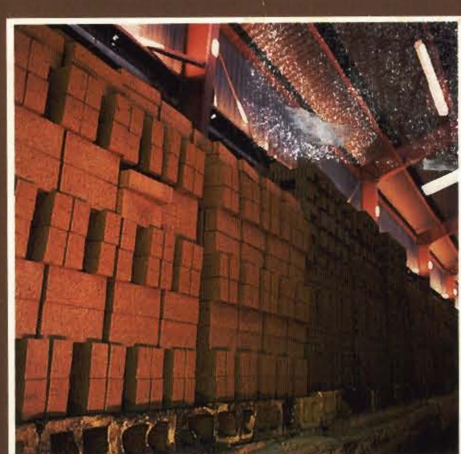
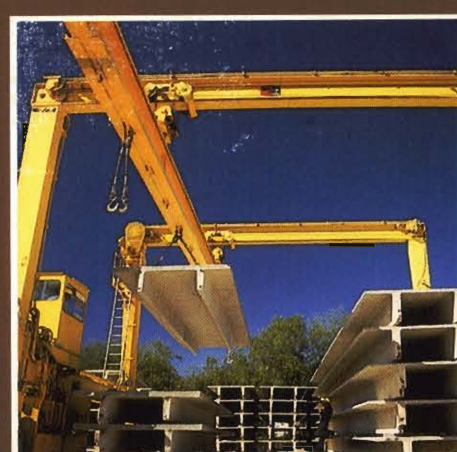
JUSTIN INDUSTRIES





ANNUAL REPORT 1980

Corporate Profile

JUSTIN INDUSTRIES, headquartered in Fort Worth, Texas, is a leader in every principal area of its involvement. Its Building Materials operations, comprising 62 percent of sales in 1980, produces more clay brick than any other American company and leads the Southwest and Mid-South in the manufacture of concrete products. Its Industrial Equipment line, amounting to 8 percent of sales, designs and markets internationally the only permanent water cooling tower used in a wide variety of commercial, industrial, and utility applications. Its Western and Outdoor group, representing 30 percent of sales, includes the Justin Boot Company, one of the two largest makers of quality western boots. The common stock of Justin Industries is traded over-the-counter with the NASDAQ symbol "JSTN."

Justin Industries

ANNUAL REPORT 1980

Western and Outdoor

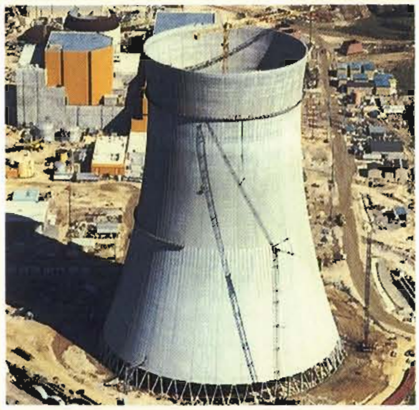
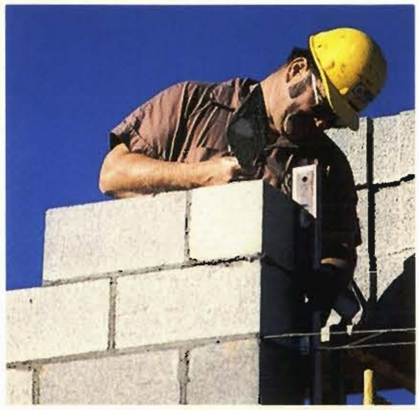
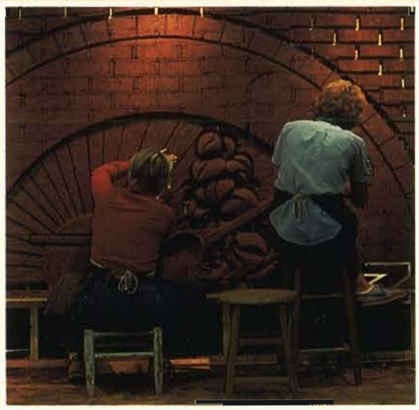
THE JUSTIN COMPANIES
NORTHLAND PRESS

Building Materials

ACME BRICK COMPANY
THE FEATHERLITE CORPORATION
LOUISIANA CONCRETE PRODUCTS, INC.
SANFORD BRICK CORPORATION

Industrial Equipment

CERAMIC COOLING TOWER COMPANY


Financial Highlights

	1980	1979	1978
Net Sales	**$197,862,000**	$184,496,000	$170,950,000
Net Income	**$7,879,000**	$10,753,000	$10,289,000
Earnings per Share	**$2.09**	$2.83	$2.72
Capital Expenditures	**$8,273,000**	$14,851,000	$22,105,000
Working Capital	**$59,225,000**	$45,957,000	$33,675,000
Total Assets	**$157,926,000**	$142,458,000	$119,735,000
Long-Term Debt	**$55,655,000**	$48,763,000	$40,569,000
Shareholders' Equity	**$64,283,000**	$59,164,000	$50,221,000
Book Value per Share	**$17.30**	$15.76	$13.44
Cash Dividends per Share	**$ .60**	$ .50	$ .39

Contents

To Our Shareholders

January 23, 1981

"...we continue to be optimistic about the long-range future of Justin Industries. The groundwork has been laid for substantial gains in sales and earnings...."

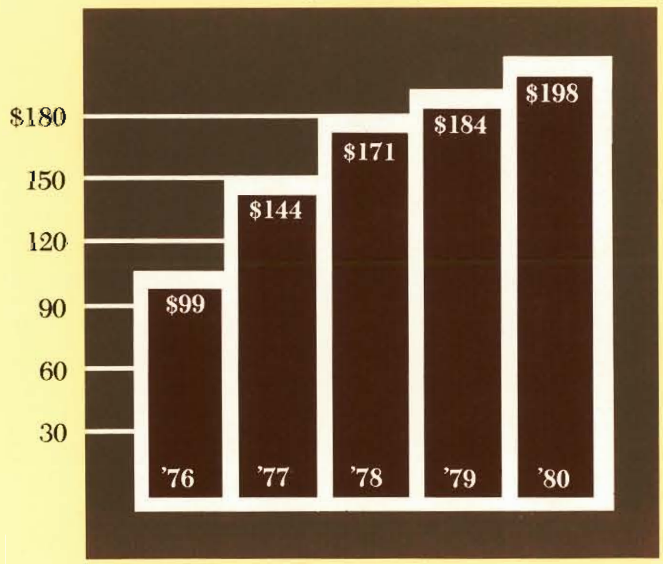
Best-ever performances by Justin Industries' boot, cooling tower, and concrete businesses partially offset reduced brick earnings and resulted in 1980 being another year of solid accomplishment.

Sales reached an all-time high for the fifth straight year, totaling \$198 million compared to \$184 million in 1979. Profits, however, after growing at a 38 percent average annual rate in the 1970s, dipped to \$7.9 million or \$2.09 per share in 1980, compared to the record \$2.83 in 1979.

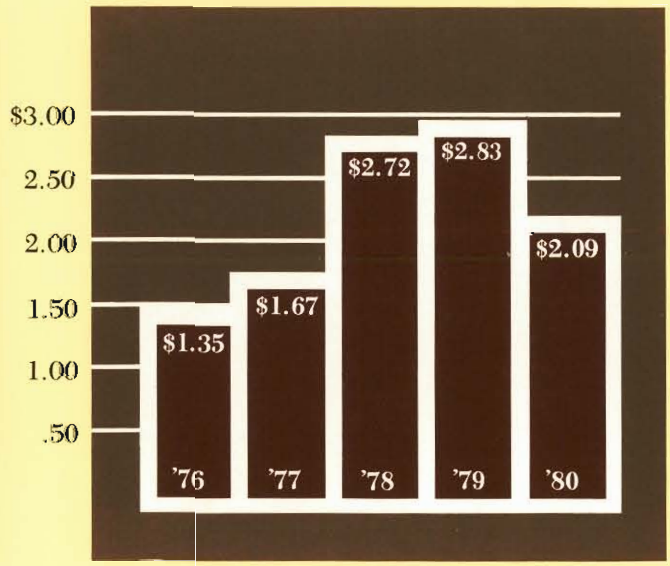
The profit decline is more than accounted for by the severe drop in housing construction during the year, which in turn slowed Justin's brick operations. Housing starts for 1980 are estimated to have been less than 1.3 million, compared to 1.75 million the prior year. Since brick is the preferred wall material for new homes in the United States (and dominates the southern residential wall market), this drop in housing starts seriously affected the entire brick industry. An erratic money market and high interest rates foretell continued weakness in housing at least through the early part of 1981. However, most economists predict improvement in the latter half of the year and a strong housing market the remainder of this decade.

Justin Industries is ready for

NET SALES
(in millions)



EARNINGS PER SHARE



this challenge. Its 20 brick plants can produce one billion brick per year, making it the largest U.S. producer by a considerable margin. The plants were less than 70 percent utilized in 1980, but their entire capacity, and then some, will be needed to meet the demand as housing starts climb over the two million mark required to satisfy new home needs of America's growing population.

In 1980, The Justin Companies (our boot, belt, and leathergoods operations) led all other Justin corporate entities in sales and profits. Western and Outdoor sales increased 55 percent over the prior record year of 1979, and operating profits nearly doubled.

Western-wear fever continues at a high pitch, and no letup is seen in the demand for Justin boots, belts, and leather accessories. Production limitations have impeded boot sales somewhat, but construction is under way on a new boot plant in El Paso, which will add 30 percent to production capacity, and planning for further expansion has started.

Justin Industries' Building Materials operations represent more than 60 percent of Justin's sales and operating profits, even though Acme Brick Company—normally Justin's biggest contributor—slipped below The Justin Companies and into second place in sales and profits in 1980.

