature employee base offering experience in all aspects of the forest products business.

Typically, too, our employees stay with the company for the long term. Fifty years ago, Johns-Manville was one of the first companies in industry to found a Quarter Century Club, honoring employees who devote 25 years or more of their careers to the same company. In 1929, 71 employees qualified for this honor at Johns-Manville: Today their ranks have swelled to 4031 active members.

Our products meet basic needs and thus play an important role in today's economy.

Johns-Manville has always been in the business of providing products that meet the basic needs of people the world over. We produce insulation products that conserve energy, control sound, and offer fire and heat protection. We make roofing products that serve residential, commercial, institutional, and industrial construction markets. We manufacture pipe products for agricultural, industrial, and municipal needs. We mine minerals used in many building and specialty applications. Now, with Olinkraft, we've added other fundamental products—paper, packaging systems, and wood products. J-M's diversified product line, in fact, includes over 2000 individual products.

While each product will be important to J-M's performance, certain ones are expected to provide superior future growth...

One of J-M's strengths lies in making specialty insulations for high-performance applications in petrochemical plants and steel, aluminum, automotive and aerospace facilities.

Our refractory fibers, for instance, are installed to insulate against heat loss in furnaces operating at 1600° to 2600°F. The insulating value of refractories is exceptional and thus saves industry millions of dollars in energy costs.

Thermal Insulations: An answer to the growing need for energy conservation

Many factors are now at play which increase the demand for our thermal insulations. Energy prices are escalating rapidly. Threatened energy shortages cause concern and keep costs on an ever-upward trend. Higher thermal efficiency is being required of all new construction projects. Finally, U.S. federal and state governments are instituting incentives to consumers and businesses for moves toward energy conservation. Canadian and many Western European governments have promoted conservation through tax incentives for some time.

Because Johns-Manville manufactures the broadest line of insulation products worldwide, we are in an excellent position to take advantage of growing demand. In anticipation of this, we invested over $185 million in capital expansion programs in recent years, with much of that new capacity aimed at reducing the cost of manufacturing insulation.

A clear indication of the importance thermal insulation plays in J-M's product mix is its percentage of our total sales—now accounting for 30%.

Clearly, residential fiber glass insulations constitute a sizeable portion of that mix. But J-M's greatest strength lies in specialty insulations where we market specific products for high-performance applications within the steel, aluminum, automotive, aerospace, and petrochemical industries.

For example, our refractory fibers are used to insulate furnaces operating at 1600° to 2600°F. Our products are chosen primarily because they provide better insulating qualities than most other materials and thus save industry millions of dollars in energy costs.

Johns-Manville is known for its ability to design virtually any insulation package a customer needs. And, with economic pressures moving consumers and businesses toward energy conservation, Johns-Manville expects growth in this area to exceed economic growth as a whole.

Fiber Glass Mat: Replacing traditional backings for roofing systems

Fiber glass mat, which provides stability, durability and fire resistance in residential shingles, built-up roofing systems and other special applications, is fast replacing traditional organic backing materials. Through this substitution, real growth opportunities for fiber glass mat exist.

The technology for our glass mat came from J-M's Glaswerk Schuller subsidiary in Wertheim, West Germany. In the United States as well as in Europe that technology put Johns-Manville in the forefront of new residential and industrial roofing systems. We plan to completely convert all J-M residential shingles to a fiber glass mat base by year-end 1980 to capitalize upon the superior value this product offers to both the new roofing and reroofing markets.

Johns-Manville is a technological leader in built-up roofing and provides entire roofing systems to strict customer specification.

Over half of the demand in this market comes from reroofing existing buildings and, as the inventory of non-residential buildings grows, so should J-M sales in this area.

Built-Up Roofing: A market where J-M enjoys technological superiority

As the inventory of existing non-residential buildings grows, the reroofing market also grows. Here, J-M's strength is in its ability to provide entire roofing systems to strict customer specification. Johns-Manville is a major factor in this market, and we have made substantial investments recently in fiber glass roll roofing machines and added production capacity in industrial and commercial roof insulations.

PVC Pipe: A product assuming an ever-larger portion of municipal pipe projects

The volume of industry shipments of polyvinyl chloride (PVC) water and sewer pipe products nationwide grew by 110% during the 1974 to 1978 period. Additionally, prospects for market growth in the future look good—spurred by demand in both new residential construction in the South and replacement of old pipes typically in the North.

Recently, Johns-Manville added 41 million pounds of pipe production capacity at six U.S. plants and 16 million pounds at our Fort Saskatchewan and Brossard plants in Canada. These expansions are expected to increase capacity 22% over 1978's levels, and future productivity improvements are expected to yield yet another 5% per year.

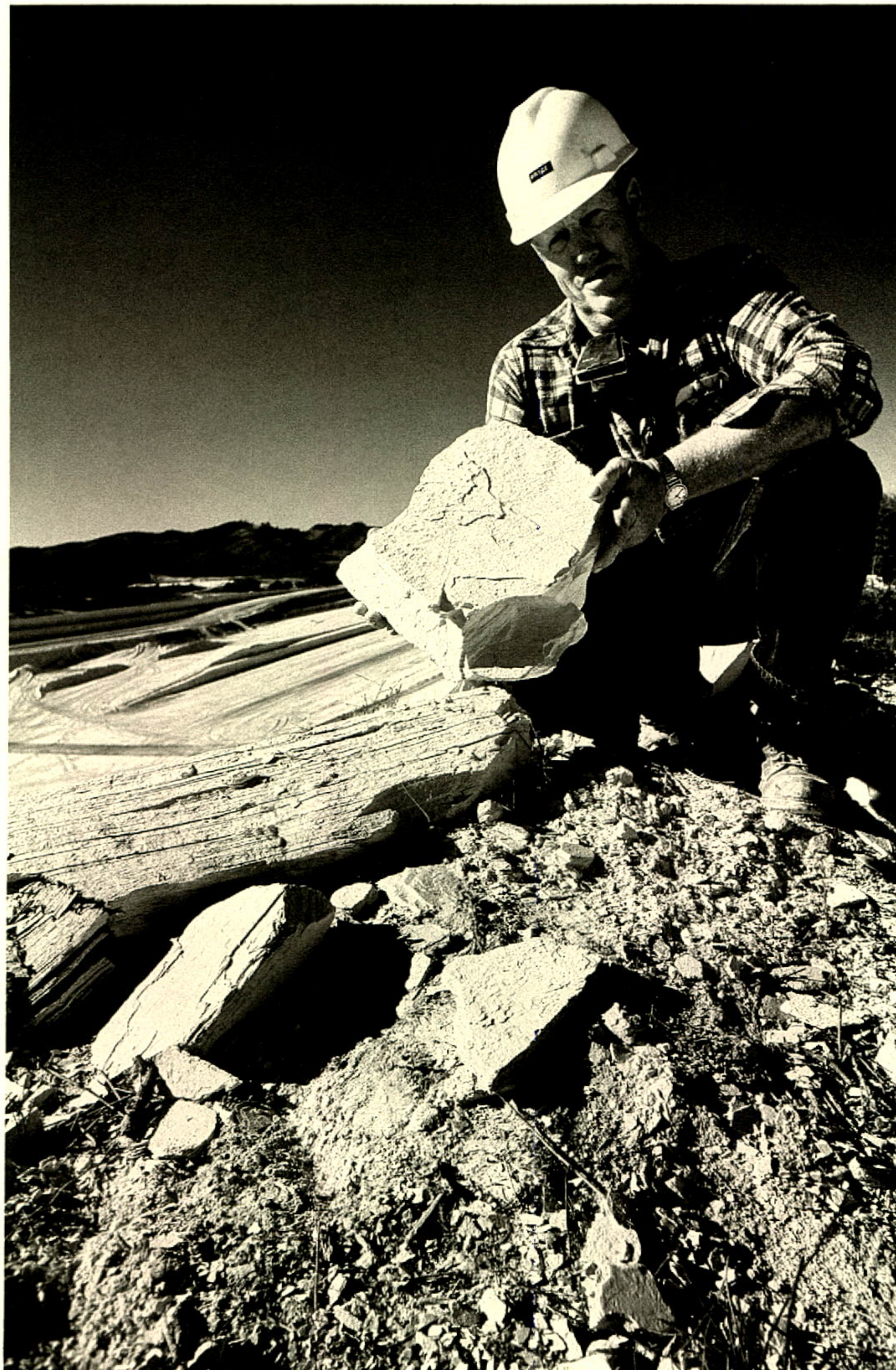
Still, PVC pipe is seen as a product with opportunities for further product development, and advances in pipe design are anticipated in the future. This strategy will enable PVC pipe sales to continue to balance sales of our historically strong asbestos-cement pipe lines.

Paper and Packaging: Essential products for a growing consumer market for food, beverages and other staples

Packaging is generally viewed as a mature business, but growth is anticipated from innovative new products which permit goods to be packaged more efficiently and economically. Toward this end, Johns-Manville plans to capitalize upon its position as a major supplier of carriers and carrierboard for beer and soft drinks and as an innovator of specialty products such as corrugated containers for shipping peanuts, fresh poultry and fish.

A unique paper machine was installed in 1978 at our West Monroe, Louisiana, paper and paperboard mill. This machine, when fully operational, will produce 190,000 tons of clay-coated paperboard annually to be sold to container manufacturers who can substitute this product for the more expensive 100% bleachboard.

Also, in 1981, construction will be completed on a $16.6 million beverage carrier plant in Bakersfield, California, which will add 42,000 tons of beverage carrier capacity per year to our converting operation.



Diatomaceous earth is a mineral used to filter food, beverages and pharmaceuticals and to serve as a filler in paints and plastics. Johns-Manville has a major position in diatomite mining, with mines in California, France, Spain, Mexico and Iceland.

Typical of its other asbestos and perlite mining operations, diatomite provides favorable cash flow and geographical balance to the company.

Our mines and forests will help generate much of the cash we need for future growth.

Traditionally, natural resources represent a substantial portion of J-M's asset base.

