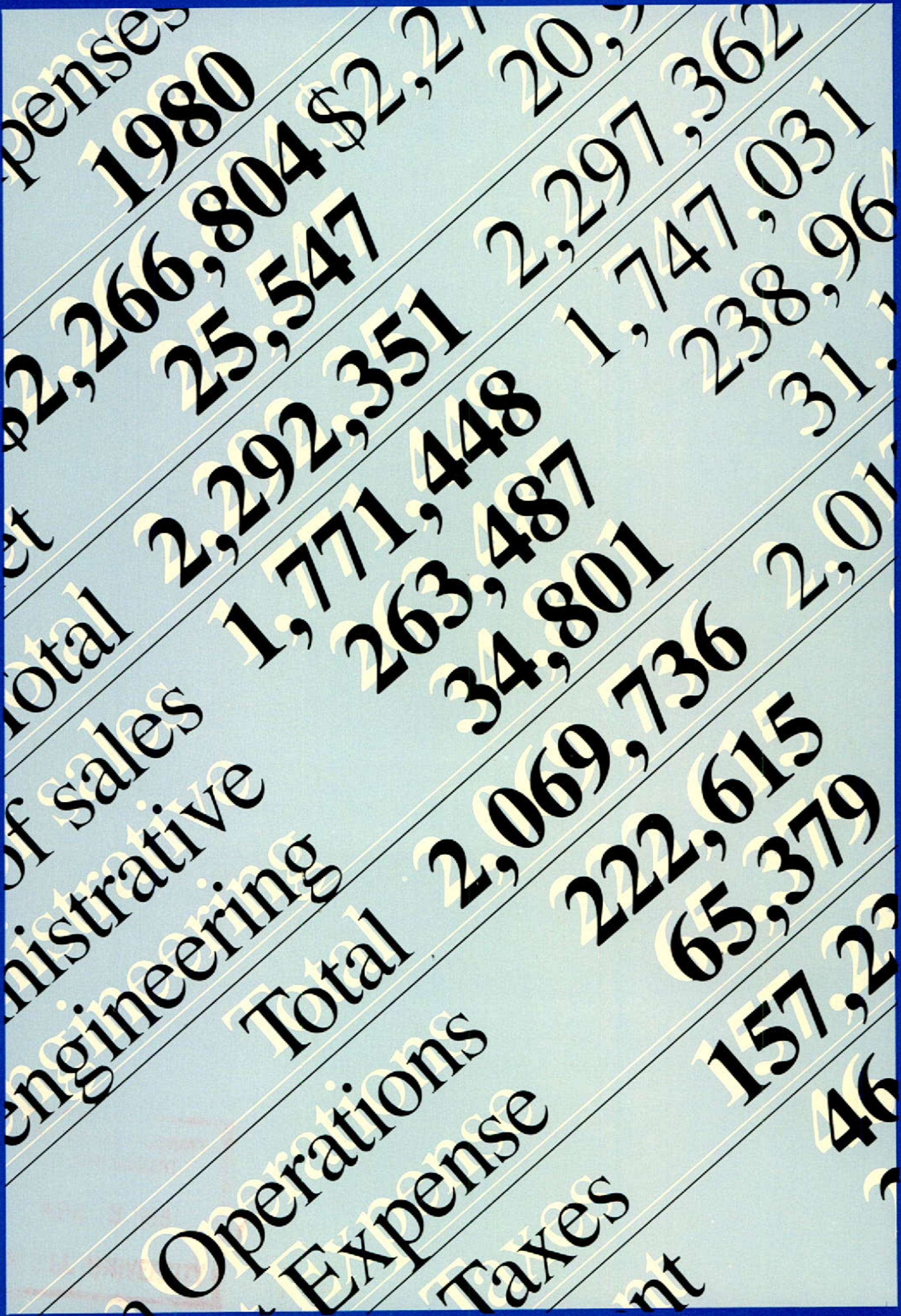
Johns-Manville Corporation
Annual Report 1980



JM

Dear Shareholder:

This year Johns-Manville has taken a new approach to our Annual Report to Shareholders. Our new approach is to provide our shareholders with a shorter form report which contains only that information that is most meaningful to investors. This will result in reduced costs to the Corporation and, ultimately, to the shareholders while at the same time improving the quality of our disclosure package. In addition, our quarterly reports will be expanded to provide you promptly with information on developments of importance. Please let us know what you think about our 1980 Annual Report.

Revenues for 1980 were approximately the same as 1979, while net earnings dropped. The downturn in the domestic economy had a very severe impact on those businesses related to the construction industry. Particularly, high mortgage and lending rates and high rates of inflation resulted in a dramatic decline in the level of construction activity and, accordingly, demand for many J-M products. In addition, the Company's forest products businesses did not operate at expected performance levels. We have instituted a number of programs designed to optimize our earnings potential in a down economy, and we feel that we are well positioned to take advantage of the anticipated improvement in the economy.

The continuous increase in the number of asbestos/health related lawsuits filed against the Company and growth in the average disposition costs of these cases have given rise to an inability to predict the ultimate volume of litigation and associated disposition costs. Accordingly, J-M's independent accountants have qualified their report on J-M's 1979 and 1980 consolidated financial position. Note 5 to the consolidated financial statements contains an explanation of this situation.

In spite of the uncertainties created by this growth in litigation, we continue to be optimistic about our ability to deal with this problem. Since this litigation began, we have won 19 of the 28 cases that have proceeded through trial. Even more indicative of the quality of our legal defenses is a victory rate of 18 of the last 24 cases tried. You can be assured that we will continue to be aggressive in asserting our defenses.

J.A. McKinney

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

The Company

Johns-Manville, founded in 1858, is a diversified manufacturing, mining and forest products company.

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 largest producer of asbestos fiber outside of the U.S.S.R.

Johns-Manville employs 31,000 people at more than 130 plants, mines, and sales and administrative offices, about one third of which are outside of the United States.

The Company's product lines fall into seven major business segments:

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.

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

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.

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

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.

Asbestos fiber consists of milled asbestos fiber which is 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.

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 and shingles; asbestos felts; engineering services; perlite ore; synthetic silicates and other industrial accessory products.

The principal methods of competition for the Company's products include price, service, distribution, warranty and product quality and performance.