Nevertheless, Acme performed satisfactorily during the year, gaining market share in a weak construction year and improving plant efficiency. Sanford Brick Corporation, located in North Carolina, also increased its share of the local market and made impressive strides in converting its plants to solid fuel from expensive natural gas.

Within the Building Materials group, the Featherlite concrete operations performed well and improved upon both the sales and profit records set in 1979. Particularly strong were the Featherlite Structural operations, which produce massive prestressed and precast beams, panels, double-tees, and other custom-designed units. Big contracts, such as that for the AMFAC Hotel at the Dallas–Fort Worth Airport and for the Parchman Prison in Mississippi, were typical of the brisk pace of heavy

Jerry L. Brownlee *John Justin*

construction in the Southwest and Mid-South in 1980, benefiting Featherlite's structural plants.

Featherlite's concrete block business had a spotty year in 1980, as smaller commercial construction activity slowed at some locations while remaining strong at others. The expanded shale lightweight aggregate plant at Ranger, Texas, continued its excellent performance as this superior product was used in major building projects throughout Texas.

Records were set also in the Industrial Equipment line as sales and operating profits reached new highs. Ceramic Cooling Tower Company won four multimillion-dollar contracts for electric utility primary cooling towers in 1980, after entering this field for the first time only two years ago. A breakthrough project was CCT's first natural draft hyperbolic cooling tower. This immense structure is being built to serve the Grand Gulf nuclear power station near Port Gibson, Mississippi.

Justin's financial strength was maintained in 1980, and key financial ratios were kept at satisfactory levels. Cash generated from current operations was more than adequate to finance a buildup of brick inventories. Dividends per share were 60 cents, the ninth consecutive year dividends have increased. In the face of the earnings decline, Justin Industries' stock closed the year at \$18¾ per share, up 25 percent from the first of the year.

While the present economic climate is treacherous, and it is impossible to predict the short-term outlook with any degree of certainty, we continue to be optimistic about the long-range future of Justin Industries. The groundwork has been laid for substantial gains in sales and earnings when interest rates return to more reasonable levels and housing starts move upward.

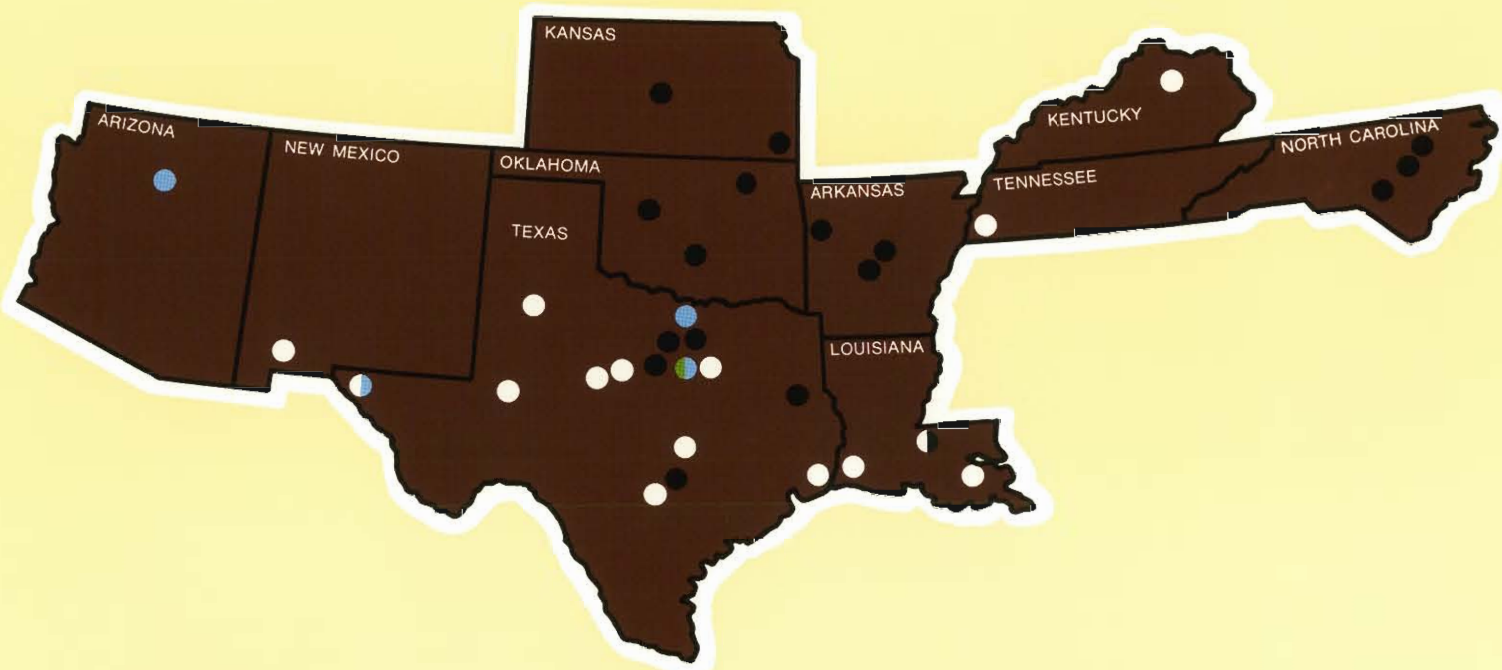
John Justin

Chairman and Chief Executive Officer

Jerry L. Brownlee

President and Chief Operating Officer

Justin Industries
Plant Locations



● **ACME BRICK COMPANY**
- Bennett, Texas
- Bridgeport, Texas
- Denton, Texas
- Garrison, Texas
- McQueeney, Texas
- Fort Smith, Arkansas
- Malvern, Arkansas (3)
- Perla, Arkansas
- Kanopolis, Kansas
- Weir, Kansas
- Baton Rouge, Louisiana
- Clinton, Oklahoma
- Edmond, Oklahoma
- Oklahoma City, Oklahoma
- Tulsa, Oklahoma

● **SANFORD BRICK CORPORATION**
- Colon, North Carolina
- Gulf, North Carolina
- Norwood, North Carolina

○ **THE FEATHERLITE CORPORATION**

Prestressed and Precast Concrete
- Austin, Texas
- El Paso, Texas
- Lexington, Kentucky
- Memphis, Tennessee

Concrete Block
- Abilene, Texas
- Austin, Texas
- Beaumont/Port Arthur, Texas
- Dallas, Texas
- El Paso, Texas
- Lubbock, Texas
- Midland, Texas
- San Antonio, Texas

Spectra-Glaze®
- Lubbock, Texas

Lightweight Aggregate
- Ranger, Texas

Volcanic Aggregate
- In the Florida Mountains of New Mexico

Architectural Stone
- Austin, Texas

○ **LOUISIANA CONCRETE PRODUCTS**

Prestressed and Precast Concrete
- Baton Rouge, Louisiana

Concrete Block
- Baton Rouge, Louisiana
- Lake Charles, Louisiana
- New Orleans, Louisiana

● **CERAMIC COOLING TOWER COMPANY**
- Fort Worth, Texas

● **THE JUSTIN COMPANIES**

Boots
- El Paso, Texas
- Fort Worth, Texas

Belts
- Fort Worth, Texas

Leathergoods
- Nocona, Texas

● **NORTHLAND PRESS**
- Flagstaff, Arizona

CORPORATE HEADQUARTERS:

2821 WEST 7th STREET,
FORT WORTH, TEXAS 76107
(817) 336-5125

Financial Discussion

"...Capital expenditures in 1980 reflected Justin's commitment to the continued upgrading and expansion of its manufacturing, sales, and distribution facilities."

Justin Industries was able to maintain its financial strength during 1980 in the face of such adverse economic factors as double-digit inflation, more than 20 percent interest rates, a recession concentrated in the homebuilding industry, and credit controls. At the close of the year, working capital exceeded $59 million, up $13 million from year end 1979. The company's current ratio (ratio of current assets to current liabilities) of 2.9 to 1 compares favorably with 2.6 to 1 a year earlier, and a 2.8 to 1 average for the prior ten years.

Capital Base Remains Consistent

The company's capital base (both liabilities and shareholders' equity) has maintained a consistent makeup during the last five years, with shareholders' equity accounting for approximately 41 percent of total capital, long-term debt providing 35 percent, and current liabilities and deferred taxes accounting for 24 percent at the end of 1980. The ability to maintain this composition is particularly impor-

FIVE-YEAR ANALYSIS OF SALES AND OPERATING PROFIT CONTRIBUTION BY PRODUCT LINES
(in thousands of dollars)

	1980		1979		1978		1977		1976	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
BUILDING MATERIALS:										
Net sales	**$121,926**	**62%**	$131,060	71%	$127,543	75%	$105,610	73%	$ 64,268	65%
Profit	**16,722**	**63**	23,464	82	25,548	100	15,087	93	9,068	75
WESTERN AND OUTDOOR:										
Net sales	**60,633**	**30**	39,033	21	27,714	16	27,589	19	26,160	26
Profit	**7,601**	**28**	3,994	14	1,338	5	1,217	7	1,813	15
INDUSTRIAL EQUIPMENT:										
Net sales	**15,303**	**8**	14,403	8	15,693	9	11,197	8	8,660	9
Profit	**2,392**	**9**	1,105	4	(1,272)	(5)	(7)	—	1,244	10
TOTALS:										
Net sales	**197,862**	**100%**	184,496	100%	170,950	100%	144,396	100%	99,088	100%
Profit	**26,715**	**100%**	28,563	100%	25,614	100%	16,297	100%	12,125	100%
LESS: Indirect and interest expense not allocated	**13,961**		11,590		8,725		6,131		4,204	
INCOME BEFORE INCOME TAXES	**$ 12,754**		$ 16,973		$ 16,889		$ 10,166		$ 7,921	

tant in light of a fairly significant change in asset-mix, where current assets account for 57 percent of total assets at the end of 1980 compared to only 49 percent just two years earlier. This change in asset-mix reflects the company's strategy of increasing brick inventories during downturns in new home construction.