Our mines have been important to us for three critical reasons.
First, the minerals we mine—asbestos fiber, diatomaceous earth and perlite—have all provided good returns and will continue to be managed to yield even better returns and cash flow in the future.

Second, our mines ensure us a continued supply of certain raw materials needed to produce our products—perlite in industrial roof insulations, asbestos in asbestos-cement pipe, roofing, friction materials, and specialty products, and diatomite in filter aids and fillers.

Third, since our mines are located around the world and supply minerals to international markets, this sector of our business helps mitigate the effects of business cycles in individual countries.

Timberlands in the Southern United States and in Brazil are J-M's most recently acquired natural resource and show prospects of rapid appreciation.
We now own about 600,000 acres of forest land in Louisiana, Arkansas and Texas, and 100,000 acres in Brazil. While we purchased Olinkraft for $595 million just over a year ago, recent purchases of Southern timberlands indicate that these properties have already risen dramatically in value.

Further, timber demand in the South will undoubtedly grow as population continues to spread to the Sun Belt and as the faster-growing Southern forests take market share away from Northwestern timberlands. Accordingly, Johns-Manville plans to optimize the returns on this timber base.

Finally, our market balance and strength will make us less vulnerable in weaker economies, stronger in prospering ones.

Johns-Manville has gained balance and strength in markets around the world. This, as with our people, products and natural resources, is viewed as an internal strength to draw upon as we work to achieve our strategic plan in the next five years.

We have broad geographic distribution of our products. Seventy-seven percent of our sales are within the U.S., 9% in Canadian markets, and 14% in other foreign markets, primarily Western Europe, Latin America, and the Far East. Success in these diverse markets helps to offset adverse effects of business cycles from country to country. Strong sales abroad in fiber glass mat, diatomite, thermal insulations, asbestos-cement products, lighting products, and paperboard, in fact, helped bolster J-M's income statement in 1979—foreign markets including Canada contributed about 40% of J-M's total operating earnings.

Being one of the world's leading manufacturers and marketers of insulation products, it is not uncommon to see J-M packages on street corners in France, Belgium, and Germany as well as in the United States.

Nearly 60% of J-M's residential insulation sales goes to retrofitting homes around the world and that market is expected to grow as energy prices continue to escalate.

Johns-Manville serves a broad spectrum of markets. Our sales are quite evenly divided between five major markets: residential construction 24%, non-residential building 19%, other construction (including electric utilities, highways, water, sewer, and other public works projects) 21%, industrial production 20%, and paper and packaging markets 16%. Further, we are not solely dependent on new construction—nearly one fourth of our total business comes from retrofit activities while two fifths is derived from new construction.

Finally, Johns-Manville has a strong market position in many major product areas. We are one of the world's leading manufacturers and marketers of insulation products (both fiber glass and non-fiber glass), a major national producer of beer and soft drink carriers and carrierboard, the world's largest producer of diatomite, the largest producer of PVC and asbestos-cement pipe in North America, the largest producer of asbestos fiber outside the U.S.S.R., and the world's largest producer of fiber glass mat.

The strong positions we have in domestic and international markets help us to better insulate ourselves against softening economic conditions and help us capitalize upon opportunities in flourishing economies.

We believe our internal strengths will work effectively in the external environment we anticipate...

The near-term economy is mixed... with energy our most notable challenge and opportunity.

As we move into a new decade, we face an economy with many formidable problems: high rates of inflation, rapidly rising energy costs, an ailing U.S. dollar, and poor productivity. We saw sluggish business growth in the United States last year accompanied by intense cost pressures...and more of the same is expected through 1980. However, we anticipate an economic recovery in the early 1980's, beginning the latter part of this year.

From J-M's viewpoint, there are inherent opportunities as well as challenges in this economic climate, particularly on the energy front. World supplies of petroleum products are expected to remain tight throughout the early 1980's, and with these shortages will come escalating prices for imported oil—at a rate predicted to average 20% per year, and possibly even higher.

Rising energy prices, in turn, will place growing pressure on individuals and businesses to conserve energy. There are already financial advantages in doing so: While energy prices in the U.S. rose 25 to 30% in 1979, the price of residential and industrial insulation increased by only about one third that much. Additional tax incentives are also likely, with new legislation pending for the 1980 tax year. And, to the extent that increased market potential for thermal insulations is converted into actual market demand in the years ahead, Johns-Manville will enjoy higher sales volumes than would otherwise be expected under prevailing economic conditions.

Much of J-M's recent capital investment went toward improving and expanding production of thermal insulations, one of the greater growth areas for the company.

To improve the glass fiberizing process for residential home insulation, Johns-Manville developed the innovative HERM process which uses only a fraction of the energy consumed by traditional manufacturing methods.

Energy is a two-edged sword for Johns-Manville, however. As a manufacturer, we are not immune from the adverse effects of rapidly rising energy costs. Ten years ago energy accounted for less than 5% of our manufacturing costs in the United States and Canada. Today, it represents approximately 12%. And if we do not undertake measures to reduce our consumption, energy would claim as much as 20 to 25% of our direct manufacturing costs by 1985.

Accordingly, we are taking steps to curb our energy use, and more emphasis will be placed on conservation in the years to come. Fiber glass production, for instance, utilizes substantial amounts of energy. To reduce this expense, we have initiated a self-help natural gas drilling program in Ohio and Kansas to supplement gas supplies to our fiber glass plants there. Also, we recently invested large sums of capital to develop and implement a new glass fiberizing process which uses significantly less energy than J-M's traditional manufacturing methods.

Our PVC pipe is another example of a product that is vulnerable to energy cost escalation because of the raw materials that go into it. Consequently, efforts have already begun to reduce the amount of polyvinyl chloride resin used in our pipe, with formulations that do not sacrifice strength or quality.

Likewise, Olinkraft's paper production processes are energy intensive, and we have undertaken projects to defray growing paper production costs. Captive gas wells are producing on our forest lands, and a new project is underway to convert waste and residual wood from cutting operations to energy for paper mill processes.

Other external forces will come to bear to make our job more difficult.

Energy inflation is not the only economic hurdle confronting us in the near term:

- Stagflation—that is, high rates of inflation and slow economic growth—is expected to continue into the early 1980's. Its ill effects will dim prospects for all U.S. businesses and for many abroad.
- Domestic housing construction will decline in 1980—down to an estimated 1.4 million starts. Underlying demand for housing, however, will remain strong with 9 million households expected to be formed in the first half of the decade. Thus, construction of 2.0 to 2.5 million new housing units will be required annually to meet this demand.
- Domestic commercial and industrial building starts will also see a decline of about 10 to 15% in 1980. But backlogs of work carried over from 1979 building commitments and still-high retrofit activity will ease the effects of slowing new construction demand in this sector. Here, too, non-residential building markets can be expected to see renewed growth as the economy's health is restored.
- Business conditions in some international construction markets will also slacken in 1980 as economic slowdown becomes more widespread. Opportunities for growth overseas will revive though as worldwide economic recession begins to give way to renewed expansion.

Besides this economic climate, other external forces will impact J-M's businesses in the near term. We will continue to face anti-business bias, which all too often is translated into laws, judicial decisions, and regulations imposing heavy burdens on American business.

Rising raw material costs, high energy cost inflation, and compliance with ever-stiffer government regulation make it increasingly difficult for businesses to excel.

Communication at all levels of J-M management—most importantly, at the senior management level—enables the company to plan more effectively for the business environment of the 80's.

Current tax structures, for instance, discourage investment in productive American business and put us at a clear disadvantage with non-U.S. companies as we compete in worldwide markets. Some progress is being made to correct these inequities, but much more needs to be done.

American business also suffers the heavy burden of compliance with government regulations. The ultimate cost of these regulations falls on the consumer, and there appears to be no relief in sight.

Specifically, J-M's biggest pressures come on two regulatory fronts: workplace and environmental standards, and asbestos products usage. In the first—workplace and environmental standards—Johns-Manville has worked within the guidelines and, in fact, has taken a leadership position. It is not uncommon for regulatory agencies to ask Johns-Manville to provide data and other scientific information for use in establishing optimal standards for air and water pollution, waste disposal or product safety.

Further, our company's commitment to health, safety, and environment is almost unmatched. We have one of the most progressive health, safety, and environment departments in American companies of comparable size. That department is headed by a senior vice president—a doctor and noted authority—and is staffed by close to 50 professionals, including a medical director and managers of toxicology, health education and training, environmental control and compliance engineering, and technical relations.

With regard to regulating the use of asbestos in finished products, our work has just begun. Several government agencies are actively pursuing the possibility of further restricting asbestos use in products where substitute materials are available. We believe these proposals are not supported by the weight of scientific evidence and are therefore unwarranted. Their adoption would deprive consumers of products which have the superior properties asbestos affords, which pose no hazard when properly installed and used, and which would force substitution of other products about which, in some cases, less is known.

Johns-Manville has a strategy for the early 80's ... and a commitment to succeed.

We at Johns-Manville stand firm in our commitment to a five-year strategic plan. The early 1980's will be challenging years for business. But Johns-Manville has stood the test of time, and we are prepared to meet the challenges of the future.

We will work to strengthen our balance sheet in the near term. This will be accomplished in large part by capitalizing on the new capacity expansions recently put in place...by improving productivity and reducing costs wherever possible... and by taking full advantage of the growing demand for thermal insulations.

We are confident of our abilities to succeed. We have the people, products, natural resources, assets and strong market positions essential for success.

Finally, our commitment will help us succeed.

The Asbestos Issue: A Brief Update

Asbestos continued to be in the news during 1979. The following summary highlights some of the key events affecting the asbestos issue.

Though Johns-Manville is a defendant in a growing number of asbestos-related lawsuits, our ability to defend those cases is proven.

During the past year the number of asbestos-related lawsuits against J-M continued to increase. In the typical case involving an insulation worker with asbestosis, a jury must ultimately resolve two issues: First, at what point in time was a hazard to the insulation worker reasonably foreseeable, thus giving rise to a duty to warn; and, second, after any such duty arose, were reasonable steps taken by the company to control the hazard and warn exposed persons? Resolving these issues is a highly complex procedure for juries.