Comparative Stock Data

	1980			1979		
	High	Low	Dividend**	High	Low	Dividend
Market Prices Per Common Share*						
For the Quarters Ended						
March 31	**24⅞**	**18¼**	**$ .48**	25¼	22½	$ .45
June 30	**23¼**	**18⅜**	**.48**	25¾	23¼	.48
September 30	**31⅜**	**22½**	**.48**	27¾	24	.48
December 31	**29⅝**	**21⅝**	**.48**	26½	21⅞	.48
Market Prices Per Preferred Share*						
For the Quarters Ended						
March 31	**55**	**42**	**$1.35**	62½	61¼	$1.065
June 30	**56⅛**	**41¼**	**1.35**	64⅝	61⅝	1.35
September 30	**52½**	**46**	**1.35**	64	58¾	1.35
December 31	**48½**	**41½**	**1.35**	59	54⅛	1.35

*The Company's common and preferred stock are listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape.
**The Company is not aware of any restriction which will affect its present ability to pay dividends.

Johns-Manville Corporation

Financial Highlights

(Thousands of dollars except per share amounts)

	Years Ended December 31				
	1980	1979	1978	1977	1976
Net Sales	**$2,266,804**	$2,276,429	$1,648,599	$1,461,432	$1,308,771
Net Earnings	**$ 80,636**	$ 114,606	$ 121,602	$ 102,627	$ 53,417
Net Earnings Available for Common Stock	**$ 55,717**	$ 91,053	$ 121,602	$ 102,627	$ 53,417
Funds Provided by Operations	**$ 181,351**	$ 234,669	$ 181,743	$ 170,966	$ 127,641
Long-Term Debt and Redeemable Preferred Stock	**$ 819,573**	$ 831,828	$ 842,135	$ 203,249	$ 208,161
Total Assets	**$2,338,159**	$2,323,172	$2,216,955	$1,333,800	$1,188,200
Per Common Share Data: Net Earnings	**$2.47**	$4.13	$5.62	$4.78	$2.64
Dividends	**$1.92**	$1.89	$1.80	$1.55	$1.35

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

1980 vs. 1979

Net sales in 1980 of $2.27 billion were $10 million lower than 1979 net sales. Reduced demand in housing and other construction markets, brought on by the recession and high interest rates in the U.S., was principally responsible for the decrease. The volume of shipments of U.S. manufactured products was 15% lower than in the previous year. Despite this weakness in most of the Company's end-markets, selling prices in the U.S. averaged 11% higher in 1980 than in 1979 and rose during 1980 at a faster rate than costs. The volume of shipments of Canadian subsidiaries also fell during 1980 by about 6% from 1979 levels, with much of the decline resulting from lower asbestos fiber shipments. In contrast, net sales by overseas subsidiaries were strong during most of the year but gradually weakened as European economies began to slip into recession. However, for all of 1980, net sales by overseas subsidiaries were 18% higher than for 1979.

Lower demand in the U.S. combined with a program of carefully monitoring inventory levels resulted in substantial production cutbacks in many U.S. manufacturing operations. The fixed costs associated with this underutilized capacity adversely affected the ratio of cost of sales to net sales, which rose 1.4 percentage points to 78.1%.

The 1.3 percentage point rise in the effective income tax rate to 48.7% was due principally to higher taxes on U.S. foreign source income and to the lower level of U.S. earnings.

Net earnings decreased to $80.6 million from the $114.6 million earned in 1979. Included in 1980 are net earnings of $6.4 million relating to the liquidation of LIFO inventories.

Continuing high interest rates and uncertainties concerning the extent and timing of the economic recovery in the U.S. inhibit a substantial near-term recovery from the reduced operating levels experienced in 1980. Consequently, profit margins in many product lines are likely to remain below historical levels over at least the first half of 1981, although some improvement is expected for the full year.

1979 vs. 1978

Net sales reached $2.28 billion in 1979, including $497 million in net sales from Olinkraft (subsequently renamed Manville Forest Products), 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 Manville Forest Products, 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. Net sales of U.S. manufactured products (excluding Manville Forest Products) exceeded year earlier levels by roughly 5%, resulting from a 2.5% decline in the volume of shipments coupled with an 8% increase in average selling prices. The continued strengthening of most European operations enabled the Company's overseas businesses to register an impressive 27% sales increase, not including the $72 million of net sales from the Manville Forest Products Brazilian subsidiary. In Canada, where sales rose 9%, a virtually flat volume of shipments for manufactured products on which only moderate price increases were realized mitigated much of the effect of higher asbestos fiber sales.

The ratio of cost of sales to net sales rose 4.5 percentage points from 72.2% to 76.7%. Excluding Manville Forest Products, the cost ratio increased 3 percentage points. 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.

Interest on borrowings to finance the Manville Forest Products acquisition and on debt assumed in that acquisition accounted for most of the roughly $40 million increase in interest expense.

The effective income tax rate was 47.4% in 1979 versus 48.9% in 1978. The primary reasons for the reduction were the 1979 change in the U.S. statutory rate from 48% to 46% and the consolidation in 1979 of Manville Forest Products operating results, which had a lower effective income tax rate than most of the Company's other operations.

Net earnings were $114.6 million, compared to the record $121.6 million achieved in 1978. Net earnings were reduced by $4.4 million resulting from a provision for the disposition of the Company's irrigation and sprinkler business.

Capital Resources and Liquidity

The Company defines liquidity as its ability to generate sufficient cash flow to meet all of its obligations and commitments. In addition, considerations of liquidity include the ability to obtain bank credit lines and other types of debt and equity financing. Therefore, liquidity cannot be considered separately from capital resources, which consist of current or potentially available funds for use in achieving long-range objectives.

The Company utilizes capital resources in three principal areas: (1) for working capital requirements, (2) to construct or acquire property, plant and equipment and related assets, and (3) as a return to shareholders and lenders on their investments.

The Company's working capital requirements are affected by many diverse factors including the seasonal nature of certain operations; the impact of economic cycles in the United States, Europe and other parts of the world on various businesses; and the amount and timing of payments. The Company attempts to mitigate the uncertainties associated with these factors by selling a wide range of products in numerous end-markets, engaging in business in many different areas of the world, integrating operations whenever appropriate, and carefully monitoring both short and long-range cash flow activity.

Working capital is required, in part, to maintain adequate stocks of raw materials and saleable finished products and to finance sales until payment is received from customers. Because demand for many of the Company's products is seasonal and due to production lead times, inventories generally increase during the winter months and decrease during the construction season. Inventory levels during 1980 were typical in this respect, with a $69 million rise between January 1 and April 30 followed by an even greater decline from that date to the end of the year. Trade receivables are also seasonally affected. The amount of outstanding receivables will generally increase during the year to correspond with the seasonal trend in sales in certain businesses between the spring and early fall.