The table to the right, "Balance Sheet Trends," reflects the changes in Justin's assets and sources of capital during the last five years.

BALANCE SHEET TRENDS
Percent of Total Assets

Assets:	**1980**	1979	1978	1977	1976
Receivable	**24%**	23%	25%	29%	28%
Inventories	**32**	28	23	24	28
Fixed assets	**40**	45	50	45	40
All others	**4**	4	2	2	4
	100%	100%	100%	100%	100%
Capital:					
Equity	**41%**	42%	42%	43%	41%
Long-term debt	**35**	34	34	33	31
All other liabilities	**24**	24	24	24	28
	100%	100%	100%	100%	100%

Plant Expansion Continues

Capital expenditures in 1980 reflected Justin's commitment to the continued upgrading and expansion of its manufacturing, sales, and distribution facilities. Capital spending totaled $8.3 million compared with $14.9 million in 1979. The completion of a major new brick manufacturing facility in central Arkansas accounted for 42 percent of the 1980 capital budget, while 7 percent was spent on the first stages of a new and expanded boot plant in El Paso, Texas. The total commitment for this new boot facility, to be completed in 1981, is approximately $4 million. The remainder of the 1980 capital spending program involved plant and delivery equipment replacements and improvements in materials handling and brick firing systems.

A consistently strong cash flow from operations has enabled Justin to undertake its expansion program. Depreciation expense of $7.9 million plus earnings and deferred income taxes provided a cash flow of $16.7 million in 1980 compared with $19.7 million in 1979 and $16.4 million in 1978. Other sources of capital in 1980 included $6.9 million in net additional long-term debt borrowings and a $2.5 million increase in current liabilities.

In addition to operations, Justin's primary source of working capital is from commercial banks. The company has approximately $30 million in short-term borrowing arrangements with some 16 commercial banks. The maximum utilization under the arrangements at any month's end during 1980 was $12.5 million, and the average amount outstanding (computed as an average of month-end borrowings) was $7.3 million. The average interest rate paid on short-term indebtedness was 16.6 percent and ranged from a high of 21.5 percent to 11 percent during the year. Approximately 70 percent of the company's long-term debt at December 31, 1980, has fixed interest rates, with an average of 10.5 percent. The average maturity of long-term debt at December 31, 1980, was approximately four years.

Other Uses of Capital

In addition to its capital expenditures, the company invested $10.1 million during 1980 to increase brick inventories. Other working capital needs consumed $3.1 million of capital, while $2.2 million was paid to shareholders as cash dividends. An additional $541,000 was used to repurchase the company's common stock in the open market. A total of 42,500 shares (1.2 percent of the then outstanding shares) was purchased at an average of $12.72 per share.

The company does not follow a precise formula to determine the amount of dividends paid. However, dividends have increased at an average compounded rate of 31 percent a year since they were reestablished in 1972.

Sales Approach Two Hundred Million

Record sales for Justin Industries continued for the fifth consecutive year in 1980, as is more fully discussed in the Report on Operations beginning on page 12. Sales have more than doubled during this period, and the five-year analysis of sales and profit contribution by product line reflects substantial gains in all areas of the company's operations. The Industrial Equipment line has regained the sales volume lost due to the 1978 closing of Standard Tool and Machine Company, and profits for this line reached a record high in 1980. It is not practical to quantify the proportion of sales increase due to price changes or changes in unit volume because of variations in product mix, custom-made and special order items, changes and variations in methods of pricing, and introduction of new products and styles.

A percentage analysis of consolidated operations reflects a 1.5 point drop in the company's gross profit percentage for 1980. This, coupled with an increase in interest expense, resulted in the company's return on sales decreasing from 5.8 percent in 1979 to 4.0 percent in 1980. Return on average shareholders' equity also declined from 19.7 percent in 1979 to 12.8 percent in 1980. A number of the factors affecting the company's profitability are discussed in the Report on Operations. The Letter to Shareholders, Report on Operations, Financial Statements and Notes, and the Eleven-Year Financial Summary should all be evaluated in conjunction with this section of the annual report. Variations in the relationships between sales and costs for the last five years may be determined from the accompanying table of Operating Trends.

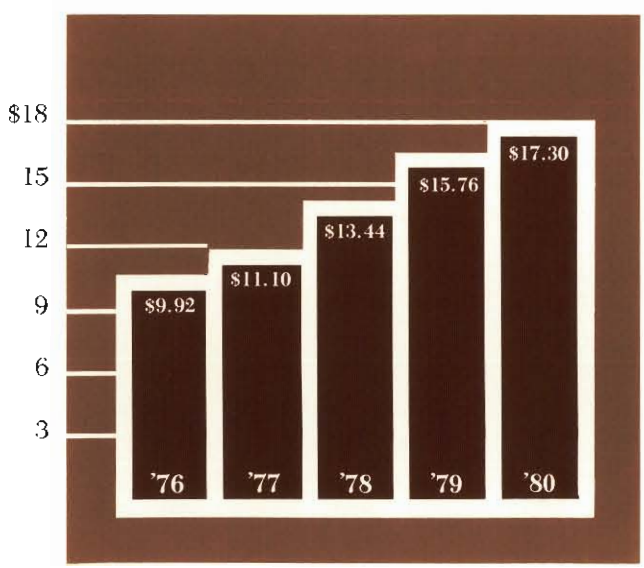
OPERATING TRENDS
Percent of Net Sales

	1980	1979	1978	1977	1976
Net sales	**100.0%**	100.0%	100.0%	100.0%	100.0%
Cost of sales	**71.1**	69.6	70.2	72.8	71.7
Gross profit	**28.9**	30.4	29.8	27.2	28.3
Selling and general expenses	**18.5**	18.2	17.8	18.2	18.8
Interest expense	**3.9**	3.0	2.1	1.9	1.5
Pretax income	**6.5**	9.2	9.9	7.1	8.0
Taxes	**2.5**	3.4	3.9	2.8	3.4
Net income	**4.0%**	5.8%	6.0%	4.3%	4.6%

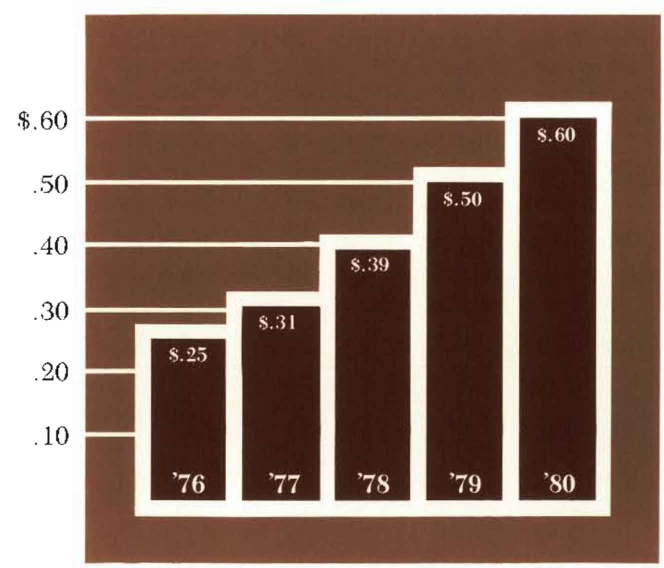
Management's Responsibility for the Financial Statements

The Consolidated Financial Statements for Justin Industries, Inc., and its subsidiaries are prepared by the company in conformity with consistently applied, generally accepted accounting principles. Management selects appropriate accounting principles,

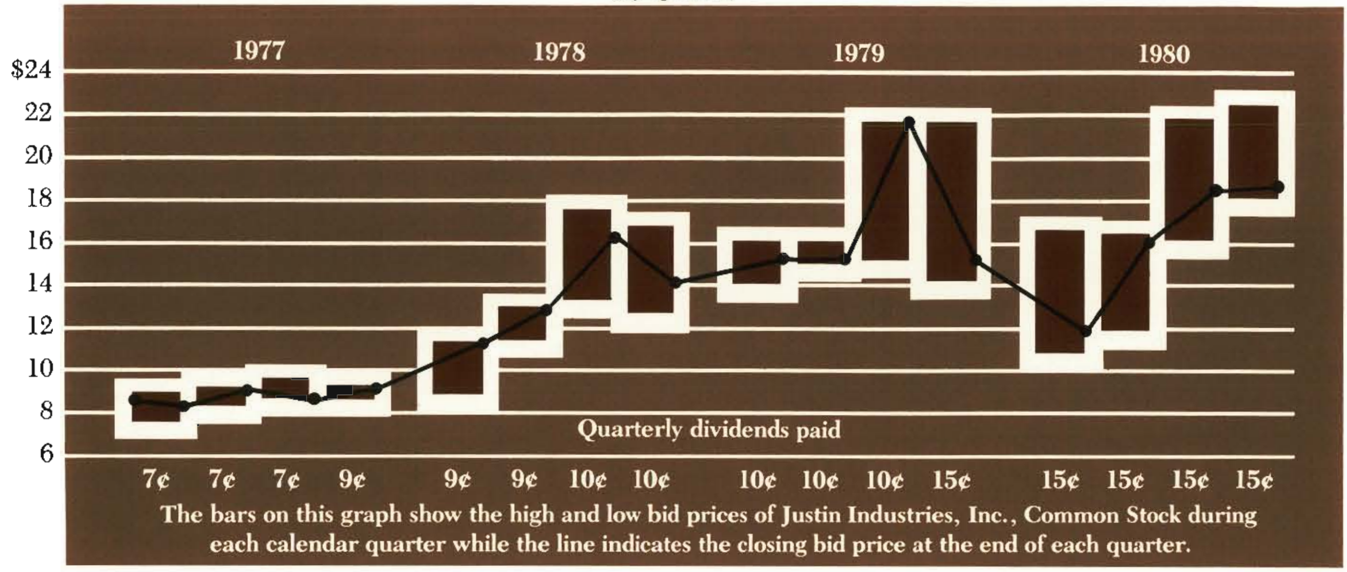
SHAREHOLDERS' EQUITY PER SHARE



DIVIDENDS PER SHARE



MARKET PRICE OF COMMON STOCK AND RECORD OF DIVIDENDS PAID
(By Quarter)



makes necessary estimates, and applies judgment to ensure the objectivity, accuracy, and integrity of the data presented. The company has established and maintains systems of management reporting and internal controls designed to provide reasonable assurance that company policies are followed and that company assets are safeguarded and properly accounted. These systems are constantly monitored and revised where necessary to meet changing requirements and to strengthen controls, while maintaining a cost-effective approach of providing credible and timely information necessary to the operation of the company.