Those issues have been presented to juries in 19 separate cases. Several early cases were decided against the company; but, in those cases, the knowledge of the state of the medical art at the important points in the history of asbestos usage had not been fully developed. With greater efforts to develop that knowledge, the company's defense to the charges of failure to warn of hazards was strengthened. The company's ability to defend these cases is attested by judgments in favor of the company in 11 of the last 15 cases tried.

The problem of compensating people injured by excessive asbestos exposure is far better resolved by legislation than litigation.

Winning a suit brought by a disabled worker, however, is not the ultimate goal of Johns-Manville. We recognize that, without regard to fault, many people including some of our employees have been injured as a result of excessive exposure to asbestos dust. Furthermore, the compensation available to these people through the worker's compensation programs of many states is inadequate to provide for their needs and those of their dependents.

Johns-Manville is seeking a recognition that the occupational disease problems associated with excessive asbestos exposure (and with other materials found in the workplace) constitute a significant and growing societal problem. In all its aspects, it is a problem more appropriately resolved by uniform, comprehensive legislation than continuing litigation.

Such legislation would provide a means for prompt and fair settlement of meritorious cases without the injured party facing years of delay and the high non-compensatory costs of court administration and attorney fees. It would also open up the possibility of compensation for some classes of injured people who are now excluded from third party litigation by worker's compensation laws or other limitations on the right to bring actions. Another objective of the legislation would be to apportion the cost of such compensation among all those parties involved in the environment contributing to the disease.

Many of the current cases stem from workers who were excessively exposed in Navy-operated shipyards.

A significant portion of the litigation facing Johns-Manville is the result of workers being excessively exposed to asbestos products in government-controlled shipyards. The evidence uncovered in these cases shows that the U.S. Navy clearly disregarded policy directives and failed to provide a safe workplace. The government *required* that specific asbestos fiber products be used for insulation and fire protection in warships, *was responsible* for the shipyard work practices, and *had exclusive control* over its employees and responsibility for their well-being.

Encouragingly, the incidence of asbestos-related disease is now on the decline.

In 1964 the knowledge of asbestos-related disease dramatically changed with the presentations made at a New York Academy of Sciences conference on the biological effects of asbestos. Since then, Johns-Manville has done much to assure the safe use of asbestos-containing materials, everything from labelling, cooperating with organized labor and giving instructional seminars…to discontinuing production of products which might create a dust hazard. And, today, the evidence is clearly showing a declining incidence of asbestos-related disease.

The 1964 findings also brought to light the association between cigarette smoking, asbestos exposure, and lung cancer. These data clearly indicate that but for cigarette smoking lung cancer would not be a significant occupational disease problem among asbestos workers. Based on this data Johns-Manville has adopted a no smoking policy in all asbestos-using facilities and has sponsored clinics to assist employees in changing their smoking habits.

Johns-Manville continues to believe that the costs of claims arising out of injuries due to asbestos-related diseases will have no material adverse financial impact upon the company.

Unwarranted regulation would deprive society of the superior properties of asbestos.

A number of proposed regulations to restrict the use of or eliminate asbestos in finished products are currently being considered in Washington. We believe those proposals are not supported by the weight of scientific evidence and should not be adopted.

Such unwarranted regulation would deprive society of products which have the superior properties asbestos affords and which need pose no health hazard when properly installed and used. Further, if the use of asbestos were banned, thousands of workers would lose their employment without any offsetting benefit to society.

We will defend the responsible use of asbestos so long as it remains clear that asbestos can be produced and used safely.

Shareholders wishing more information on the asbestos issue or to be placed on our asbestos issue mailing list should write:

Asbestos
Corporate Relations Dept.
Johns-Manville
Ken-Caryl Ranch
Denver, CO 80217

Johns-Manville Corporation

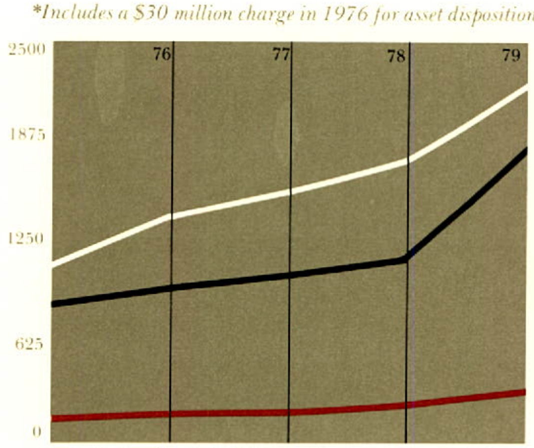
Five-Year Summary of Operations

(All dollar figures except per share are in thousands)

Summary of Earnings	1979	1978	1977	1976	1975
Revenues					
Net sales	$2,276,429	$1,648,599	$1,461,432	$1,308,771	$1,107,012
Other, net*	20,933	27,990	18,363	(17,571)	10,737
Total	2,297,362	1,676,589	1,479,795	1,291,200	1,117,749
Costs and Expenses					
Cost of sales	1,747,031	1,190,318	1,066,310	983,431	852,786
Selling, general and administrative	238,964	193,401	173,659	166,159	151,842
Research, development and engineering	31,100	32,551	28,174	25,236	24,393
Total	2,017,095	1,416,270	1,268,143	1,174,826	1,029,021
Income From Operations	280,267	260,319	211,652	116,374	88,728
Interest Expense	62,441	22,255	20,105	15,153	18,990
Earnings Before Income Taxes	217,826	238,064	191,547	101,221	69,738
Income Taxes	103,220	116,462	88,920	47,804	31,325
Net Earnings *(before preferred dividends)*	114,606	121,602	102,627	53,417	38,413
Dividends on Preferred Stock	23,553				
Net Earnings Available for Common Stock	$ 91,053	$ 121,602	$ 102,627	$ 53,417	$ 38,413
Per Common Share Data:					
Net Earnings	$4.13	$5.62	$4.78	$2.64	$2.04
Dividends	$1.89	$1.80	$1.55	$1.35	$1.20

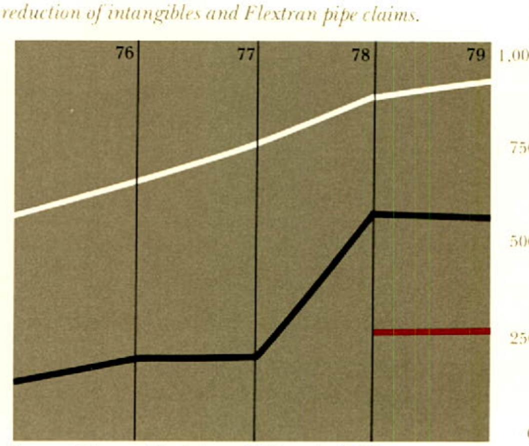
**Includes a $30 million charge in 1976 for asset dispositions, reduction of intangibles and Flextran pipe claims.*

***(All dollar figures are in millions)*



Net Sales/Cost of Sales/ Expenses **

- *Net Sales*
- *Cost of Sales*
- *Selling, General and Administrative Expenses*

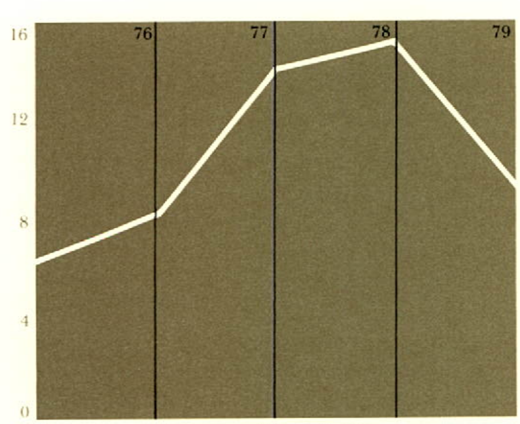


Long-Term Debt and Capital **

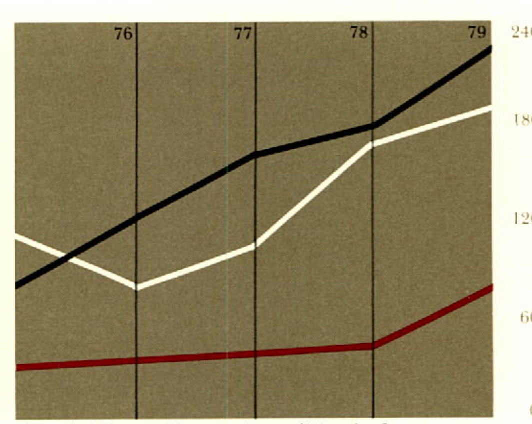
- *Common Shareholders' Equity*
- *Long-Term Debt*
- *Cumulative Preferred Stock*

Other Financial Information	1979	1978	1977	1976	1975
Percentage of Earnings Available for Common to Total Revenues	4.0	7.3	6.9	4.1	3.4
Book Value Per Common Share	$ 40.17	$ 38.27	$ 34.58	$ 31.37	$ 30.81
Dividends on Common Stock	$ 41,692	$ 38,972	$ 33,259	$ 27,251	$ 22,589
Dividends on Preferred Stock	$ 23,553				
Common Shares Outstanding at End of Year *(000 omitted)*	22,314	21,813	21,471	21,421	18,842
Preferred Shares Outstanding at End of Year *(000 omitted)*	4,607				
Number of Common Shareholders at End of Year	27,600	27,500	28,000	28,300	29,100
Number of Preferred Shareholders at End of Year	24,100				
Number of Employees at End of Year	32,500	25,800	25,400	24,800	24,000
Wages, Salaries and Employee Benefits	$726,000	$530,000	$453,400	$419,100	$365,100

** *(All dollar figures are in millions)*



Return on Average Common Shareholders' Equity *(Percent)*



Funds From Operations/Capital Expenditures/Depreciation **

Capital Expenditures
Funds From Operations
Depreciation & Depletion

Johns-Manville Corporation

Results By Major Business Segments And Geographic Areas

(All figures are in thousands)