To the extent that these seasonal working capital requirements and other cash needs in 1980 were not financed from operations, the Company issued commercial paper at competitive rates. The amount of commercial paper outstanding during 1980 rose from $9.5 million at the beginning of the year to a month-end high of $92 million in June. The amount outstanding then declined to zero at December 31. The Company is presently maintaining $152 million in lines of credit to support the issuance of commercial paper and larger credit lines would be available if needed.

During 1980 the recession in the U.S. adversely impacted many of the Company's operations. In order to conserve working capital during this period, programs were instituted to monitor inventory levels and extensions of credit and to maintain stringent controls on discretionary spending. The success of these programs is demonstrated by the 15% decline in the physical units of U.S. and Canadian inventories and the $14 million reduction in trade receivables between January 1 and December 31; and the moderate rise in selling, general and administrative expenses in 1980, despite severe inflationary effects in all areas of spending. (For a more detailed discussion of the impact of inflation on the operations of the Company, see "Supplemental Information on Inflation and Changing Prices" beginning on page 16.)

In recent years the Company has undertaken several large-scale capital expenditure programs which have substantially increased production capacity in many major product lines. Most of these programs had been largely completed by the end of 1980. As a result, the Company is now positioned to participate fully in the expected growth in many of its markets during the 1980's. Significant unused production capacity currently exists in many operating areas which will permit large sales volume increases from the present production base. Over the next several years, it is anticipated that capital expenditures in real terms will be lower than the $182 million spent in the peak year of 1979. Effort will now be directed principally at improving productivity and cost efficiencies at existing operations. Consequently, the projected level of capital expenditures in 1981 is expected to be approximately the same as the $131 million spent in 1980.

The Company also acquired substantial property, plant and equipment, as well as other assets, with the acquisition of the Manville Forest Products operations in late 1978 and early 1979. This $596 million acquisition was financed using a combination of cash, long-term debt and redeemable preferred stock. Its purpose was to add to the natural resource base and diversify the product mix of the Company. Because of its size, the purchase resulted in a more leveraged capital structure; consequently, the Company has an immediate short-term goal to reduce the ratio of debt to equity on its balance sheet. Anticipated cash flows during the next several years in excess of operating and capital expenditure requirements are expected to permit a reduction in the debt and interest expense levels.

Because of the recessionary environment in the U.S. during most of 1979 and 1980, the Company did not generate substantial cash flow in excess of operating and capital expenditure requirements in these years. Cash flow generated by individual operations in excess of their own operating and capital expenditure requirements were generally available for use by other operations on a worldwide basis.

The Company believes that its cash flow provided by operations will improve when the U.S. economy strengthens in the near future. Greater cash flow from operations is expected in future years from a combination of higher utilization of production capacity and a return of gross profit margins in the U.S. to more normal levels.

Uncertainties exist concerning the eventual outcome and ultimate liability to the Company with respect to asbestos/health litigation (see Note 5, "Contingencies"). It is anticipated, however, that costs associated with asbestos/health litigation will not have a material effect on the Company's liquidity during the next few years, if ever.

Johns-Manville Corporation

Consolidated Balance Sheets

December 31, 1980 and 1979

(Thousands of dollars)

Assets	**1980**	1979
Current Assets		
Cash (*including time deposits of $12,425 in 1980, $11,112 in 1979*)	**$ 19,699**	$ 18,692
Marketable securities, at cost (*approximates market*)	**12,186**	10,023
Receivables (*net of allowances of $7,708 in 1980, $8,939 in 1979*)		
Trade	**314,644**	328,192
Other	**35,492**	33,443
Inventories (*Notes 1b and 3*)	**216,749**	228,988
Prepaid expenses (*principally deferred income taxes*)	**20,132**	30,786
Total Current Assets	**618,902**	650,124
Property, Plant and Equipment, at cost (*Note 1c*)		
Land and land improvements	**117,671**	114,189
Buildings	**357,102**	348,749
Machinery and equipment	**1,204,275**	1,121,908
	1,679,048	1,584,846
Less, Accumulated depreciation and depletion	**484,397**	430,448
	1,194,651	1,154,398
Timber and timberlands, less cost of timber harvested	**407,463**	409,012
Property, plant and equipment, net	**1,602,114**	1,563,410
Other Assets (*principally investments and long-term receivables*)	**117,143**	109,638
	$2,338,159	$2,323,172

Liabilities		
Current Liabilities		
Short-term debt (*principally current portion of long-term debt*)	**$ 21,749**	$ 32,408
Accounts payable	**125,722**	134,610
Compensation and employee benefits	**80,191**	72,986
Income taxes	**21,663**	34,806
Other accrued liabilities	**60,946**	54,035
Total Current Liabilities	**310,271**	328,845
Long-Term Debt (*Note 4*)	**519,144**	532,377
Other Non-Current Liabilities	**75,430**	71,436
Deferred Income Taxes (*Note 1e*)	**210,997**	194,642
	1,115,842	1,127,300
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: 1980—4,621,982 shares, 1979—4,606,946 shares (*Note 7*)	**300,429**	299,451
Common Shareholders' Equity		
Common Stock, $2.50 par, authorized 50,000,000 shares; issued: 1980—23,010,433 shares, 1979—22,456,693 shares (*Note 8*)	**221,120**	208,370
Earnings Reinvested	**704,725**	692,420
	925,845	900,790
Less, Cost of treasury stock, 1980—129,396 shares, 1979—142,879 shares (*Note 8*)	**3,957**	4,369
	921,888	896,421
	$2,338,159	$2,323,172

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

Johns-Manville Corporation

Consolidated Statements of Earnings and Earnings Reinvested

for the Three Years Ended December 31

(Thousands of dollars except per share amounts)

Earnings	**1980**	1979	1978
		(Note 2)	
Revenues			
Net sales	**$2,266,804**	$2,276,429	$1,648,599
Other income, net	**25,547**	20,933	27,990
Total	**2,292,351**	2,297,362	1,676,589
Costs and Expenses			
Cost of sales	**1,771,448**	1,747,031	1,190,318
Selling, general and administrative	**263,487**	238,964	193,401
Research, development and engineering	**34,801**	31,100	32,551
Total	**2,069,736**	2,017,095	1,416,270
Income From Operations	**222,615**	280,267	260,319
Interest Expense	**65,379**	62,441	22,255
Earnings Before Income Taxes	**157,236**	217,826	238,064
Income Taxes *(Notes 1e and 10)*			
Current	**46,680**	57,261	98,423
Deferred	**29,920**	35,959	18,039
Total	**76,600**	103,220	116,462
Net Earnings *(before preferred dividends)*	**80,636**	114,606	121,602
Dividends on Preferred Stock	**24,919**	23,553	
Net Earnings Available for Common Stock	**$ 55,717**	$ 91,053	$ 121,602