The Board of Directors pursues its oversight responsibility for the financial statements through its Audit Committee, composed of directors who are not officers nor employees of the company. The committee meets periodically with the independent auditors and representatives of management to assure that each is carrying out its responsibilities. To provide independence, the company's outside auditors have full and free access to the Audit Committee, without company representatives present, to discuss the results of their examinations and their opinions on the adequacy of internal controls and the quality of financial reporting.

Financial Reporting for Changing Prices

This year is the first that Justin Industries has been required to report selected historical information to illustrate the effects of both general inflation and specific price changes. The company cautions against the use of this information for estimating future inflationary effects. Also, the data presented by Justin is not likely to be comparable with that of other companies, due to variations in assumptions and methods of calculation.

One method of disclosing the effects of changing prices is referred to as "Constant Dollar Accounting." Under this approach, values are expressed in the average value of the dollar as determined by applying the Consumer Price Index to historical values, with the objective being to illustrate the effect of general inflation. "Constant Dollar Accounting" does not change the accounting principles involved; only the unit of measurement is adjusted. The increases in costs and expenses for 1980 as reflected in the following table result primarily from the restatement of depreciation from an historical cost basis to the value determined using constant dollar values.

A second method of reporting the effect of changing prices is referred to as "Current Cost Data." The objective of this method is to reflect the effects of changes in specific prices of those items actually used in the company's operations so that the costs of using the items are based upon current replacement cost, rather than the actual historical cost. To develop the following information for current cost estimates, both unit pricing (cost per square foot of building or acre of land) and function pricing (cost per unit of production for equipment) were used.

"Current Cost Data" is presented in column three of the table below without consideration being given in the calculations to the replacement of assets with more efficient assets that could possibly reduce operating costs. Column four contains the same data as column three, except that adjustments for technological improvements to certain, but not all, of the company's assets were taken into consideration. (Such data was not readily available in all areas of the company's operations.) Current cost estimates used in these calculations are necessarily subjective.

The guidelines established for reporting the effects of changing prices do not permit adjustments to the provision for income taxes. Therefore, that amount is unchanged from that reported on an historical cost basis.

SELECTED FINANCIAL DATA ADJUSTED FOR CHANGING PRICES

(In Thousands of Dollars, Except Per Share Data)

	Statement of Operations for the Year Ending December 31, 1980			
	Historical Costs	Constant Dollars	Current Cost Data	
			Adjustments for Changes in Specific Prices	
	As Reported in the Financial Statements	Adjustments for General Inflation	Without Regard to Technological Improvements	With Certain Technological Improvements
Net sales	$197,862	$197,862	$197,862	$197,862
Costs and expenses:				
Cost of goods sold	140,620	148,082	149,371	131,858
Selling, general and administrative	36,864	37,971	38,635	38,635
Interest	7,624	7,624	7,624	7,624
	185,108	193,677	195,630	178,117
Income before taxes	12,754	4,185	2,232	19,745
Taxes	4,875	4,875	4,875	4,875
Net income (loss)	$ 7,879	($ 690)	($ 2,643)	$ 14,870
Earnings (loss) per share	$2.09	($ .18)	($ .72)	$3.95
Depreciation expense	$ 7,921	$ 11,176	$ 13,129	$ 13,129
Net assets at year end	$ 64,283	$ 84,320	$136,982	$136,982
Gain to Justin from the computed decline in the purchasing power of net amounts payable to others	—	$ 6,198	$ 6,198	$ 6,198
Computed increase in inventories and fixed assets of which $23,839 resulted from increases in general price level	—	—	$ 41,877	$ 41,877
Current cost of inventories at December 31, 1980			$ 53,074	$ 53,074
Current cost of fixed assets net of depreciation at December 31, 1980			$137,804	$137,804

The following data is adjusted to average 1980 dollars using the Consumer Price Index:

	1980	1979	1978	1977	1976
Net sales	$197,862	$209,616	$216,093	$196,506	$143,547
Cash dividends declared per share	$ .60	$ .57	$ .49	$ .42	$ .36
Market price per share at year end	$18.75	$17.04	$17.91	$12.93	$12.85
Average consumer price index	247.0	217.4	195.4	181.5	170.5

Report on Operations

"...Clay face brick and a broad range of concrete products remain Justin Industries' largest sales and profit contributors, in spite of impressive gains by Justin's other operations...."

Better balance among Justin's operating entities in 1980 provided the foundation for solid accomplishment, as boots, books, concrete products, and cooling tower sales and profit performance set new records. Brick, the leading performer in recent years, fell back somewhat as residential construction activity plummeted nationwide.

The results were sales of $198 million, a record for the fifth straight time, and net profits of $7.9 million, less than the two prior record years.

Justin's brick operations performed better in 1980 than the market as a whole and appear poised for very substantial gains in the next few years. At the same time, prospects are outstanding for continued long-term growth of Justin Industries' other operations. Therefore, Justin's opportunities in the 1980s appear equal to the outstanding achievements of the 1970s.

Western and Outdoor

More Justin Boots were sold in 1980, and more profits earned, than in any other year since H. J. Justin set up his work bench in Spanish Fort, Texas, along the Chisholm Trail, in 1879. Cowboy

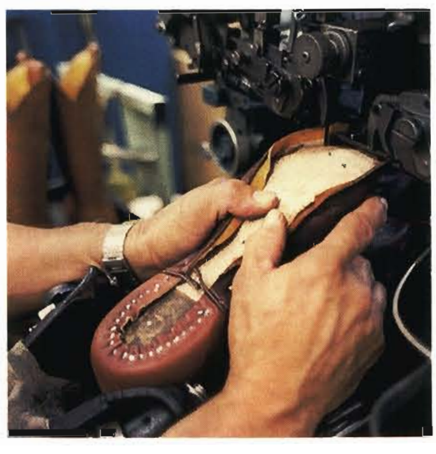
boots led Justin's Western and Outdoor group as it easily topped 1979's record levels. Sales rose to $60.6 million, up 55 percent over the prior year, and operating profits nearly doubled to $7.6 million.

Product Line Broadened

In addition to high-quality western-style boots, the Western and Outdoor group includes belts, personal leathergoods, leather jackets, and Northland Press, publisher and printer of quality books about the culture, art, and history of the American West.

Leather jackets styled in the image of the West were added to The Justin Companies' product line during 1980. Complementing Justin boots and other leather items in their styling, the jackets are manufactured by contract and meet the high quality standards expected of all products carrying the Justin brand. Western jackets, featuring extensive use of exotic leathers such as snake and lizard for trim and accent features, add a new dimension to the Justin line.

During 1980, the popularity of ladies' cowboy boots increased dramatically. Sales of Justin's regular ladies' boot line surged ahead, and a new high-fashion ladies' boot



with a western flair was also introduced with excellent market response.

Demand for Justin western belts paralleled the boot sales increase during 1980. Belt sales, especially those made with exotic materials and embossed with a western motif, were the strongest in history.

Reasons for the heavy demand are easy to pinpoint. The contemporary stampede to everything western shows no signs of slowing and is stimulated by today's casual lifestyle, the inherent comfort and style of boots, and a nostalgia for the values and honesty of the Old West.

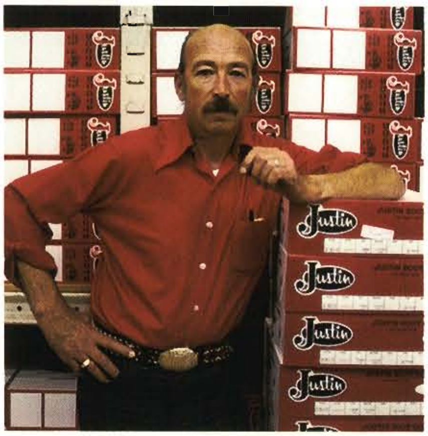
Manufacturing Expansion Started

To help satisfy the phenomenal growth in demand for quality boots, construction started in 1980 on a new 75,000-square-foot boot manufacturing plant in El Paso, Texas. Completion is scheduled for mid-1981. The new plant will increase boot manufacturing capacity by approximately 30 percent.

Justin is one of the two largest makers of quality western boots. Including the record 1980 results, boot sales have risen 20 percent compounded annually over the past decade. The solid foundation for this growth is the vast number of people in all walks of life who wear boots every day and have been doing so for years; they form the basis on which more than a century of growth has been sustained.

Justin boots and leather products are sold by Justin's own salesmen directly to approximately 8,500 dealers in all 50 states, with additional sales in Canada, Europe, Australia, and the Far East. A New York City showroom was opened in 1980, successfully exposing leading fashion retailers to the Justin line. The showroom also resulted in increased sales to overseas customers. Although still a small percentage of the total, export sales increased substantially during 1980.