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

	Years Ended December 31			
	1979	1978	1977	1976
Revenues:				
Fiber Glass Products	$ 573,198	$ 514,287	$ 407,242	$ 357,823
Forest Products (e)	497,398			
Pipe Products and Systems	304,856	303,334	273,512	217,526
Roofing Products	272,677	253,807	203,612	171,197
Non-Fiber Glass Insulations	267,862	231,190	195,223	158,721
Asbestos Fiber	168,199	157,291	160,682	154,625
Industrial and Specialty Products and Services	308,390	290,845	301,173	309,450
Corporate revenues, net (f)	11,020	19,894	12,447	(22,574)
Elimination of intersegment sales (a)	(106,238)	(94,059)	(74,096)	(55,568)
	$2,297,362	$1,676,589	$1,479,795	$1,291,200
Income From Operations:				
Fiber Glass Products	$ 95,650	$ 107,279	$ 81,661	$ 59,823
Forest Products (e)	50,320			
Pipe Products and Systems	17,983	25,861	23,552	(2,688)
Roofing Products	14,360	23,219	13,754	8,363
Non-Fiber Glass Insulations	27,190	35,484	28,237	18,457
Asbestos Fiber	56,477	54,592	59,815	60,237
Industrial and Specialty Products and Services	43,474	35,911	25,431	18,741
Corporate expense, net (f)	(23,436)	(22,971)	(24,290)	(48,556)
Eliminations and adjustments (c)	(1,751)	944	3,492	1,997
	$ 280,267	$ 260,319	$ 211,652	$ 116,374
Depreciation and Depletion:				
Fiber Glass Products	$ 21,474	$ 17,995	$ 13,716	$ 10,598
Forest Products (e)	26,921			
Pipe Products and Systems	5,996	5,629	5,698	5,795
Roofing Products	2,343	1,964	1,818	1,688
Non-Fiber Glass Insulations	5,548	4,554	4,175	4,149
Asbestos Fiber	5,891	5,856	5,674	4,743
Industrial and Specialty Products and Services	4,872	4,343	5,198	5,274
Corporate	1,798	2,060	2,296	2,156
	$ 74,843	$ 42,401	$ 38,575	$ 34,403
Additions to Property, Plant and Equipment:				
Fiber Glass Products	$ 84,740	$ 109,554	$ 57,791	$ 20,224
Forest Products (e)	35,793			
Pipe Products and Systems	14,280	8,515	6,624	8,685
Roofing Products	11,497	5,065	3,707	4,034
Non-Fiber Glass Insulations	23,313	19,923	6,974	5,579
Asbestos Fiber	5,440	10,761	10,232	9,419
Industrial and Specialty Products and Services	9,264	12,416	9,389	10,693
Corporate	4,994	7,773	5,436	14,433
	$ 189,321	$ 174,007	$ 100,153	$ 73,067

	December 31			
	1979	1978	1977	1976
Assets:				
Fiber Glass Products	$ 561,625	$ 474,575	$ 361,545	$ 308,043
Forest Products (e)	826,447	805,798		
Pipe Products and Systems	193,303	204,440	197,138	188,772
Roofing Products	112,111	92,288	83,404	72,838
Non-Fiber Glass Insulations	190,612	156,990	130,868	122,265
Asbestos Fiber	146,045	137,232	141,034	129,582
Industrial and Specialty Products and Services	190,419	188,863	177,199	194,078
Corporate (d)	208,688	245,630	321,494	245,326
Eliminations and adjustments (c)	(104,870)	(88,861)	(78,882)	(72,704)
	$2,324,380	$2,216,955	$1,333,800	$1,188,200

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

	Years Ended December 31			
	1979	1978	1977	1976
Revenues:				
United States	$1,802,860	$1,315,728	$1,147,680	$ 997,131
Canada	289,117	267,007	270,510	267,623
Overseas	308,751	195,400	152,436	148,312
Corporate revenues, net (f)	11,020	19,894	12,447	(22,574)
Elimination of intergeographic sales (b)	(114,386)	(121,440)	(103,278)	(99,292)
	$2,297,362	$1,676,589	$1,479,795	$1,291,200
Income From Operations:				
United States	$ 192,540	$ 185,227	$ 157,902	$ 84,723
Canada	57,366	61,456	54,571	53,987
Overseas	55,845	35,668	19,978	24,254
Corporate expense, net (f)	(23,436)	(22,971)	(24,290)	(48,556)
Eliminations and adjustments (c)	(2,048)	939	3,491	1,966
	$ 280,267	$ 260,319	$ 211,652	$ 116,374

	December 31			
	1979	1978	1977	1976
Assets:				
United States	$1,661,749	$1,538,673	$ 722,479	$ 676,011
Canada	229,598	210,174	216,162	206,850
Overseas	328,998	311,238	152,734	132,935
Corporate (d)	208,688	245,630	321,494	245,326
Eliminations and adjustments (c)	(104,653)	(88,760)	(79,069)	(72,922)
	$2,324,380	$2,216,955	$1,333,800	$1,188,200

Notes:

a/ Intersegment sales were as follows *(at prices approximating market):*	Years Ended December 31			
	1979	1978	1977	1976
Fiber Glass Products	$ 46,725	$ 32,666	$ 20,626	$13,304
Roofing Products	539	504	530	255
Asbestos Fiber	36,565	41,109	35,308	29,186
Industrial and Specialty Products and Services	22,409	19,780	17,632	12,823
	$106,238	$ 94,059	$ 74,096	$55,568

b/ Intergeographic sales were as follows *(at prices approximating market):*				
United States	$ 34,649	$ 28,679	$ 28,751	$33,363
Canada	77,459	85,339	72,477	65,601
Overseas	2,278	7,422	2,050	328
	$114,386	$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, investments in and advances to associated companies, and the assets of the real estate subsidiary.

e/ The "Forest Products" segment was acquired in a purchase acquisition of Olinkraft, Inc. and has been included in the consolidated balance sheet at December 31, 1978. The results of the Olinkraft operations have been consolidated in the statement of consolidated earnings beginning January 1, 1979.

f/ Includes a $30 million charge in 1976 for asset dispositions, reduction of intangibles and Flextran pipe claims.

Review of Operations*

Net sales

Net sales reached $2.28 billion in 1979, including $497 million in net sales from Olinkraft, whose operating results were consolidated with the other operations of the company effective January 1, 1979 (see Note 2, "Acquisition of Olinkraft, Inc."). Net sales were $1.65 billion in 1978.

Excluding the effect of Olinkraft, the company's net sales rose by only 7.9%. Strong sales growth by overseas subsidiaries and of asbestos fiber were offset by the weak overall performance of U.S. and Canadian manufacturing operations. Even without the $72 million in net sales from Olinkraft's Brazilian subsidiary, the continued strengthening of most European operations enabled the company's other overseas businesses to register an impressive 27% sales increase. In Canada, where sales rose 9%, a virtually flat unit volume of shipments for manufactured products on which only moderate price increases were realized mitigated much of the effect of higher asbestos fiber sales.

Net sales of U.S. manufactured products (excluding Olinkraft) exceeded year earlier levels by roughly 5%, resulting from a 2.5% decline in the unit volume of shipments coupled with an 8% increase in average selling prices. However, the sales trend for U.S. manufactured products (excluding Olinkraft) improved between the fourth quarters of 1978 and 1979. Net sales of U.S. manufactured products rose by over 13% between these periods, with about 9% of the growth attributable to increases in selling prices and the remaining 4% due to a higher unit volume of shipments, particularly of insulation products.

Other revenues

Other revenues decreased $7.1 million despite a $6.5 million contribution by the Olinkraft operations. This drop was caused by a number of factors, principally losses relating to the disposition of assets and lower equity earnings and interest income.

Net earnings

Net earnings before preferred dividends of $114.6 million were $7 million lower than for the previous year, largely because of the deterioration in the cost ratio. (See the Financial Review in this section.)

Net earnings available for common stock

Net earnings available for common stock were $91.1 million, or $4.13 per common share, compared to the record $121.6 million, or $5.62 per common share, achieved in 1978. Included in the 1979 results of operations are the dilutive effect of the Olinkraft acquisition (computed as the tax-effected financing costs incurred in the acquisition, net of Olinkraft's operating performance) of approximately $.65 per common share, of which $.20 per common share related to the adverse impact on Olinkraft's Brazilian operations of currency devaluations and a retroactive corporate income tax increase. Also, net earnings were reduced by a loss of $.20 per common share resulting from a provision for the planned disposition of the company's irrigation and sprinkler business.

Comparative Operating Reviews – Major Business Segments

The following reviews the comparative operating summaries in 1979 and 1978 of the company's seven major business segments—fiber glass products, forest products, pipe products and systems, roofing products, non-fiber glass insulations, asbestos fiber, and industrial and specialty products and services.

**Includes management's analysis and discussion of operations*

Fiber glass products

(in millions)	1979	1978	change
Revenues	$573	$514	11%
Income From Operations	$ 96	$107	(11%)
% of Total Income From Operations	31%	38%	

Fiber glass products include residential and mobile home insulation; air conditioning ducts and systems; mats for roofing and industrial uses; and other fiber glass insulations, filters, and automotive and industrial products.

The inability to raise U.S. prices in line with escalating costs in the first three quarters adversely affected the performance of the fiber glass products segment in 1979.

After a strong first half in 1978, domestic building insulation product demand declined in the second half of that year. The relatively lower levels continued through the first half of 1979, reflecting a dealer inventory selloff in anticipation of a reduced housing market for 1979. For full year 1979, housing starts were about 1.75 million compared to 2 million in 1978. The soft building insulation market bottomed by mid-year 1979, and this product area enjoyed excellent demand in the second half, particularly with regard to residential insulation, due to the renewed strength of retrofit activity. The fourth quarter was very strong with good demand and a more favorable pricing environment.

Further, the insulation area was adversely affected by start-up costs associated with the Winder, Georgia and Willows, California plant expansions.