Earnings Reinvested			
Earnings Reinvested at Beginning of Year	**$ 692,420**	$ 643,317	$ 561,019
Net Earnings Available for Common Stock	**55,717**	91,053	121,602
Dividends on Common Stock	**(43,378)**	(41,692)	(38,972)
Loss on Dispositions of Treasury Stock *(Note 8)*	**(34)**	(258)	(332)
Earnings Reinvested at End of Year	**$ 704,725**	$ 692,420	$ 643,317

Net Earnings Per Common Share *(Notes 1f and 8)*	**$2.47**	$4.13	$5.62

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

Johns-Manville Corporation

Consolidated Statements Of Changes In Financial Position

for the Three Years Ended December 31

(Thousands of dollars)

	1980	1979	1978
		(Note 2)	
Funds Provided By			
Operations			
Net Earnings (*before preferred dividends*)	**$ 80,636**	$114,606	$121,602
Items Not Requiring (Providing) Working Capital			
Depreciation and depletion	**78,864**	74,843	42,401
Deferred income taxes (*non-current portion*)	**16,355**	44,368	20,515
Other, net	**5,496**	852	(2,775)
	181,351	234,669	181,743
Issuance of Long-Term Debt (*Note 4*)	**110,892**	115,286	205,862
Issuance of Common Stock, Including Treasury Stock (*Note 8*)	**13,128**	12,303	9,716
Dispositions of Property, Plant and Equipment	**12,177**	8,069	5,073
Increase in Other Non-Current Liabilities	**3,994**	10,939	12,037
Issuance of Cumulative Preferred Stock (*Note 7*)	**978**	560	298,891
Net Change in Working Capital	**12,648**	(5,801)	50,704
	$335,168	$376,025	$764,026
Funds Used For			
Additions to Property, Plant and Equipment	**$129,745**	$189,321	$174,007
Reduction of Long-Term Debt (*Note 4*)	**124,125**	126,153	7,125
Dividends on Common Stock	**43,378**	41,692	38,972
Dividends on Preferred Stock	**24,919**	23,553	
Increase (Decrease) in Other Assets	**13,001**	(4,694)	2,021
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)
	$335,168	$376,025	$764,026
Working Capital Changes			
Current Assets			
Cash	**$ 1,007**	$ (9,469)	$ (11,310)
Marketable securities	**2,163**	(27,845)	(82,685)
Trade receivables	**(13,548)**	28,774	66,116
Other receivables	**2,049**	5,240	(1,150)
Inventories	**(12,239)**	9,739	70,538
Prepaid expenses	**(10,654)**	(1,085)	1,999
Net (Decrease) Increase	**(31,222)**	5,354	43,508
Current Liabilities			
Short-term debt	**10,659**	(9,041)	(4,908)
Accounts payable	**8,888**	(33,387)	(40,609)
Compensation and employee benefits	**(7,205)**	(5,576)	(18,901)
Income taxes	**13,143**	35,868	(13,701)
Other accrued liabilities	**(6,911)**	12,583	(16,093)
Net Increase (Decrease)	**18,574**	447	(94,212)
Net Change in Working Capital	**$ (12,648)**	$ 5,801	$ (50,704)

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

Notes to Consolidated Financial Statements

Note 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 prior years' consolidated financial statements to conform to the 1980 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 thirty-two 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.

Note 2—Acquisition of Olinkraft, Inc.

The Company purchased Olinkraft, Inc., (subsequently renamed Manville Forest Products), 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 Manville Forest Products results of operations were consolidated into the Company's consolidated statement of earnings beginning January 1, 1979. If Manville Forest Products 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.

Note 3—Inventories

The major classes of inventories were as follows:

	(Thousands of dollars)	
	1980	1979
Finished goods and goods-in-process	**$111,186**	$121,413
Raw materials	**70,820**	76,397
Supplies	**34,743**	31,178
	$216,749	$228,988

The opening and closing balances of inventories used in the computation of cost of sales and the approximate excess of current values over values for financial reporting were as follows:

	(Thousands of dollars)	
	Financial Reporting Values	Excess of Current Values
Years ended December 31:		
1980	$216,749	$131,253
1979	228,988	122,282
1978	219,249	89,439
1977	148,711	83,673

Note 4—Long-Term Debt

Long-term debt consisted of the following:

	(Thousands of dollars)	
	1980	1979
Term loan, at prime (21.5% at December 31, 1980), due 1990 *(see discussion below)*	**$100,000**	
Revolving credit and term loan agreement, at prime, due 1983 through 1988 *(see discussion below)*		$100,000
Registered notes, 9.7%, due 1985	**100,000**	100,000
Notes payable to insurance companies, 4.65% to 9.625%, due 1981 through 1996	**95,114**	98,140
Registered sinking fund debentures, 7.85%, due 2004, $3,000,000 annual sinking fund payments commencing in 1985	**75,000**	75,000
Mortgage loan on headquarters building, 9.375%, semi-annual payments through 2011	**68,493**	68,883
Capitalized lease obligations *(principally related to industrial revenue bonds at 4.9% to 8.6%)*, maturing from 1981 through 2008	**57,468**	55,861
Mortgages and loans *(principally of foreign subsidiaries)*, 4.0% to 23.75%, due 1981 through 1994	**39,586**	51,610
	535,661	549,494
Less, Current maturities	**16,517**	17,117
	$519,144	$532,377

Long-term debt maturities and sinking fund requirements at December 31, 1980 were as follows:

	(Thousands of dollars)
1981	$ 16,517
1982	17,918
1983	15,350
1984	26,352
1985	135,223
After 1985	324,301
	$535,661

During 1980, the Company cancelled a revolving credit and term loan agreement with twelve banks to borrow up to $200 million. The $100 million which had been borrowed under this agreement was refinanced with the same twelve banks in the form of a ten year term loan. The interest rate on the term loan is based, at the periodic election of the Company, on either the Morgan Guaranty Trust Company prime rate or the London interbank market rate (LIBOR). The rate will rise in steps from either prime or LIBOR + ½% for the first three years to either 110% of prime or LIBOR + ⅞% in the last three years. 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.

The Company also cancelled credit lines for $50 million during 1980 along with the $100 million of unused lines under the revolving credit and term loan agreement, and established new credit lines for $152 million individually negotiated with seventeen banks. These credit lines require either the payment of annual commitment fees or the maintenance of compensating cash balances. In 1980 the credit lines supported the issuance of commercial paper to finance seasonal working capital requirements.