In a marketing coup, Justin signed three stars of the hit television show "Dallas" to promote Justin boots and other products.



Magnanimously, Chairman John Justin offered a $1,000 reward for the identity of the person ". . . who shot my friend Jock Ewing's son, J.R." The offer resulted in national press coverage for Justin and the reward was duly paid.

Northland Press A Quality Leader

Northland Press, the other operation in the Western and Outdoor group, continues to be a source of both pride and profit to Justin Industries. In 1980, Northland consolidated its position as a quality

leader among the small presses of America by winning awards for five different books in four prestigious competitions: those of the Western Book Group, Southwest Book Awards, Southern Books Competition, and Book Builders West. In addition, the Justin Industries' 1979 Annual Report, designed and printed by Northland Press—as is this report—won awards in two national competitions.

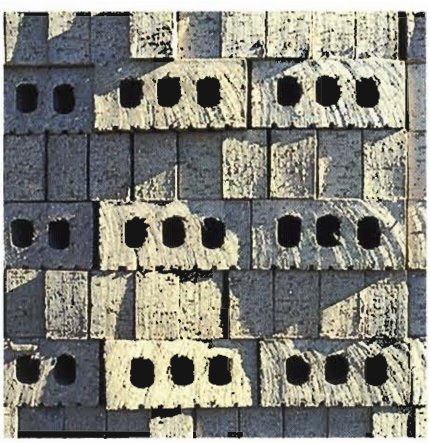
The Cowboy Artists of America selected Northland to print the 1980 Exhibition Catalog, a signal honor. Top titles published in 1980 include *hangin' on: Gordon Snidow Portrays the Cowboy Heritage*, and *Photographing the West*, by Erwin and Peggy Bauer.

Building Materials

Clay face brick and a broad range of concrete products remain Justin Industries' largest sales and profit contributors, in spite of impressive gains by Justin's other operations over the past two years.

While the national decline in construction activity in 1979 and 1980 has taken its toll on Justin's Building Materials line, this operation still produced 62 percent of sales and 63 percent of operating profits in 1980. Sales were $122 million, down 7 percent from the 1979 record, and operating profits slipped 29 percent to $16.7 million as a result of the precipitous drop in residential construction in 1980.

Presently volatile money markets, characterized by very high and rapidly fluctuating rates of interest, make predictions for the short term uncertain. Yet, there is a demonstrated strong underlying demand for new homes that has gone unsatisfied the past two

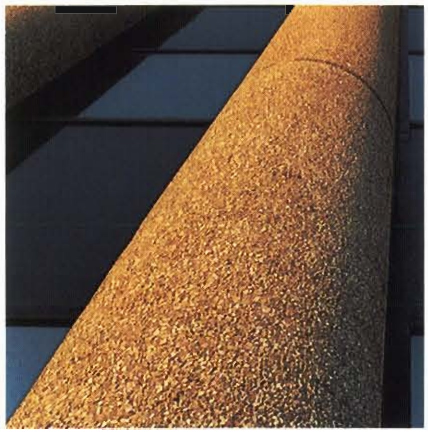


years. We are cautiously optimistic that the economy will stabilize in 1981 and that a strong uptrend in residential construction will develop. Should this happen, the demand for brick will build rapidly, and Justin's Building Materials line should produce sales and profits well above prior records.

Concrete Products Buck the Trend

Justin's Featherlite concrete products operations set new high sales and profit marks again in 1980, in spite of overall weaknesses in construction activity. Better management and strong local markets in the Southwest made this possible.

Featherlite is the leading producer of concrete products for



building construction in the Southwest and Mid-South, which is benefiting from the movement of industry and people to the Sunbelt. Sales hit a new high of $54 million in 1980.

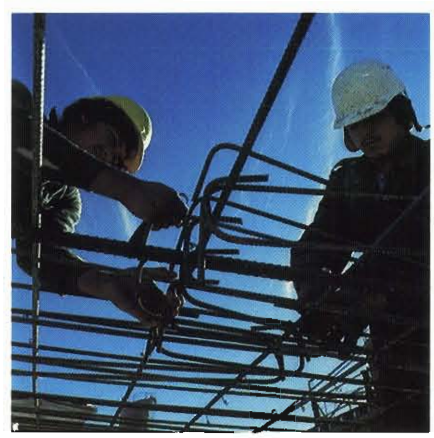
The concrete products plants are managed as two separate operating entities. Featherlite Structural Company operates five precast and prestressed plants as well as the only architectural stone plant in the Southwest. Featherlite Building Products Company consists of 11 concrete block plants and an expanded shale lightweight aggregate plant. The Featherlite facilities are located in Texas, Louisiana, Tennessee, Kentucky, and New Mexico.

Prestressed Demand Excellent

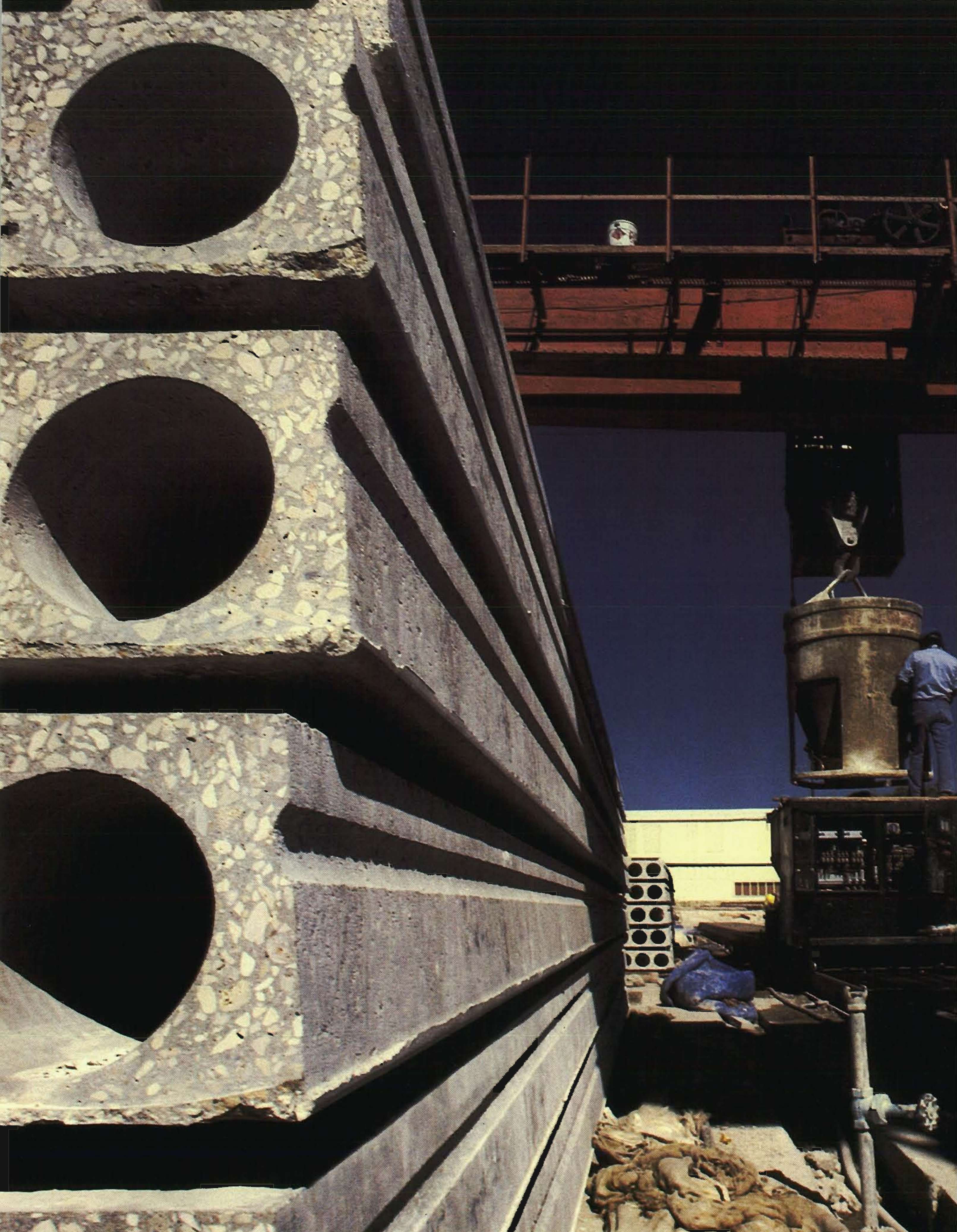
Prestressed and precast products were in strongest demand in the Louisiana and Texas markets served by Featherlite Structural. The three Featherlite prestressed plants in Austin and El Paso, Texas, and Baton Rouge, Louisiana, had banner years and led Featherlite to its new records. Large-scale commercial, industrial, and institutional construction projects were plentiful in the Texas and Louisiana markets, and the Featherlite plants delivered a wide range of products to these projects.

Use of Concrete Increasing

Concrete offers flexibility of design and erection techniques that are appealing to architects and building owners alike. Like brick, it offers persuasive energy-saving and maintenance advantages that create important operating economies. Concrete is inherently immune to weather, fire, and decay and is the only building material



that becomes stronger with age. Furthermore, it is gaining an increasing cost advantage in initial construction since competing materials such as steel and glass escalate in price faster than concrete. As a result, the use of concrete products, particularly massive prestressed members, is steadily increasing.



Concrete Block Business Mixed

Justin's concrete block business, Featherlite Building Products Company, had mixed results in 1980, as some important markets began to feel the overall construction downturn. The block business fits between the residential construction cycle and the cycle for

major commercial/industrial projects, which are the prime uses of prestressed and precast concrete. The principal market for block is the smaller nonresidential building project. Therefore, the block business tends to turn down before the effect of a weak economy slows the major commercial and industrial projects having greater lead time from conception to construction.