Demand for U.S. fiber glass mat improved in 1979 due to its increased use in residential roofing shingles. The majority of this fiber glass mat production is used by Johns-Manville in manufacturing its fiber glass residential shingles and built-up roofing products. This area also experienced start-up costs associated with the glass furnace and mat machine at J-M's new Etowah, Tennessee plant.

International markets for fiber glass products were strong in 1979 reflecting a recovery of construction markets from 1978 levels, primarily in Western Europe. In Canada, market conditions were similar to those experienced in the United States, with renewed demand in the second half of the year.

Forest products

(in millions)	1979
Revenues	$497
Income From Operations	$ 50
% of Total Income From Operations	16%

Forest products include clay-coated unbleached kraft and other paperboards; corrugated containers; beverage carriers and folding cartons; kraft bags; pine lumber, plywood, and particleboard; and hardwood veneers and flooring.

Results of the forest products segment . . . Olinkraft, Inc., acquired in January, 1979 . . . were consolidated into Johns-Manville's results commencing January 1, 1979.

Paper operations were adversely affected by a slow start-up of the new No. 7 paper machine, which is now operating on an improving trend. The problems associated with the new machine have been identified and corrections are currently underway.

Markets for paper and packaging products were strong throughout 1979; however, because of No. 7 paper machine start-up difficulties, Johns-Manville was not able to take full advantage of the market situation.

Wood products operations were weak in 1979. This was due to reduced demand for wood products because of the soft building and construction markets. Additionally, particleboard and plywood selling prices were down considerably in 1979.

The Brazilian forest products operations experienced strong demand in 1979.

Pipe products and systems

(in millions)	1979	1978	change
Revenues	$305	$303	1%
Income From Operations	$ 18	$ 26	(30%)
% of Total Income From Operations	6%	9%	

Pipe products include polyvinyl chloride (PVC), asbestos-cement (A-C) and fiber glass reinforced water and sewer pipes; air, electrical and telephone ducts; and other pipe accessories.

Good demand for PVC pipe continued during most of 1979. However, the inability to raise prices frequently enough to adequately cover rapidly increasing costs in the U.S., particularly of PVC resin, adversely affected earnings. Additionally, certain PVC pipe plants experienced a shortage of resin in the early part of the year.

The volume of shipments of asbestos-cement pipe was not as high in 1979 as the strong volume experienced in 1978. Operating income for A-C pipe, however, was aided by a favorable pricing situation, which improved margins.

Markets for both PVC and asbestos-cement pipe softened beginning in the fourth quarter of 1979, due to reduced domestic land development and the negative effect of higher interest costs on financing municipal construction programs, and are expected to remain soft through at least the first six months of 1980.

The sprinkler and irrigation business again was an unprofitable operation during 1979 as it was in 1978. In view of its inability to provide profits, Johns-Manville made plans to dispose of this business.

Roofing products

(in millions)	1979	1978	change
Revenues	$273	$254	7%
Income From Operations	$ 14	$ 23	(38%)
% of Total Income From Operations	5%	8%	

Roofing products include built-up roofing products and systems for commercial and industrial uses; residential roofing shingles; and roof coatings, felts and accessories.

Demand for residential roofing shingles remained high in 1979, but spot shortages and cost increases for shingle granules and rising costs of asphalt adversely affected margins for a good part of 1979. Cost-price relationships improved significantly in the fourth quarter. Of note for 1979 was the continuing progress made in totally converting residential shingles to a fiber glass base. By year-end 1980, this conversion will be complete. The fiber glass-based shingle has an advantage over conventional organic felt-based shingles because it requires less total asphalt although it still provides outstanding weather and fire protection.

Built-up roofing enjoyed good demand in 1979, with margins improving over the prior year, although the potential for this product line was also impacted by the higher costs for asphalt.

Non-fiber glass insulations

(in millions)	1979	1978	change
Revenues	$268	$231	16%
Income From Operations	$ 27	$ 35	(23%)
% of Total Income From Operations	9%	13%	

Non-fiber glass insulations include refractory fiber, blankets and molded shapes for high-temperature industrial uses; perlite and foam insulation boards used in built-up roofing and other commercial applications; calcium silicate insulations and accessories; and other insulating boards, bricks and sidings.

Roof insulations, after a slow first half in 1979, improved markedly so that all J-M manufacturing facilities in the U.S. were operating at full capacity through most of the last six months. Margins were affected by higher raw material costs not adequately offset by price increases, low capacity utilization in the first six months and costs associated with capacity additions at two roof insulation plants.

Refractory fibers continued strong during the first half of 1979, however, the effects of a slowdown in U.S. auto production adversely affected demand later in the year.

Calcium silicate insulations, which are used in high-temperature applications in petrochemical and utility construction markets continued the unfavorable sales trend of 1978 due primarily to the lack of activity in these construction markets.

Asbestos fiber

(in millions)	1979	1978	change
Revenues	$168	$157	7%
Income From Operations	$ 56	$ 55	3%
% of Total Income From Operations	19%	19%	

Asbestos fiber consists of milled asbestos fiber which is both sold to customers and transferred to other J-M business segments for such end uses as asbestos-cement pipe and sheets, and friction and flooring applications.

A high level of activity in overseas construction markets, primarily for asbestos-cement grades of fiber, resulted in an improvement in overseas sales. Domestically, the first half of the year was strong, but late in 1979 markets weakened for short fiber, which is used in floor underlayment and friction materials.

Industrial and specialty products and services

(in millions)	1979	1978	change
Revenues	$308	$291	6%
Income From Operations	$ 43	$ 36	21%
% of Total Income From Operations	14%	13%	

Industrial and specialty products and services include diatomite filter aids and filler materials; lighting systems for interior and outdoor fixtures and accessories; asbestos-cement sheets, felts and shingles; engineering services; perlite ore; synthetic silicates; and other industrial accessory products.

The filtrations and minerals business had an excellent year due to strong demand, particularly in its overseas markets. The company continues to be a leading supplier of filters and filter aids for foods, beverages, pharmaceuticals, industrial liquids and commercial and industrial environmental air systems.

Johns-Manville lighting products for commercial and industrial uses had a second straight record year.

Financial Review (1979 Compared to 1978)

Cost of sales

The ratio of cost of sales to net sales rose 4.5% from 72.2% to 76.7%. Excluding Olinkraft, the cost ratio increased 3%. This deterioration in the gross profit margin was largely the result of competitive pressures which prevented instituting sufficient price increases to offset higher labor and raw material costs, particularly for energy-related materials. The cost ratio was further negatively impacted by start-up costs associated with the expansion of the fiber glass, paper products and roof insulation operations and by a lower percentage capacity utilization during 1979 in the fiber glass insulation and pipe businesses.

Selling, general and administrative expenses

Tight control of expenses, together with the larger revenue base resulting from the Olinkraft acquisition, resulted in a decrease in the ratio of selling, general and administrative expenses to total revenues from 11.5% in 1978 to 10.4% in 1979.

Interest expense

Borrowings used in financing the Olinkraft acquisition, along with the Olinkraft debt assumed in the acquisition, accounted for most of the roughly $40 million increase in interest expense.

Income taxes

Income taxes were 47.4% in 1979 versus 48.9% in 1978. The primary reasons for the reduction are the 1979 change in the U.S. statutory rate from 48% to 46% and the consolidation in 1979 of Olinkraft operating results, which have a lower effective income tax rate than most of the company's other operations.

Preferred stock

The preferred stock was issued on January 19, 1979 in a share-for-share exchange for Olinkraft common stock as part of the merger of Olinkraft into the company. Preferred dividends of $5.11½ per preferred share were paid for 1979.

1978 Compared to 1977

Net sales

Net sales for the year ended December 31, 1978 increased 13% to $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.

Cost of sales

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.

Net earnings

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.

Comparative operating reviews – Major business segments

A record earnings performance was achieved by the fiber glass products business segment in 1978 with revenues up 26% and operating income up 31% over the prior year. Market demand for fiber glass insulation, commercial and industrial insulations, and fiber glass mat combined with capacity improvements were responsible for the improvement.

The pipe products and systems business turned in its best performance ever as governmental spending for water and sewer projects increased at a record pace during the year.

Record operating earnings were achieved in roofing products during 1978 with revenues rising 25% and income from operations up 69%. This performance was a result of an active market which Johns-Manville met with innovative products backed by aggressive marketing programs.

Commercial and industrial construction activity rebounded from previous years and enabled the non-fiber glass insulations business to improve significantly. Revenues increased 18% and income from operations 26% over the prior year.

Reductions in large customer inventories and soft overseas construction markets contributed to the poor performance of the asbestos fiber business in 1978. Revenues decreased 2% while income from operations was down 9% compared to 1977 results.

The industrial and specialty products and services segment reported revenues down 3% with operating income recording a strong 41% increase. This income performance in 1978 reflected better utilization of facilities and the elimination of unprofitable operations.

Supplemental Information on Inflation and Changing Prices

Introduction

In the past decade, the United States economy has been affected by increasing levels of inflation which have contributed to a decline in annual productivity increases and a slower rate of capital formation. The impact of such inflation is not reflected in conventional historical cost financial statements which report the results of past transactions without regard to fluctuations in the purchasing power of the dollar from period to period; therefore, determination of net earnings, financial position and changes in financial position and comparisons of such data with that of prior periods are based on inconsistent units of measure caused by changes in purchasing power. The following summarized financial information indicates the effects of changing prices on the company utilizing the two different computational methods prescribed by the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices" (Standard), which was issued in 1979.

Constant dollar description

The Standard requires the restatement of the historical cost of selected financial statement elements into dollars having the same general purchasing power as measured by the Consumer Price Index for all Urban Consumers (CPI-U). This 'constant dollar' method preserves the objectivity of the conventional financial statements because it requires only that the historical unit of measure be converted into dollars of equal purchasing power based upon the overall rate of inflation in the United States. Consequently, the results presented for the statement of consolidated earnings on a constant dollar basis reflect the restatement of cost of sales and depreciation and depletion expense into average 1979 constant dollars.