Note 5—Contingencies

The Company is a defendant or co-defendant in a substantial number of lawsuits brought by present or former insulation workers, shipyard workers, factory workers and other persons alleging damage to their health from exposure to dust from asbestos fiber or asbestos-containing products manufactured or sold by the Company and, in most cases, by certain other defendants. The majority of these claims allege that the Company and other defendants failed in their duty to warn of the hazards of inhalation of asbestos fiber and dust originating from asbestos-containing products. In the opinion of Management, the Company has substantial defenses to these legal actions, resulting in part from 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.

Also included in these legal actions are a number of cases brought by some of the Company's own employees and by employees of other manufacturing companies which use 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 other 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 the employees of the Company, that applicable workers' compensation statutes provide appropriate defenses to most such claims.

It is the Company's belief that the claims and lawsuits pending and which may arise in the future relate to events and conditions existing in prior years. More specifically, it is the Company's belief, based on the following factors and assumptions, that since at least prior to the period covered by these financial statements, no significant new potential liabilities have been created for the Company with respect to diseases known to be related to asbestos and arising from asbestos fiber and/or asbestos-containing products manufactured or sold by the Company:

- That since the mid-1970's, the Company has sold asbestos fiber in the United States only in pressure pack, block form or other similar condition and not in a loose form;
- That by 1973, the Company had ceased domestic manufacture of thermal insulation products containing asbestos which are the products principally involved in disease claims made against the Company;
- That the Occupational Safety and Health Administration (OSHA) established a maximum exposure standard for asbestos fiber of five fibers per cubic centimeter in 1972 and lowered that standard to two fibers per cubic centimeter in 1976. It is assumed that compliance with such standards in the work place was achieved within a reasonable time following such promulgation and is continuing to date; and
- With respect to any use not complying with the OSHA asbestos standards, the Company's defensive posture with respect to claims arising out of such environments will be significantly enhanced.

As of December 31, 1980, the Company was a defendant or co-defendant in 5,087 asbestos/health suits brought by approximately 9,300 individual plaintiffs. This represents a substantial increase from the December 31, 1979 level of 2,707 cases (brought by approximately 4,100 plaintiffs) and the December 31, 1978 level of 1,181 cases (brought by approximately 1,500 plaintiffs). During 1979, the Company was named as a defendant in an average of 141 cases per month (brought by an average of 196 plaintiffs) as compared with an average of 65 cases per month (brought by an average of 83 plaintiffs) in 1978. During the first three quarters of 1980, the Company was named as a defendant in an average of 194 cases per month (brought by an average of 382 plaintiffs); this rate increased to an average of 304 cases per month (brought by an average of 403 plaintiffs) in the fourth quarter of 1980. During 1980, the Company disposed of 402 claims at an average disposition cost (excluding legal expenses) of $23,300, substantially all of which was paid by applicable insurance. This level of disposition cost represents a significant growth from the pre-1980 level of approximately $13,000 per claim. The growth in these two areas has significantly increased the uncertainties as to the future number of similar claims which the Company may receive, and the future disposition costs of the pending and future claims. Also during 1980, to resolve uncertainties as to the correct interpretation of a number of provisions in the various policies of insurance maintained by the Company and applicable to these claims, it was necessary for the Company to bring a declaratory judgment action to have such issues resolved by a court of law. While it continues to be the Company's opinion that its position with respect to these issues is sound and in accord with the weight of judicial precedents, any litigation involves uncertainties to some degree.

Because of the uncertainties associated with the asbestos/health litigation, and in spite of the substantial defenses the Company believes it has with respect to these claims, the eventual outcome of the asbestos/health litigation cannot be predicted at this time and the ultimate liability of the Company after application of available insurance cannot be estimated with any degree of reliability. No reasonable estimate of loss can be made and no liability has been recorded in the financial statements. Liabilities, if any, relating to asbestos/health litigation will be recorded in accordance with generally accepted accounting principles when such amounts can be reasonably estimated. Depending on how and when these uncertainties are resolved, the cost to the Company could be substantial.

Note 6—Leases

Total rental expense was $24,580,000 in 1980, $24,692,000 in 1979, and $18,839,000 in 1978.

At December 31, 1980, minimum rental commitments of the Company and its subsidiaries under long-term noncancelable operating leases were as follows:

	(Thousands of dollars)
1981	$10,593
1982	8,171
1983	5,436
1984	4,106
1985	2,827
After 1985	15,165
	$46,298

Note 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."). Also, at the time of the Olinkraft merger, stock options were granted to purchase 39,162 shares of $5.40 series stock in substitution for previously granted Olinkraft stock options. All changes in the number of preferred shares outstanding have been due to the exercise of stock options assumed in the merger. 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.

Note 8—Common Stock

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

	(Thousands of dollars)			
	Common Stock		Treasury Stock	
	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 plan	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
Common stock issued in connection with:				
Employee stock purchase plan	513,687	11,674		
Exercise of common stock options	40,053	1,076		
Treasury stock issued in connection with:				
Employee stock ownership plan			(8,844)	(270)
Deferred compensation plans			(2,091)	(64)
Exercise of stock appreciation rights			(2,548)	(78)
Balance at December 31, 1980	23,010,433	$221,120	129,396	$ 3,957

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, 1980, 5,667 qualified options and 419,033 non-qualified options (including 192,850 options subject to stock appreciation rights) were outstanding at prices ranging from $12.71 to $39.875 per common share, of which 367,932 were exercisable at December 31, 1980. Total proceeds for options exercised amounted to $592,000 in 1980, $257,000 in 1979, and $728,000 in 1978.

There would be 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 22,586,000 in 1980, 22,044,000 in 1979 and 21,642,000 in 1978.

Note 9—Pensions

Total pension expense was $32,847,000 in 1980, $27,662,000 in 1979 and $20,196,000 in 1978. At January 1, 1980, accumulated plan benefits and plan net assets of the Company's defined benefit plans covering U.S. employees were as follows:

	(Thousands of dollars)
Actuarial present value of accumulated plan benefits:	
Vested	$313,864
Nonvested	19,085
	$332,949
Market value of net assets available for benefits	$372,427

The actuarial present value of accumulated plan benefits was calculated using an 8% assumed rate of return. Pension plans covering the Company's foreign employees are not subject to reporting requirements similar to those of ERISA and, accordingly, the asset and benefit information as calculated and presented above is not available. For such plans, the total of the amounts in these plans and the actuarially computed value of vested benefits are approximately the same.