The new Lubbock, Texas, concrete block plant, Featherlite's largest and most modern, went into its first full year of operation in 1980. This plant is designed and built with special capacity to produce large quantities of custom masonry products, both for architectural projects and concrete brick for residences. These products provide special opportunities for expanding Justin's share of market in construction, plus widening profit margins. The Lubbock plant is now selling specialized concrete products throughout West Texas, whereas, prior to building the new plant, Featherlite did not have the manufacturing capacity to develop this business opportunity fully.

Also an important contributor in 1980 was the Ranger, Texas, lightweight aggregate plant. While the plant's principal function is to supply aggregate for Featherlite's concrete block plants and for highway and building construction, the unusual properties of Ranger lightweight aggregate give it a much broader market. It is, for example, used in oil well cement. And its extraordinary nonskid characteristics provide the public with an extra measure of safety when it is specified for seal-coating streets and highways.

Justin Leads in Clay Brick Production

Justin Industries is by far the largest maker of clay brick in the

United States. Acme Brick Company in the Southwest and the Sanford Brick Corporation on the Atlantic Coast operate 20 plants with a total production capacity of approximately one billion brick a year. This is about a third more than the next biggest producer.

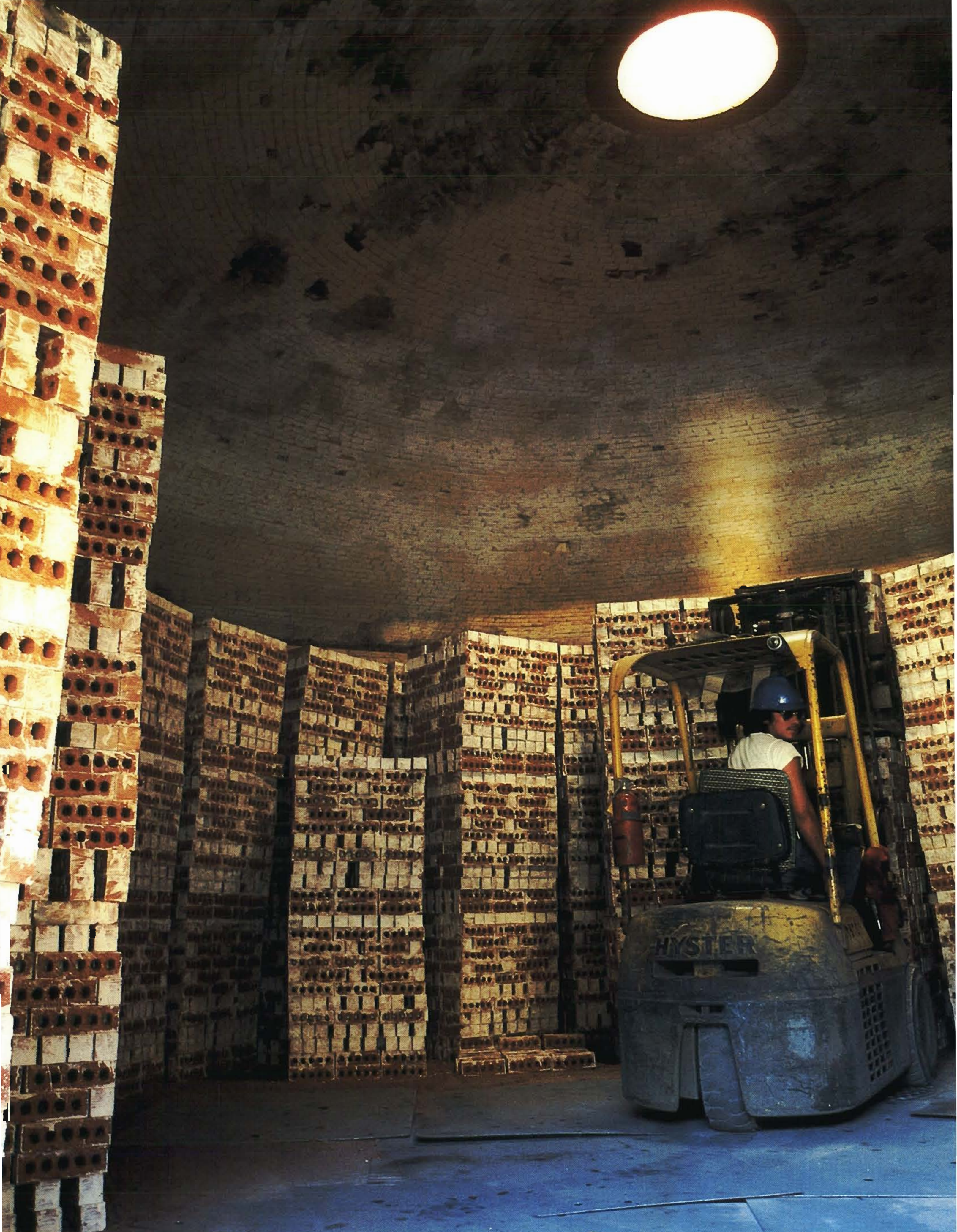
Although sale of brick has fallen in the last two years as housing starts declined, Justin Industries' brick operations have weathered

the downturn quite well, producing solid profits and gaining market share in key areas.

Opportunities for Brick Plentiful

Future opportunities for Justin's brick business are unusually good, since the company is in an excellent position to benefit from brick shortages that develop when new home construction approaches the two-million-per-year range. In short, Justin is positioned to deliver up to 50 percent more units than was possible in the 1976–78 homebuilding boom, by virtue of its plant expansions and planned inventory buildup the last two years.

Availability of this brick in boom times should further strengthen the continuing demand for brick, because when shortages develop, builders often shift to the use of less desirable substitute materials. This, plus the inherent advantages of brick over competing materials, indicates a bright long-term future


HYSTER

for this most ancient of all manufactured building materials. These advantages include beauty, energy conservation, economy, and durability.

Sales Program Emphasized

With markets soft, increased emphasis was placed on Acme and Sanford sales efforts in 1980. Acme

Brick, and Sanford to a growing extent, employ a direct sales force, contrary to the more typical practice in the industry of selling through building materials distributors. Acme has offices in Texas, Oklahoma, Kansas, Missouri, Arkansas, Tennessee, and Louisiana, from which sales persons are in direct touch with users and specifiers of brick. Architects, builders, contractors, brick masons, public officials, and others are contacted.

This sales effort is supported by a technical engineering staff in each region, which helps architects and builders evaluate opportunities for the use of brick in their projects. Prospective homebuyers are reached through a consumer advertising program in popular magazines, and professionals through their trade publications.

To each audience the essential message is the same: brick is the intelligent answer to the questions of beauty and maintenance, energy conservation, and overall economy.

Gaining a greater share of available business is the key to obtaining satisfactory results in a declining market, and notable accomplishments were made at several Texas locations, where unit sales increased in the face of reduced housing starts. Having the brick available as a result of Acme's plant expansions in recent years is an all-important element that will pay off in even better results as housing snaps back.

Efficient Production Aids Profitability

Greater productivity was the second goal of Justin's brick operations in 1980, and significant progress was made. Although unit production was curtailed during the year due to slow sales, manufacturing efficiency improved. Plant modernization accomplished in the late 1970s was a factor, as were

continued energy conservation efforts that again reduced the energy per unit required to make brick.

Acme opened its 17th plant in 1980, the ultra-modern Ouachita East facility at Malvern, Arkansas. Financed with industrial revenue bonds, the plant is highly automated and uses the least fuel-per-brick-produced of any Justin plant. Plant capacity is 43 million brick per year, requiring a work force of only 32 persons.

Sanford Brick perfected its pioneering solid fuel system in 1980 and totally converted the Chatham plant to use of sawdust as its primary fuel. Significant cost savings resulted. Conversion of Sanford's large Colon, North Carolina, plant to sawdust is under way.

It is this combination of marketing and manufacturing efforts that keeps Justin's brick sales at a profitable level, ahead of the industry as a whole, even in a less-than-desirable economic environment.

Industrial Equipment

Ceramic Cooling Tower Company set records in all major phases of its operation during 1980. Of greatest significance was its increasingly successful assault on the very substantial electric utility cooling tower market. In 1980, Ceramic had an excellent 50 percent success ratio in competing for utility company cooling tower orders. This performance, coupled with success in the domestic and international air conditioning field, stimulated record new bookings, shipments, and profits. CCT's year-end backlog of orders was an all-time high of $25 million.

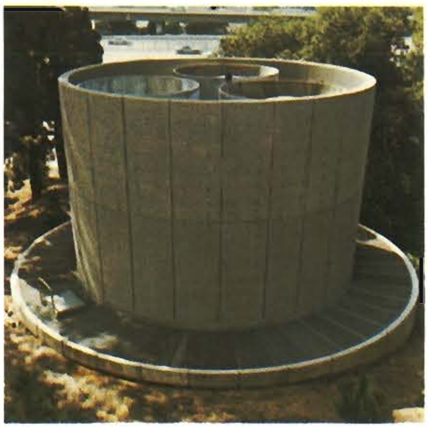
CCT designs and installs cooling towers with ceramic tile fill that offer energy savings plus unexcelled durability and low maintenance for a broad spectrum of commercial and industrial uses.

Progress with Electric Utilities

No market holds more promise for CCT than electric utility cooling towers. CCT achieved prominence during 1980 by successfully negotiating large utility cooling tower contracts with Middle South Energy, Nevada Power & Light Company, Southwestern Electric Power Company, and the Iowa Electric Power Company.

CCT entered the electric utility primary cooling tower market in 1978, receiving its first order from Ottertail Power Company for its Coyote Station in North Dakota.