Current cost description

In addition to the constant dollar disclosures, the Standard requires presentation of certain financial statement items on a 'current cost' basis, which considers changes in specific prices that may vary from the rate of change in the general purchasing power of the dollar. Current cost restatements attempt to present information that reflects the impact of price changes of specific goods and services used by an enterprise. The statement of consolidated earnings prepared on a current cost basis reflects the effect on annual earnings for the difference between the historical cost of inventory and property, plant and equipment and the current cost of purchasing or producing the inventory and acquiring similar service potential of the property, plant and equipment owned.

Restated net earnings available for common stock

The restated net earnings available for common stock are approximately the same under both methods of computation since the rate of inflation experienced by the company in its businesses has approximated the rate of general inflation in the U.S. economy. Because of this relationship, the restatement of the company's results of operations based on the current cost of the products it produces and the various types of assets embodied in its service potential approximates the effect of restating those results on a constant dollar basis. In the conventional historical cost financial statements, net earnings available for common stock for the year ended December 31, 1979 amounted to $91.1 million while the corresponding amounts prepared on constant dollar and current cost bases were $60.1 million and $60.8 million, respectively. The principal reasons for the decline in the earnings presented on the restated bases are shown in the following table:

	Constant Dollar Basis	Current Cost Basis
	(Thousands of Dollars)	
Net Earnings Available for Common Stock as Reported in the Conventional Financial Statements	$91,053	$91,053
Less, Decreases for:		
Restatement of depreciation and depletion expense	(25,530)	(27,967)
Adjustments to historical cost valuation bases of cost of sales	(5,378)	(2,279)
Restated Net Earnings Available for Common Stock	$60,145	$60,807

The amounts presented above represent adjustments to cost of sales for current year liquidations of last-in, first-out (LIFO) inventories; constant dollar or current cost depreciation; and the restatement of that portion of cost of sales using first-in, first-out (FIFO) inventory valuations to the appropriate bases. The constant dollar depreciation and depletion expense is simply a restatement of the historical dollar expense calculated by applying a CPI-U factor (based upon the year of acquisition of the asset) to the related expense. The current cost depreciation and depletion expense represents an approximation of the annual amortization that would have been incurred had Johns-Manville replaced its total service potential in property, plant and equipment during 1979. These restated amounts reflect the higher rate of inflation during the 1970's, which has increased the nominal dollar profit which assets must earn over their useful lives to maintain and recover the present-day value of the original investment. However, the computations do not reflect technological and other differences arising in the replacement of assets or the revised pricing strategies that would be in effect had the company and its competitors begun business during the current year.

Since the company's inventories are valued principally on the LIFO basis, the adjustments required to restate the historical cost of sales to the constant dollar and current cost bases is not substantial. Because the LIFO method is used to cost the majority of the company's inventories, a substantial portion of the increase in production costs during the year has already been included in the determination of net earnings in the conventional financial statements. The rapid cost inflation experienced by the company during the year was the primary factor negatively affecting 1979 results since Johns-Manville was not able to obtain adequate price increases to cover these rapidly rising costs.

Rising income taxes in periods of inflation

The Standard does not permit any adjustment to income tax expense in the determination of net earnings on the restated bases. Consequently, the effective income tax rate increases from the 47.4% in the conventional financial statements to over 55% on the restated bases. The existing tax structure fails to adequately compensate for the higher nominal dollar profits a company must earn to maintain the real purchasing power of its capital. As companies have tried to increase their nominal dollar profits to keep up with inflation and the longer lead times for investment recovery in today's regulatory environment, existing laws have required income taxes to be paid on these profits. This leaves a company in the position of choosing among three alternatives to compensate for these inflationary tax implications: raising its nominal dollar profits still higher if competitive conditions permit; not increasing the nominal dollar profits and thereby permitting an erosion in real purchasing power; or, making an alternate use of the funds at the time of the original investment decision. Each of these alternatives is not generally beneficial to the American public in the long run because increases in nominal dollar profits to compensate for the present tax structure place additional inflationary pressures on the economy, while failure to obtain these higher nominal dollar profits will ultimately impinge on the company's ability to expand or modernize. But the third alternative is also harmful to the public; for without investment, jobs are not created and worker productivity, which in the long run has to be the basis for any increase in the standard of living, will not increase. One potential solution to this dilemma is to change the tax structure to better reflect the actual economics, including the results of inflation, in capital-intensive industries and to develop a consistent, coherent regulatory environment.

Five-year summary of price-level adjustments

Also presented is a five year summary which includes selected data adjusted to 1979 average dollars as measured by the CPI-U. This information attempts to reflect the effect of the rapid inflation experienced in the United States economy on certain measurements of the company's performance and results of operations. This inflationary erosion can also be illustrated by comparing the growth of the company's revenues on a historical cost and constant dollar basis:

	As Reported in the Conventional Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)
Year-to-year growth in annual revenues for the years ended December 31,		
1979*	37%	23%
1978	13%	5%
1977	15%	8%
1976	16%	9%

The growth rate on a constant dollar basis is an indication of the volume and real price increases, net of inflation, that the company has been able to realize in its markets over the past several years. Although the absolute amounts of the percentage growth in revenues change on a constant dollar basis, the trends of the growth rates are preserved.

Caution must be used

All information presented has been prepared in accordance with the standards prescribed by the FASB; however, due to the experimental nature of the methods involved in accounting for inflation and changing prices and because of the number of assumptions and approximations used in its calculations, the company cautions against simplistic use of this data. Temporary methods of computation, expected to be revised by new guidelines to be issued by the FASB in the near future, have been used to approximate the current cost of the company's unprocessed natural resources. The company believes that these assets, which were restated on both a constant dollar and current cost basis by applying the CPI-U, may have increased in value at a rate which outpaced the general rate of inflation. Because of inconsistent methods of calculation, comparability with other companies, although improved by the Standard, will not exist until the experimental nature of these disclosures has been eliminated.

**Includes results of Olinkraft, Inc., which was purchased in January 1979. Growth rates without the 1979 revenues related to the Olinkraft operations would be 7% and (4%), respectively.*

Johns-Manville Corporation

Statements of Consolidated Earnings Adjusted for Changing Prices

(All figures are in thousands)
Year Ended December 31, 1979
(Unaudited)

	As Reported in the Conventional Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
Revenues	$2,297,362	$2,297,362	$2,297,362
Cost of Sales	1,747,031	1,776,505	1,775,892
Other Operating Expenses	270,064	271,498	271,449
Interest Expense	62,441	62,441	62,441
Total	2,079,536	2,110,444	2,109,782
Earnings Before Income Taxes	217,826	186,918	187,580
Income Taxes	103,220	103,220	103,220
Net Earnings (before preferred dividends)	114,606	83,698	84,360
Dividends on Preferred Stock	23,553	23,553	23,553
Net Earnings Available for Common Stock	$ 91,053	$ 60,145	$ 60,807
Gain from Decline in Purchasing Power of Net Amounts Owed		$ 112,855	$ 112,855
Increase in General Price Level (Constant Dollars) of Inventories and Property, Plant and Equipment Held During the Year			$295,923
Increase in Specific Prices (Current Cost) of Inventories and Property, Plant and Equipment Held During the Year			269,764
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year			$ 26,159
Historical Cost versus Current Cost at December 31, 1979:			
Inventories	$ 228,988		$ 361,433
Property, plant and equipment, net of accumulated depreciation and depletion	$1,564,618		$2,216,399

Johns-Manville Corporation

Five Year Summary of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(All dollar figures are in average 1979 dollars; thousands of dollars except per share amounts) Years Ended December 31, (Unaudited)

Historical Cost Information Adjusted for General Inflation	1979
Net Earnings Available for Common Stock	$ 60,145
Net Earnings Per Common Share	$2.73
Net Assets at Year-End	$1,422,826
Current Cost Information	
Net Earnings Available for Common Stock	$ 60,807
Net Earnings Per Common Share	$2.76
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	$ 26,159
Net Assets at Year-End	$1,589,268

	1979	1978	1977	1976	1975
Revenues	$2,297,362	$1,865,355	$1,772,492	$1,646,374	$1,507,435
Other Information					
Gain from Decline in Purchasing Power of Net Amounts Owed	$112,855				
Dividends Per Common Share	$1.89	$2.00	$1.86	$1.72	$1.62
Market Price Per Common Share at Year-End	$22⅞	$24¼	$38	$41¾	$30⅜
Average Consumer Price Index (CPI-U)	217.4	195.4	181.5	170.5	161.2

Notes:

a/ Current cost information was estimated as follows:
Inventories—standard manufacturing costs that reflect current cost depreciation or lower recoverable amount.
Property, Plant and Equipment—land at regional market quotations; precious metals used in manufacturing at current producers' market prices; and buildings and machinery and equipment at construction cost or other indices specific to the type of asset or lower recoverable amount.
Cost of Sales—for locations on LIFO inventory method, cost of sales for financial reporting purposes adjusted for current cost depreciation and LIFO liquidations; for locations on FIFO inventory method, cost of sales for financial reporting purposes adjusted for current cost depreciation and time lag between incurring inventory costs and their subsequent conversion into sales revenue.
Depreciation and Depletion—estimated on a straight-line basis using the same useful lives and salvage values as for historical financial reporting purposes; average current cost of plant and equipment at the beginning and end of the year was used as a basis for depreciation expense.
Foreign assets included in these estimates were translated at exchange rates prevailing at the appropriate year-ends.
Unprocessed natural resources, including timber, timberlands and mining properties, have been measured at their historical cost/constant dollar values. The Financial Accounting Standards Board is expected to issue guidelines for determining current costs of these assets in the near future.

b/ Depreciation and depletion expense has been allocated between cost of sales and other operating expenses. The aggregate amount of depreciation and depletion expense calculated under the constant dollar basis is $100,373,000 and under the current cost basis is $102,810,000.

c/ The amount of income tax expense in the computations of earnings adjusted for general inflation and earnings adjusted for changes in specific prices is the same as that charged against earnings in the primary financial statements. No adjustments have been made for any timing differences that might be deemed to arise as a result of the use of different bases; consequently, the effective tax rate of 47.4% for historical purposes increases to 55.2% and 55.0%, respectively, in the constant dollar and current cost calculations reflecting the understated burden of taxation reported in the conventional financial statements.

d/ The gain from decline in purchasing power of net amounts owed is the net amount of gains and losses of purchasing power resulting from holding more monetary liabilities (those obligations determinable in amount without reference to future prices) than cash or claims to cash in an inflationary period.