Note 10—Income Taxes

Earnings before income taxes and income tax expense consisted of the following:

	(Thousands of dollars)		
	1980	1979	1978
Earnings before income taxes			
Domestic	**$ 53,222**	$109,748	$164,197
Foreign	**104,014**	108,078	73,867
	$157,236	$217,826	$238,064
Income tax expense			
Current:			
U.S. federal	**$ (754)**	$ 14,915	$ 45,574
U.S. state and local	**4,776**	5,844	8,933
Foreign			
Canadian federal and provincial	**11,723**	19,164	25,549
Canadian provincial mines	**5,307**	9,903	8,891
Other	**25,628**	17,435	9,476
	46,680	67,261	98,423
Deferred:			
U.S.	**22,402**	27,363	15,795
Foreign			
Canadian federal and provincial	**1,222**	2,967	(3,840)
Canadian provincial mines	**2,641**	2,531	2,637
Other	**3,655**	3,098	3,447
	29,920	35,959	18,039
	$ 76,600	$103,220	$116,462

The U.S. investment tax credit amounted to $6,347,000 in 1980, $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 had not provided deferred income taxes at December 31, 1980 were approximately $315,000,000.

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		
	1980	1979	1978
U.S. federal income tax statutory rate	**46.00%**	46.00%	48.00%
Increase (decrease) resulting from:			
U.S. investment tax credit	**(4.04)**	(5.26)	(3.35)
Capital gains on timber	**(3.87)**	(2.03)	
Difference between U.S. federal statutory rate and foreign effective rates	**1.86**	2.96	1.00
Tax on U.S. foreign source income	**6.16**	2.95	2.16
Other, net	**2.61**	2.77	1.11
	48.72%	47.39%	48.92%

Deferred income tax expense consisted of the following:

	(Thousands of dollars)		
	1980	1979	1978
Excess of tax over financial statement depreciation	**$31,188**	$33,864	$15,998
Undistributed earnings of foreign subsidiaries	**(4,931)**	986	(161)
Other, net	**3,663**	1,109	2,202
	$29,920	$35,959	$18,039

Note 11—Business Segment Information

See "Consolidated Results by Major Business Segments and Geographic Areas" on pages 14 and 15 for summarized financial information relating to the Company's operations in different businesses and geographic areas.

Note 12—Unaudited Supplemental Information on Inflation and Changing Prices

Recent pronouncements by the Financial Accounting Standards Board require disclosure of selected financial information concerning the effects of general inflation and specific price changes on a business enterprise. For the required disclosure, see "Supplemental Information on Inflation and Changing Prices" beginning on page 16.

Consolidated Results by Major Business Segments and Geographic Areas

for the Three Years Ended December 31

(Thousands of dollars)

	Years Ended December 31		
Revenues	**1980**	1979	1978
Fiber Glass Products	**$ 610,071**	$ 573,198	$ 514,287
Forest Products(c)	**508,199**	497,398	
Non-Fiber Glass Insulations	**279,449**	267,862	231,190
Roofing Products	**249,996**	272,677	253,807
Pipe Products and Systems	**220,084**	304,856	303,334
Asbestos Fiber	**158,946**	168,199	157,291
Industrial and Specialty Products and Services	**340,935**	308,390	290,845
Corporate revenues, net	**9,024**	11,020	19,894
Elimination of intersegment sales (a)	**(84,353)**	(106,238)	(94,059)
	$2,292,351	$2,297,362	$1,676,589
Income From Operations			
Fiber Glass Products	**$ 91,060**	$ 95,650	$ 107,279
Forest Products (c)	**37,001**	50,320	
Non-Fiber Glass Insulations	**26,606**	27,190	35,484
Roofing Products	**9,417**	14,360	23,219
Pipe Products and Systems	**(4,773)**	17,983	25,861
Asbestos Fiber	**35,048**	56,477	54,592
Industrial and Specialty Products and Services	**54,634**	43,474	35,911
Corporate expense, net	**(37,756)**	(23,436)	(22,971)
Eliminations and adjustments (d)	**11,378**	(1,751)	944
	$ 222,615	$ 280,267	$ 260,319
Depreciation and Depletion			
Fiber Glass Products	**$ 23,419**	$ 21,474	$ 17,995
Forest Products (c)	**26,037**	26,921	
Non-Fiber Glass Insulations	**6,548**	5,548	4,554
Roofing Products	**2,897**	2,343	1,964
Pipe Products and Systems	**5,740**	5,996	5,629
Asbestos Fiber	**6,377**	5,891	5,856
Industrial and Specialty Products and Services	**5,244**	4,872	4,343
Corporate	**2,602**	1,798	2,060
	$ 78,864	$ 74,843	$ 42,401
Additions to Property, Plant and Equipment			
Fiber Glass Products	**$ 32,403**	$ 84,740	$ 109,554
Forest Products (c)	**43,442**	35,793	
Non-Fiber Glass Insulations	**16,465**	23,313	19,923
Roofing Products	**10,300**	11,497	5,065
Pipe Products and Systems	**4,312**	14,280	8,515
Asbestos Fiber	**6,177**	5,440	10,761
Industrial and Specialty Products and Services	**12,360**	9,264	12,416
Corporate	**4,286**	4,994	7,773
	$ 129,745	$ 189,321	$ 174,007

	December 31		
Assets	**1980**	1979	1978
Fiber Glass Products	**$ 575,416**	$ 561,625	$ 474,575
Forest Products (c)	**846,488**	825,239	805,798
Non-Fiber Glass Insulations	**201,394**	190,612	156,990
Roofing Products	**116,938**	112,111	92,288
Pipe Products and Systems	**165,538**	193,303	204,440
Asbestos Fiber	**147,394**	146,045	137,232
Industrial and Specialty Products and Services	**200,200**	190,419	188,863
Corporate (e)	**202,592**	208,688	245,630
Eliminations and adjustments (d)	**(117,801)**	(104,870)	(88,861)
	$2,338,159	$2,323,172	$2,216,955

Revenues	Years Ended December 31 1980	1979	1978
United States	**$1,726,733**	$1,802,860	$1,315,728
Canada	**279,624**	289,117	267,007
Overseas	**368,590**	308,751	195,400
Corporate revenues, net	**9,024**	11,020	19,894
Elimination of intergeographic sales (b)	**(91,620)**	(114,386)	(121,440)
	$2,292,351	$2,297,362	$1,676,589