Ceramic's major breakthrough in 1980 was its agreement with Middle South Energy to furnish design and internal components for the natural draft cooling tower serving the company's Grand Gulf



Nuclear installation located in Port Gibson, Mississippi.

The tower, pictured on page 21, is one of the largest natural draft cooling towers in the world. It is staggering in size, rising to a height of over 520 feet, with a base diameter in excess of 400 feet. CCT has also furnished the plant's ultimate heat sink cooling tower, which is designed to cool the nuclear reactor core during normal or emergency shut down.

During the year, work continued to progress on primary cooling towers for the Ottertail Power Company at Beulah, North Dakota; Calgary Power Ltd., at Edmonton, Alberta, Canada; Hoosier Energy Rural Electric Cooperative, Inc., at Merom, Indiana; and Massachusetts Municipal Wholesale Electric Company at Ludlow, Massachusetts.

Ceramic Fill Material Vital to Performance

CCT's 25-year fill material warranty far surpasses warranties by other manufacturers. The ability to make this guarantee stems from the ceramic tile fill and internal design, an area of expertise originally developed as an outgrowth of Justin's brick business. Fired clay products are man's oldest and most durable building material; clay tiles from the dawn of recorded history still survive. Ceramic tile as designed and installed by CCT is ideally suited to cooling tower operation, being impervious to chemical, biological, and/or ultraviolet deterioration.

Because of its tile fill material and otherwise superior design, Ceramic Cooling Towers have the inherent ability to maintain their original design performance for an unusually long time. This in turn reduces electrical energy consumption and wear and tear on the system being served.

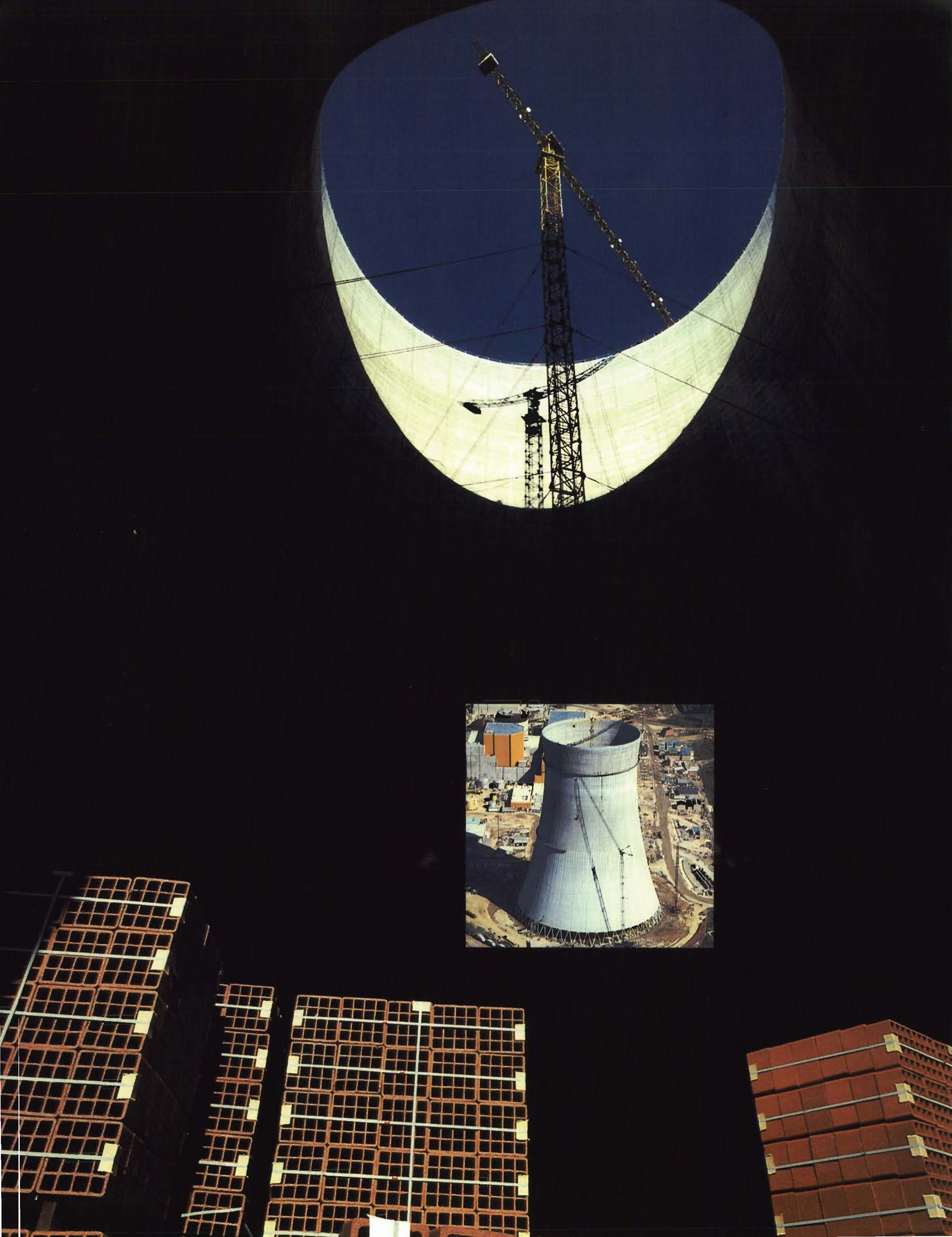
With the increased cost of energy, the owner of a permanent CCT tower easily and rapidly recovers the usually higher first cost compared to conventional wood or plastic fill towers that must undergo frequent replacement or major overhaul.

Other Markets Add to CCT Potential

The air conditioning market continues as a stable and profitable contributor to Ceramic Cooling Tower sales. Innovative designs and architectural flexibility have been key contributors to the expanded application of Ceramic towers. In 1980, primary emphasis was, and will continue to be, tailoring the product to specific applications. Faced with escalating energy costs, owner-operators of buildings are particularly attracted to the unique operating savings inherent in Ceramic's design, and are including CCT in master specifications for multiple building projects. For example, in 1980 one major corporation purchased the first of six towers for use in a planned nationwide network of data centers.

CCT international activities continued at record levels and represented 29 percent of total sales in 1980. Shipments to Saudi Arabia dominated this activity, with major new orders being secured in Kuwait, Iraq, Saudi Arabia, and the U.S. Embassy in Moscow. CCT's marketing thrust is aimed at the developing nations, where industrialization brings with it the requirement for large cooling tower systems.

Shipment of cooling towers for industrial process uses reached an all-time high in 1980. New contracts were received from industrial leaders such as Sharon Steel, Dow Chemical, Gould, Inc., U.S. Steel, Kaiser Steel, and others.



Consolidated Balance Sheet

In Thousands of Dollars at December 31

Assets	1980	1979	1978
CURRENT ASSETS:			
Cash and short-term investments	$ 1,462	$ 1,780	$ 1,405
Accounts receivable, less allowance for doubtful accounts of $1,444, $1,145, and $968, respectively	38,418	32,445	29,290
Inventories	49,815	40,179	27,309
Prepaid expenses	1,004	480	647
Total current assets	90,699	74,884	58,651
INVESTMENTS AND OTHER ASSETS, AT COST	3,438	3,231	1,518
PROPERTY, PLANT, AND EQUIPMENT, AT COST:			
Land	7,068	7,598	6,701
Buildings and equipment	98,366	87,879	84,193
Construction in progress	1,625	5,784	3,656
	107,059	101,261	94,550
Less accumulated depreciation	43,270	36,918	34,984
Net property, plant, and equipment	63,789	64,343	59,566
	$157,926	$142,458	$119,735

Liabilities and Shareholders' Equity	1980	1979	1978
CURRENT LIABILITIES:			
Notes payable to banks	$ 4,000	$ —	$ 500
Trade accounts payable	6,815	7,666	8,644
Accrued payroll items	3,546	4,201	2,519
Other accrued expenses	6,245	4,466	4,801
Federal and state income taxes	3,686	2,406	3,346
Dividends payable	557	563	374
Current portion of long-term debt	6,625	9,625	4,792
Total current liabilities	31,474	28,927	24,976
LONG-TERM DEBT, less current portion	55,655	48,763	40,569
DEFERRED FEDERAL INCOME TAXES	6,514	5,604	3,969
SHAREHOLDERS' EQUITY:			
Voting preferred stock, $2.50 par value; 1,000,000 shares authorized—Series Two convertible, 100 shares issued and outstanding	—	—	—
Common stock, $2.50 par value; 10,000,000 shares authorized, 3,771,332 shares issued in 1980 and 1979 and 2,514,388 in 1978	9,428	9,428	6,286
Capital in excess of par value	2,932	2,926	2,884
Retained earnings	52,531	46,893	41,210
	64,891	59,247	50,380
Less cost of common stock in treasury, 56,639 shares, 17,514 shares, and 22,926 shares in each year respectively	608	83	159
Total shareholders' equity	64,283	59,164	50,221
	$157,926	$142,458	$119,735

See accompanying notes.