Johns-Manville Corporation

Consolidated Balance Sheet

(All dollar figures except per share are in thousands)

Assets	December 31 1979	1978
Current Assets		
Cash *(including time deposits of $11,112 in 1979, $25,187 in 1978)*	$ 18,692	$ 28,161
Marketable securities, at cost *(approximates market)*	10,023	37,868
Accounts receivable *(net of allowances of $8,939 in 1979, $6,507 in 1978)*	361,635	327,621
Inventories *(Notes 1b and 3)*	228,988	219,249
Prepaid expenses *(principally deferred income taxes)*	30,786	31,871
Total Current Assets	650,124	644,770
Property, Plant and Equipment, at cost *(Note 1c)*		
Land and land improvements	114,413	98,512
Buildings	352,185	320,665
Machinery and equipment	1,160,697	1,042,715
	1,627,295	1,461,892
Less, Accumulated depreciation and depletion	430,448	373,926
	1,196,847	1,087,966
Timber and timberlands, less cost of timber harvested	367,771	371,662
Property, plant and equipment, net	1,564,618	1,459,628
Investments, Deferred Charges and Other Assets *(Note 1a)*	109,638	112,557
	$2,324,380	$2,216,955

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

	December 31	
Liabilities	1979	1978
Current Liabilities		
Commercial paper and other short-term debt	$ 32,408	$ 23,367
Accounts payable	142,575	113,710
Wages and compensation	53,537	44,678
Income and other taxes	50,598	84,147
Other accrued liabilities	49,727	63,390
Total Current Liabilities	328,845	329,292
Long-Term Debt *(Note 4)*	532,377	543,244
Other Non-Current Liabilities	72,644	60,497
Deferred Income Taxes *(Note 1e)*	194,642	150,274
	1,128,508	1,083,307
Contingencies and Commitments *(Notes 5 and 6)*		
Preferred Stock		
Cumulative Preferred Stock, $1.00 par, authorized 10,000,000 shares		
Redeemable $5.40 series, at stated value of $65 per share; issued and outstanding: 1979—4,606,946 shares, 1978—4,598,327 shares *(Note 7)*	299,451	298,891
Common Shareholders' Equity		
Common Stock, $2.50 par, authorized 50,000,000 shares; issued: 1979—22,456,693 shares, 1978—22,008,466 shares *(Note 8)*	208,370	197,413
Earnings Reinvested	692,420	643,317
	900,790	840,730
Less, Cost of treasury stock, 1979—142,879 shares, 1978—195,329 shares *(Note 8)*	4,369	5,973
	896,421	834,757
	$2,324,380	$2,216,955

Johns-Manville Corporation

Consolidated Earnings and Earnings Reinvested

(All figures except per share are in thousands)

Earnings	1979	1978
		(Note 2)
Revenues		
Net sales	$2,276,429	$1,648,599
Other income, net	20,933	27,990
Total	2,297,362	1,676,589
Costs and Expenses		
Cost of sales	1,747,031	1,190,318
Selling, general and administrative	238,964	193,401
Research, development and engineering	31,100	32,551
Total	2,017,095	1,416,270
Income From Operations	280,267	260,319
Interest Expense	62,441	22,255
Earnings Before Income Taxes	217,826	238,064
Income Taxes *(Notes 1e and 11)*		
Current	67,261	98,423
Deferred	35,959	18,039
Total	103,220	116,462
Net Earnings *(before preferred dividends)*	114,606	121,602
Dividends on Preferred Stock	23,553	
Net Earnings Available for Common Stock	$ 91,053	$ 121,602
Net Earnings Per Common Share *(Notes 1f and 8)*	$4.13	$5.62

Earnings Reinvested	1979	1978
Earnings Reinvested at Beginning of Year	$ 643,317	$ 561,019
Net Earnings Available for Common Stock	91,053	121,602
Dividends on Common Stock *($1.89 per share in 1979 and $1.80 per share in 1978)*	(41,692)	(38,972)
Loss on Dispositions of Treasury Stock *(Note 8)*	(258)	(332)
Earnings Reinvested at End of Year	$ 692,420	$ 643,317

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

Johns-Manville Corporation

Changes in Consolidated Financial Position

(All figures are in thousands)

Funds Provided By	1979	1978
		(Note 2)
Operations		
Net Earnings *(before preferred dividends)*	$114,606	$121,602
Items Not Requiring (Providing) Working Capital		
Depreciation and depletion	74,843	42,401
Deferred income taxes *(non-current portion)*	44,368	20,515
Other, net	852	(2,775)
	234,669	181,743
Issuance of Long-Term Debt *(Note 4)*	115,286	205,862
Issuance of Common Stock, Including Treasury Stock *(Note 8)*	12,303	9,716
Increase in Other Non-Current Liabilities	12,147	12,037
Dispositions of Property, Plant and Equipment	6,861	5,073
Decrease (Increase) in Investments, Deferred Charges and Other Assets	4,694	(2,021)
Issuance of Cumulative Preferred Stock *(Note 7)*	560	298,891
	$386,520	$711,301

Funds Used For		
Acquisition of Olinkraft, Inc. *(Note 2)*		
(net of $53,645 of working capital obtained)		
Property, plant and equipment		$700,633
Long-term debt assumed		(141,258)
Other, net		(17,474)
Additions to Property, Plant and Equipment	$189,321	174,007
Reduction of Long-Term Debt *(Note 4)*	126,153	7,125
Dividends on Common Stock	41,692	38,972
Dividends on Preferred Stock	23,553	
Net Change in Working Capital	5,801	(50,704)
	$386,520	$711,301

Working Capital Changes		
Current Assets		
Cash	$ (9,469)	$ (11,310)
Marketable securities	(27,845)	(82,685)
Accounts receivable	34,014	64,966
Inventories	9,739	70,538
Prepaid expenses	(1,085)	1,999
Net Increase	5,354	43,508
Current Liabilities		
Commercial paper and other short-term debt	(9,041)	(4,908)
Accounts payable	(28,865)	(45,053)
Wages and compensation	(8,859)	(7,833)
Income and other taxes	33,549	(16,072)
Other accrued liabilities	13,663	(20,346)
Net Increase (Decrease)	447	(94,212)
Net Change in Working Capital	$ 5,801	$ (50,704)

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.

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.

Certain reclassifications have been made to the 1978 consolidated financial statements to conform to the 1979 presentation.

b/ Inventories
Inventories are stated at the lower of cost, principally on the last-in, first-out basis (LIFO), 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 no more than one year of service. Pension costs, as actuarially determined under the aggregate cost and frozen initial liability cost methods, 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 credits granted by various countries are accounted for as reductions of income tax expense in the year in which the related capital expenditures become 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 purchased Olinkraft, Inc. (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, redeemable $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.

The Olinkraft assets acquired and liabilities assumed were consolidated into the Company's consolidated balance sheet at December 31, 1978 and its results of operations into the statement of consolidated earnings beginning January 1, 1979.

If Olinkraft had been combined with the Company effective January 1, 1978, pro forma revenues and net earnings available for common stock would have been $2,095,975,000 and $103,482,000 ($4.78 per common share), respectively.

3. *Inventories*

The major classes of inventories were as follows:

	(Thousands of Dollars) 1979	1978
Finished goods and goods-in-process, including contracts in progress, less advance billings of $2,210,000 in 1979 and $22,859,000 in 1978	$121,413	$118,359
Raw materials	76,397	73,858
Supplies	31,178	27,032
	$228,988	$219,249

Inventories stated at current value would be approximately $122,282,000 and $89,439,000 greater than the above amounts at December 31, 1979 and 1978, 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, 1979.

4. *Long-Term Debt*

Long-term debt consisted of the following:

	(Thousands of Dollars) 1979	1978
Revolving credit and term loan agreement, at prime *(15.25% at December 31, 1979)*, due 1983 through 1988	$100,000	$201,000
Registered notes, 9.7%, due 1985	100,000	
Notes payable to insurance companies, 4.65% to 9.625%, due 1980 through 1996	98,140	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	68,883	69,239
Mortgages and loans *(principally of foreign subsidiaries)*, 4.0% to 17.5%, due 1980 through 2008	60,110	68,492
Capitalized lease obligations *(principally related to industrial revenue bonds at 4.9% to 7.8%)*, maturing serially from 1980 through 2004	47,361	43,055
	549,494	558,510
Less, current maturities	17,117	15,266
	$532,377	$543,244

Long-term debt maturities were as follows:

	(Thousands of Dollars)
1980	$ 17,117
1981	17,550
1982	17,570
1983	33,433
1984	34,431
After 1984	429,393
	$549,494

On May 1, 1979, the Company issued $100,000,000 of registered, unsecured notes. The notes mature on May 1, 1985, but can be redeemed at the Company's option on or after May 1, 1983, at their principal amount plus accrued interest. The net proceeds from the sale of the notes were used to prepay a portion of the Company's borrowings under a revolving credit and term loan agreement, which was incurred to partially finance the purchase of Olinkraft.

At December 31, 1979, the Company had a revolving credit and term loan agreement with twelve banks to borrow up to $200,000,000. An additional $100,000,000 in lines of credit under this agreement was cancelled by the Company during 1979 after the issuance of the registered notes. 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. 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. That portion of the credit lines ($100,000,000) provided under the revolver but not drawn down was used to support short-term commercial paper issued during the year. Additional credit lines ($50,000,000) were also available for this purpose.

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, with respect to employees of manufacturing companies, 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 appropriate defenses to such claims.