Income From Operations	1980	1979	1978
United States	**$ 138,350**	$ 192,540	$ 185,227
Canada	**34,908**	57,366	61,456
Overseas	**75,190**	55,845	35,668
Corporate expense, net	**(37,756)**	(23,436)	(22,971)
Eliminations and adjustments (d)	**11,923**	(2,048)	939
	$ 222,615	$ 280,267	$ 260,319

Assets	December 31 1980	1979	1978
United States	**$1,681,685**	$1,660,541	$1,538,673
Canada	**227,034**	229,598	210,174
Overseas	**344,774**	328,998	311,238
Corporate (e)	**202,592**	208,688	245,630
Eliminations and adjustments (d)	**(117,926)**	(104,653)	(88,760)
	$2,338,159	$2,323,172	$2,216,955

Notes:

(a) Intersegment sales were as follows *(at prices approximating market)*:

	Years Ended December 31 1980	1979	1978
Fiber Glass Products	**$48,571**	$ 46,725	$32,666
Roofing Products	**223**	539	504
Asbestos Fiber	**20,124**	36,565	41,109
Industrial and Specialty Products and Services	**15,435**	22,409	19,780
	$84,353	$106,238	$94,059

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

	1980	1979	1978
United States	**$38,131**	$ 34,649	$ 28,679
Canada	**50,902**	77,459	85,339
Overseas	**2,587**	2,278	7,422
	$91,620	$114,386	$121,440

(c) 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 were consolidated into the consolidated statement of earnings beginning January 1, 1979.

(d) 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.

(e) Corporate assets are principally cash, marketable securities, prepaid income taxes, investments and long-term receivables.

Johns-Manville Corporation

Supplemental Information on Inflation and Changing Prices (Unaudited)

In the 1979 Annual Report to Shareholders, the Company presented financial information reflecting the estimated effects of inflation and changing prices on its operations in accordance with standards prescribed by the Financial Accounting Standards Board (FASB). The disclosures for 1980 have been expanded by the FASB to include inflation adjusted information and certain production and reserve data related to the Company's mining assets and operations.

The following summarized financial information attempts to indicate the effects of changing prices on the Company utilizing the two different computational methods prescribed by the FASB. The standards require a 'constant dollar' 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). In addition to the constant dollar disclosures, the FASB 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. Also reported is a gain in purchasing power from maintaining a net monetary liability position which reflects that a portion of the burden of inflation is shifted from the Company's common shareholders to creditors.

The restated amounts presented represent adjustments to reflect constant dollar or current cost depreciation; current year liquidations of last-in, first-out (LIFO) inventories; 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 the year 1980. These restated amounts reflect the higher rate of inflation in recent years, 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. Because the Company's product mix is continually changing through normal product evolution and technological advances, it may be that in the future the Company may replace some assets with technologically improved assets affording operating savings, some with like kind assets, or some not at all. Since these management decisions can only be made at the point in time of actual replacement, such replacement plans cannot be adequately considered in the calculations presented.

The standards do 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 48.7% in the conventional financial statements to over 70% on a constant dollar basis and 67% on a current cost basis. 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 situation reflects the need for more liberalized tax incentives if adequate long-term investments are to continue to be made in the current inflationary environment.

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. Because of inconsistent methods of calculation, comparability with other companies, although improved by the existence of accounting standards, will not be realized until the experimental nature of these disclosures has been eliminated.

Johns-Manville Corporation

Statements of Consolidated Earnings Adjusted for Changing Prices

for the Year Ended December 31, 1980
(Thousands of dollars)

	As Reported in the Conventional Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)		Adjusted for Changes in Specific Prices (Current Cost)
Revenues	**$2,292,351**	**$2,292,351**		**$2,292,351**
Cost of Sales	**1,771,448**	**1,816,379**		**1,811,379**
Other Operating Expenses	**298,288**	**302,172**		**301,922**
Interest Expense	**65,379**	**65,379**		**65,379**
Total	**2,135,115**	**2,183,930**		**2,178,680**
Earnings Before Income Taxes	**157,236**	**108,421**		**113,671**
Income Taxes	**76,600**	**76,600**		**76,600**
Net Earnings (*before preferred dividends*)	**80,636**	**31,821**		**37,071**
Dividends on Preferred Stock	**24,919**	**24,919**		**24,919**
Net Earnings Available for Common Stock	**$ 55,717**	**$ 6,902**		**$ 12,152**
Gain from Decline in Purchasing Power of Net Amounts Owed		**$ 117,147**		**$ 117,147**
Increase in General Price Level (Constant Dollars) of Inventories and Property, Plant and Equipment Held During the Year			**$310,081**	
Increase in Specific Prices (Current Cost) of Inventories and Property, Plant and Equipment Held During the Year			**241,379**	
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year			**$ 68,702**	
Historical Cost versus Current Cost at December 31, 1980: Inventories	**$ 216,749**			**$ 353,774**
Property, plant and equipment, net of accumulated depreciation and depletion	**$1,602,114**			**$2,374,539**

Johns-Manville Corporation

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

for the Years Ended December 31
(All dollar figures are in average 1980 dollars)
(Thousands of dollars except per share amounts)

	1980	1979
Historical Cost Information Adjusted for General Inflation		
Net Earnings Available for Common Stock	**$ 6,902**	$ 68,279
Net Earnings Per Common Share	**$.31**	$3.10
Net Assets at Year-End	**$1,599,374**	$1,615,241
Current Cost Information		
Net Earnings Available for Common Stock	**$ 12,152**	$ 69,030
Net Earnings Per Common Share	**$.54**	$3.13
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	**$ 68,702**	$ 29,697
Net Assets at Year-End	**$1,749,126**	$1,804,192

	1980	1979	1978	1977	1976
Revenues	**$2,292,351**	$2,608,045	$2,117,616	$2,012,195	$1,869,021
Other Information					
Gain from Decline in Purchasing Power of Net Amounts Owed	**$117,147**	$128,117			
Dividends Per Common Share	**$1.92**	$2.15	$2.27	$2.11	$1.95
Market Price Per Common Share at Year-End	**$23⅝**	$26	$27½	$43⅛	$47⅜
Average Consumer Price Index (CPI-U)	**246.8**	217.4	195.4	181.5	170.5

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. Timber and timberlands have been measured at their historical cost/constant dollar values.

Cost of Sales—for inventories accounted for using the LIFO method, cost of sales for financial reporting purposes adjusted for current cost depreciation and LIFO liquidations; for inventories accounted for using the FIFO 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 balance sheet date.

(b) Depreciation and depletion expense has been allocated between cost of sales and other operating expenses. The aggregate amount of 1980 depreciation and depletion expense calculated under the constant dollar basis is $115.5 million, and under the current cost basis is $110.9 million.

(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 conventional 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.

(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

Summary Operating Statistics for Mining Operations

The quantity and price information presented below represent amounts related to the Company's significant wholly-owned mining operations:

Asbestos Fiber:
During 1980, the Company processed 8,523,000 tons of ore reserves which yielded 512,000 tons of asbestos fiber. At December 31, 1980, proven ore reserves amounted to 91,522,000 tons while the average market price per ton of asbestos fiber was approximately $310.

Diatomite:
Production of processed diatomite amounted to 308,000 tons during 1980. Proven reserves at December 31, 1980 were estimated to be 8,435,000 tons, which would be sufficient to produce processed diatomite at the 1980 level for a period of 20 to 25 years. The average market price of this mineral is approximately $155 per ton.

Perlite:
Proven ore reserves at December 31, 1980 amounted to 3,136,000 tons while 253,000 tons of mineral were produced during the year. Ore reserves are estimated to be sufficient to continue production at the 1980 level for an additional eight years. The average market price of processed perlite at the end of the year was $32 per ton.

Note:
Proven reserves are the estimated quantities of commercially recoverable reserves that can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved recovery methods.

Selected Quarterly Financial Data

(Unaudited)
(Thousands of dollars except per share amounts)

Results for the four quarters of 1980 and 1979 are shown below:

	1980 for the Three Months Ended				1979 for the Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Net Sales	**$590,119**	**$576,633**	**$556,723**	**$543,329**	$616,583	$607,540	$576,085	$476,221
Gross Profit	**$139,691**	**$113,463**	**$120,001**	**$122,201**	$136,338	$138,690	$141,594	$112,776
Net Earnings (*before preferred dividends*)	**$25,329(1)**	**$15,986**	**$20,223**	**$19,098**	$27,102(2)	$34,775	$33,719	$19,010
Net Earnings Per Common Share	**$.84**	**$.43**	**$.62**	**$.58**	$.94	$1.29	$1.25	$.65

Notes:
(1) A reduction in inventory levels in the U.S. and Canada resulted in the liquidation of LIFO inventory quantities which were being carried on the Company's financial records at costs lower than the 1980 standard production costs. This difference between the standard production costs and historical carrying costs of the inventory sold increased net earnings during the fourth quarter of 1980 by $6.4 million ($.28 per common share).
(2) The disposition of the Company's irrigation and sprinkler business reduced net earnings during the fourth quarter of 1979 by $4.4 million ($.20 per common share).

Management's Report

The accompanying consolidated financial statements have been prepared by Management in conformity with generally accepted accounting principles appropriate under the circumstances. The representations in the financial statements and the fairness and integrity of such statements are the responsibility of Management. All of the other financial information in the Annual Report to Shareholders is consistent with that in the financial statements.

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. Uncertainties exist concerning the eventual outcome of asbestos/health litigation. Management is presently unable to estimate with any degree of reliability the ultimate cost to the Company, if any, resulting from this litigation. Any liabilities relating to asbestos/health litigation will be recorded in accordance with generally accepted accounting principles when such amounts can be reasonably estimated.

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

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 an Audit Committee which consists solely of outside directors (see page 22). 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 auditing, 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.

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

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 as of December 31, 1980 and 1979, and the related consolidated statements of earnings and earnings reinvested and changes in financial position for each of the three years in the period ended December 31, 1980. 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 constituting 10% in 1980 and 1979, and net sales constituting 10%, 9% and 11% in 1980, 1979 and 1978, respectively, of the related consolidated totals were examined by other auditors whose report thereon has 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 report.

As discussed in Note 5 to the consolidated financial statements, the Company is a defendant in a substantial and increased number of asbestos/health legal actions. The ultimate liability resulting from these matters cannot presently be reasonably estimated. In our report dated February 1, 1980, our opinion on the Company's consolidated financial position as of December 31, 1979 was unqualified. However, because of the increased uncertainties that developed during 1980 with respect to these matters, our present opinion on the consolidated financial position as of December 31, 1979, as presented herein, is different from that expressed in our previous report.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned financial statements present fairly the consolidated results of operations and changes in financial position of Johns-Manville Corporation for each of the three years in the period ended December 31, 1980 and, subject to the effects of adjustments that might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial position of Johns-Manville Corporation at December 31, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

February 4, 1981
Denver, Colorado

Board of Directors

1980

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, Princeton University; Partner, Geddes Brecher Qualls Cunningham: Architects, Princeton, New Jersey

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

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

William F. May
Dean, Graduate School of Business Administration, New York University New York City, New York; Former Chairman and Chief Executive Officer, American Can Company, Greenwich, Connecticut

George B. Munroe
Chairman of the Board, President 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, Former 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
William F. May
John A. McKinney
Charles J. Zwick

Audit Committee
Charles J. Zwick, Chairman
J. Jacques Beauchemin
George C. Dillon
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
William F. May, Chairman
Robert L. Geddes
John A. Love
John P. Schroeder
Charles J. Zwick

Officers 1980

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

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

G. Earl Parker
Senior Vice President, Law and Public Affairs and Secretary

Chester E. Shepperly
Senior Vice President, Forest Products Group

Chester J. Sulewski
Senior Vice President, Production and Technology

James F. Beasley
Treasurer

Antoine L. Cini
Vice President, International Operations

Eileen M. DeCoursey
Vice President, Employee Relations

John B. Dorsey
Vice President, Corporate Marketing

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 and Division General Manager Fiber Glass Manufacturing

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

John H. Swensen
Vice President, Research and Development

Michael A. Tappin
Vice President, Labor Relations

Everett C. Truax
Vice President, Production and Engineering

Richard B. Von Wald
Corporate Counsel

Harold J. White
Vice President, Administrative Services

Robert A. Boardman
Assistant Secretary

Alcester McCoy
Assistant Secretary

William S. Bullock
Assistant Treasurer

Richard M. Davis
Assistant Treasurer

Shareholder Information

About J-M Stock

Johns-Manville had approximately 27,100 common and 25,400 preferred shareholders of record at December 31, 1980. 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 1981 Annual Meeting of Shareholders to be held at the Omni International Hotel, Biscayne Blvd. at 16th Street, Miami, Florida on Friday, May 1, 1981 at 10 a.m., Eastern Time. Proxy materials for the meeting are included with this mailing.

Dividend Reinvestment

Johns-Manville offers common 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 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, 1980, as filed with the Securities and Exchange Commission, may write to:

Secretary
Johns-Manville Corporation
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