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 $24,692,000 in 1979 and $18,839,000 in 1978. At December 31, 1979, minimum rental commitments of the Company and its subsidiaries under long-term noncancelable operating leases were as follows:

	(Thousands of Dollars)
1980	$10,858
1981	8,918
1982	6,171
1983	3,678
1984	3,292
After 1984	17,318
	$50,235

Minimum rental commitments under long-term noncancelable operating leases by major asset category were as follows:

	(Thousands of Dollars)
Land and buildings	$34,830
Machinery and equipment	15,405
	$50,235

7. *Cumulative Preferred Stock*

On January 19, 1979, the Company issued 4,598,327 shares of cumulative preferred stock, redeemable $5.40 series ($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.

At the time of the Olinkraft merger, stock options were granted to purchase 39,162 $5.40 series shares in substitution for previously granted Olinkraft stock options. At December 31, 1979, options were outstanding to purchase 29,230 $5.40 series shares (10,133 currently exercisable) at prices ranging from $30.82 to $50.13 per share. During 1979 options were exercised for 8,619 shares of preferred stock with total proceeds of $244,000. No additional grants of stock options on $5.40 series shares are anticipated.

Under a mandatory sinking fund provision, the Company is required to redeem the $5.40 series shares 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 series shares 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 plus accrued dividends.

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 series shares. Upon involuntary liquidation, all $5.40 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, 1978	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 common stock options			(34,400)	(1,052)
Balance at December 31, 1978	22,008,466	197,413	195,329	5,973
Common stock issued in connection with:				
Employee stock purchase plans	436,561	10,644		
Exercise of common stock options	11,666	313		
Treasury stock issued in connection with:				
Employee stock ownership plan			(42,205)	(1,290)
Deferred compensation plans			(2,825)	(87)
Exercise of common stock options			(7,420)	(227)
Balance at December 31, 1979	22,456,693	$208,370	142,879	$ 4,369

Under the Company's Executive Incentive Program (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. Stock appreciation rights may be granted on non-qualified stock options and 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. Expense is accrued on stock appreciation rights to the extent that the current market price exceeds the option price for the underlying shares. There are no other charges to earnings relating to the Program.

At December 31, 1979, 2,000 qualified options and 349,250 non-qualified options (including 209,400 options subject to stock appreciation rights) were outstanding under the Program at prices ranging from $16.25 to $39.875 per common share, all of which were exercisable at December 31, 1979.

Total proceeds for options exercised under the Program in 1979 and 1978 amounted to $65,000 and $728,000, respectively. There are 76,850 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. It is anticipated that only a limited number of stock options will be granted in future years.

At the time of the Olinkraft merger, stock options were granted to purchase 185,945 shares of common stock in substitution for previously granted Olinkraft stock options. At December 31, 1979, options were outstanding to purchase 167,879 shares (42,397 currently exercisable) of common stock at prices ranging from $12.71 to $20.67 per share. During 1979 options were exercised for 15,086 shares of common stock with total proceeds of $192,000.

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 22,044,000 and 21,642,000 in 1979 and 1978, respectively.

9. Pensions

Total pension expense was $27,662,000 in 1979 and $20,196,000 in 1978.

The total of the amounts in the pension funds and accrued on the consolidated balance sheet exceeded the actuarially computed value of vested benefits.

10. Exchange Adjustments

A loss of $2,040,000 resulting from foreign exchange adjustments, relating principally to the Olinkraft operations in Brazil, was included in 1979 earnings in contrast to the gain of $1,238,000 included in 1978 earnings.

11. Income Taxes

Income tax expense consisted of the following:

	(Thousands of Dollars) 1979	1978
Current:		
U.S. federal	$ 14,915	$ 45,574
U.S. state and local	5,844	8,933
Foreign		
Canadian federal and provincial	19,164	25,549
Canadian provincial mines	9,903	8,891
Other	17,435	9,476
	67,261	98,423
Deferred:		
U.S.	27,363	15,795
Foreign		
Canadian federal and provincial	2,967	(3,840)
Canadian provincial mines	2,531	2,637
Other	3,098	3,447
	35,959	18,039
	$103,220	$116,462

The U.S. investment tax credit amounted to $11,468,000 in 1979 and $7,958,000 in 1978.

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, 1979 were approximately $280,000,000.

The effective income tax rate on consolidated pre-tax earnings differs from the U.S. federal income tax statutory rate for the following reasons:

	% of Pre-Tax Earnings 1979	1978
U.S. federal income tax statutory rate	46.00%	48.00%
Increase (decrease) resulting from:		
U.S. investment tax credit	(5.26)	(3.35)
Capital gains on timber	(2.03)	
Difference between U.S. federal statutory rate and foreign effective rates	2.96	1.00
Tax on U.S. foreign source income	2.95	2.16
Other, net	2.77	1.11
	47.39%	48.92%

12. Business Segment Information

See "Results By Major Business Segments and Geographic Areas" on pages 26 and 27 for summarized financial information relating to the Company's operations in different businesses and geographic areas during 1979 and 1978.

13. Unaudited Financial Information

a/ Supplemental Information on Inflation and Changing Prices

In 1979 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices" providing for the disclosure of selected financial information concerning the effects of general inflation and specific price changes on a business enterprise. See "Supplemental Information on Inflation and Changing Prices" on pages 34 through 39 for the financial information required by this Statement.

b/ Interim Results

Results for the four quarters of 1979 and 1978 are shown below (thousands, except per share amounts):

	1979 Three Months Ended				1978 Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues								
Net sales	$616,583	$607,540	$576,085	$476,221	$440,248	$435,169	$434,855	$338,327
Other income, net*	1,990	9,376	6,512	3,055	14,144	3,687	4,453	5,706
Total	618,573	616,916	582,597	479,276	454,392	438,856	439,308	344,033
Costs and Expenses	551,166	535,540	502,180	428,209	382,747	378,908	364,764	289,851
Income From Operations	67,407	81,376	80,417	51,067	71,645	59,948	74,544	54,182
Interest Expense	15,018	14,936	17,127	15,360	7,168	4,927	5,128	5,032
Earnings Before Income Taxes	52,389	66,440	63,290	35,707	64,477	55,021	69,416	49,150
Income Taxes	25,287	31,665	29,571	16,697	30,151	27,657	34,892	23,762
Net Earnings *(before preferred dividends)*	27,102	34,775	33,719	19,010	34,326	27,364	34,524	25,388
Dividends on Preferred Stock	6,219	6,218	6,215	4,901				
Net Earnings Available for Common Stock	$ 20,883	$ 28,557	$ 27,504	$ 14,109	$ 34,326	$ 27,364	$ 34,524	$ 25,388
Weighted Average Common Shares Outstanding	22,235	22,094	21,979	21,871	21,762	21,685	21,612	21,518
Net Earnings Per Common Share	$.94	$1.29	$1.25	$.65	$1.58	$1.26	$1.60	$1.18
Dividends Per Common Share	$.48	$ .48	$ .48	$.45	$ .45	$ .45	$ .45	$ .45

**The fourth quarter of 1979 reflects a $7.3 million pre-tax loss provision for the planned disposition of the Company's Buckner irrigation and sprinkler business, resulting in a $4.4 million charge to net earnings, or $.20 per common share.*

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.

The financial statements necessarily include some amounts that are based on Management's best estimates and judgments. Management believes that the financial statements reflect in all material respects the substance of transactions which should be included and appropriately account for or disclose all material uncertainties. All of the other financial information in the Annual Report to Shareholders is consistent with that in the financial statements.

Johns-Manville maintains internal accounting 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.

In establishing and maintaining its internal accounting control systems, Management considers the inherent limitations of the various control procedures and weighs their cost against the benefits derived. Management believes that existing internal accounting control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of the financial statements.

Oversight of Management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through its Audit Committee, which consists solely of outside 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 matters concerning internal accounting control and financial reporting. The independent accountants and the Company's internal audit department have free access to meet with the Audit Committee without Management's presence.

J A McKinney

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

L. J. Bartolanzo

Leo J. Bartolanzo
Senior Vice President, Finance

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, 1979 and 1978, 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 10% and 9%, respectively, in 1979 and 12% and 11%, respectively, in 1978 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, 1979 and 1978, 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 1, 1980
Denver, Colorado

Board of Directors

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

J. Jacques Beauchemin, Q.C.
President, Sullivan Mines Ltd., Quebec, Canada

George C. Dillon
Chairman of the Board and Chief Executive Officer, Butler Manufacturing Company, Kansas City, Missouri

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

William C. Janss
Retired, Formerly Chairman of the Board, Sun Valley Company, Inc., Sun Valley, Idaho

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

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

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

John D. Mullens
Senior Vice President, Johns-Manville Corporation, and President, Olinkraft, Inc. (a subsidiary), West Monroe, Louisiana

George B. Munroe
Chairman of the Board and Chief Executive Officer, Phelps Dodge Corporation, New York City, New York

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, New York City, New York

Charles J. Zwick
President and Chief Executive Officer, Southeast Banking Corporation, Miami, Florida

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
William F. May
George B. Munroe
John P. Schroeder
Charles J. Zwick

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. Cujé
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

G. Earl Parker
Senior Vice President, General Counsel and Secretary

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

Josh T. Hulce
Vice President, Purchasing

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

John F. Knoth
Vice President and Controller

John F. Matousek
Vice President, Electronic Data Processing

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

**Mr. May has elected not to stand for re-election to the board of directors and will be engaged in special assignments for the corporation.*

Shareholder Information

About J-M Stock

Johns-Manville had 27,600 common shareholders and 24,100 preferred shareholders at December 31, 1979. Johns-Manville is registered on the New York Stock Exchange (symbol JM), and its stock is traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia 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 1980 Annual Meeting of Shareholders to be held in the LaFontaine Ballroom of the Warwick Hotel, 5701 Main, Houston, Texas on Friday, May 2, 1980 at 10 a.m., Central Time. Proxy materials for the meeting are included with this mailing.

Dividend Reinvestment

Johns-Manville 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. Johns-Manville 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, 1979, 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
500 Place D'Armes
Montreal H2Y 2J1
Quebec

Designed by Genesis, Inc.
Litho in U.S.A.

Johns-Manville Corporation

Ken-Caryl Ranch
Denver, Colorado 80217
(303) 979•1000

JM