Consolidated Statement of Income

In Thousands of Dollars for Years Ending on December 31

	1980	1979	1978
NET SALES	$197,862	$184,496	$170,950
COSTS AND EXPENSES:			
Cost of goods sold	140,620	128,382	119,957
Selling, general and administrative expenses	36,864	33,531	30,431
Interest expense	7,624	5,610	3,673
	185,108	167,523	154,061
INCOME BEFORE INCOME TAXES	12,754	16,973	16,889
INCOME TAXES	4,875	6,220	6,600
NET INCOME	$ 7,879	$ 10,753	$ 10,289
EARNINGS PER SHARE	$2.09	$2.83	$2.72

Consolidated Statement of Retained Earnings

In Thousands of Dollars for Years Ending on December 31

	1980	1979	1978
BALANCE AT BEGINNING OF YEAR	$ 46,893	$ 41,210	$ 34,502
Issuance of common stock in connection with 3-for-2 stock splits effected in the form of a stock dividend. Resulted in a corresponding increase in the common stock account.	—	(3,142)	(2,095)
Issuance of common stock from treasury upon exercise of stock options	(6)	(46)	(31)
Net income	7,879	10,753	10,289
Cash dividends declared—per share amounts: $.60, $.50, and $.39 respectively	(2,235)	(1,882)	(1,455)
BALANCE AT END OF YEAR	$ 52,531	$ 46,893	$ 41,210

See accompanying notes.

Consolidated Statement of Changes in Financial Position

In Thousands of Dollars for Years Ending on December 31

	1980	1979	1978
Sources of working capital:			
Working capital provided from operations:			
Net income	**$ 7,879**	$ 10,753	$ 10,289
Adjustments for items not affecting working capital:			
Depreciation	**7,921**	7,269	5,581
Deferred federal income taxes	**910**	1,635	497
Total from operations	**16,710**	19,657	16,367
Additions to long-term debt	**13,727**	18,138	13,542
Book value of property, plant, and equipment disposals	**906**	1,052	221
Decrease in investments and other assets	—	40	—
Proceeds from exercise of stock options	**16**	72	75
Total sources of working capital	**31,359**	38,959	30,205
Disposition of working capital:			
Reduction of long-term debt	**6,835**	9,944	5,401
Additions to property, plant, and equipment	**8,273**	14,851	22,105
Increase in investments and other assets	**207**	—	347
Cash dividends declared	**2,235**	1,882	1,455
Purchase of treasury stock	**541**	—	—
Total disposition of working capital	**18,091**	26,677	29,308
Increase in working capital	**$ 13,268**	$ 12,282	$ 897

The net change in components of working capital is as follows—increase (decrease) in working capital:			
Cash and short-term investments	**($ 318)**	$ 375	$ 110
Accounts receivable	**5,973**	3,155	1,610
Inventories	**9,636**	12,870	4,254
Prepaid expenses	**524**	(167)	77
Notes payable to banks	**(4,000)**	500	2,500
Accounts payable and accrued expenses	**(1,553)**	571	(5,155)
Dividends payable	**6**	(189)	(43)
Current portion of long-term debt	**3,000**	(4,833)	(2,456)
Increase in working capital	**$ 13,268**	$ 12,282	$ 897

See accompanying notes.

Summary of Significant Accounting Policies

A SUMMARY of the company's significant accounting policies is presented to assist the reader in evaluating the financial statements and other information contained in this report.

Principles of Consolidation—The consolidated financial statements include the accounts of the company and its subsidiaries. All material intercompany accounts and transactions are eliminated upon consolidation.

Accounts Receivable—For a majority of its receivables, the company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred during collection of the receivables. The estimated losses are based on historical collection experience coupled with review of the current status of existing receivables. Certain of the company's subsidiaries use the "direct charge-off" method of accounting for bad debts. Under this method, accounts are charged off as they are determined to be uncollectible. In the opinion of management, losses on accounts not covered by an allowance for doubtful accounts will not be significant.

Inventories—Inventories are consistently valued at the lower of cost or market. Finished products and work-in-process are valued using an average cost method, while raw materials and manufacturing supplies are valued on the first-in, first-out method.

Property, Plant, and Equipment—Depreciation is computed principally by the straight-line method for financial reporting purposes. The annual depreciation provision has been based upon the following estimated lives:

Buildings	10 to 33 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	3 to 10 years

Expenditures for maintenance and repairs of property, plant, and equipment are charged to operations. The cost of renewals and betterments are capitalized. When properties are retired or otherwise disposed of, it is the general policy to remove from the accounts the cost and the related accumulated depreciation or amortization thereon and to record the resulting gain or loss.

Revenue Recognition—Revenue from sale of manufactured products is recognized primarily upon passage of title to the customer, which generally coincides with physical delivery and acceptance. Revenue from large, long-term contracts, primarily for cooling towers, is recognized by the percentage-of-completion method. Revenues on contracts for prestressed and precast concrete products are recognized when the products have been produced to customer specifications. Included in accounts receivable at December 31, 1980, 1979, and 1978, are $2,190,000, $3,294,000, and $2,155,000, respectively, for undelivered sales on such contracts. These amounts are considered to be collectible within one year.

Income Taxes—Deferred income taxes are provided for timing differences in reporting certain income and expense items for financial reporting purposes in different periods than for tax reporting purposes. The principal items that cause timing differences are accelerated depreciation methods, income recognition on long-term contracts using the completed contract method, valuation allowances, and income recognition of a subsidiary operating as a domestic international sales corporation. Investment tax credits are treated as a reduction of the current tax provision in the year in which they are allowed for tax purposes.

Earnings Per Share—Earnings per share are determined by dividing net income by the average number of common shares outstanding plus common equivalent shares. Common equivalent shares include shares issuable under outstanding stock options reduced by shares assumed to be purchased from the proceeds of such options and the effect of the possible conversion of the voting preferred stock.

The average number of common equivalent shares outstanding used to calculate earnings per share was 3,768,000 in 1980, 3,795,000 in 1979, and 3,782,000 in 1978.

Pension Plans—Pension costs are computed on the basis of accepted actuarial methods and include current service costs and the amortization of prior service costs over a 30-year period for all plans. The company's policy is to fund pension costs as expensed.

Employee Stock Options—Proceeds from common stock issued under employee stock options are credited to common stock and capital in excess of par value at the time an option is exercised. No charges are made against income in accounting for stock options.

Notes to Consolidated Financial Statements

Years Ending on December 31

1. INVENTORIES

Inventories include the following: (in thousands of dollars)

	1980	1979	1978
Finished products	$34,300	$26,242	$14,712
Work-in-process	3,287	3,082	3,065
Raw materials and supplies	12,228	10,855	9,532
	$49,815	$40,179	$27,309

2. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 1980, 1979, and 1978, unused lines of credit for short-term borrowing were $26,250,000, $20,250,000, and $12,250,000, respectively.

Long-term debt consisted of the following: (in thousands of dollars)

	1980	1979	1978
Industrial revenue bonds payable in varying amounts through 1997 plus interest at 4% to 7⅛% secured by property, plant, and equipment with a net book value of $15,775	$ 9,736	$ 6,539	$5,050
Bank term loans payable in varying amounts through 1986 plus interest at prime to ½% above prime	18,576	17,334	11,827
Bank term loans payable in varying amounts through 1986 plus interest at fixed rates of 8½% to 10¾%	12,740	12,943	11,600
Notes payable to insurance companies with annual payments ranging from $1,500 to $4,000, beginning in 1983 through 1992, plus interest at fixed rates of 8¾% and 10½%	20,000	20,000	15,000
Notes payable in varying amounts through 1998 plus interest from 4¾% to 9%, secured by assets with a net book value of $4,286	1,228	1,572	1,884
	62,280	58,388	45,361
Less current portion	6,625	9,625	4,792
	$55,655	$48,763	$40,569

The aggregate annual maturities of long-term debt through 1985 are as follows: 1981 $6,625,000, 1982 $13,571,000, 1983 $9,257,000, 1984 $5,029,000 and 1985 $6,835,000.

Certain note agreements provide for minimum requirements as to working capital, restrictions on indebtedness, payment of cash dividends, and redemption of outstanding stock. At December 31, 1980, retained earnings available for payment of cash dividends amounted to $13,230,000. All requirements and restrictions have been complied with for 1980.

3. SHAREHOLDERS' EQUITY

The company declared 3-for-2 stock splits in September, 1979, and June, 1978. These stock splits, effected in the form of stock dividends, resulted in the issuance of 1,256,944 and 838,050 shares of common stock, respectively.

The company has outstanding options to purchase its common stock under qualified stock option plans and under non-qualified stock option agreements with certain of its employees. Options expire five years from date of grant under the qualified plans and ten years from date of grant under the non-qualified agreements.

In 1980, 1979, and 1978, 3,375, 16,875, and 10,455 shares of treasury stock were issued in connection with the exercise of stock options. In addition to adjustments to retained earnings, the exercise of these options had the effect of reducing treasury stock by $16,000 in 1980, $76,000 in 1979, and $53,000 in 1978 and increasing paid-in capital by $6,000, $42,000, and $53,000 respectively.

At December 31, 1980, options were outstanding on 82,000 shares at prices totaling $694,000, and an additional 3,750 shares were reserved for future grants. During 1980, options covering 2,500 shares were granted. The market value of the 3,375 shares purchased on the dates the options were exercised totaled $52,000.

In 1980, the company purchased 42,500 shares of treasury stock at a total cost of $541,000.

4. RETIREMENT PLAN

The company and its subsidiaries have pension plans for the benefit of eligible employees. The company's pension expense was $1,700,000 in 1980, $1,600,000 in 1979, and $1,400,000 in 1978.

A comparison of accumulated plan benefits and plan net assets is as follows: (in thousands of dollars)

	January 1,		
	1980	1979	1978
Actuarial present value of accumulated plan benefits:			
Vested	$10,796	$10,197	$ 8,224
Nonvested	955	970	754
	$11,751	$11,167	$ 8,978
Net assets available for benefits	$14,695	$11,263	$ 9,387

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6½% for all years.

5. INCOME TAXES

The provision for income taxes includes deferred taxes resulting from the following differences in tax accounting procedures: (in thousands of dollars)

	1980	1979	1978
Accelerated depreciation methods	$ 749	$ 1,105	$ 548
Revenue from long-term contracts	223	(604)	644
Revenue from DISC subsidiary	82	538	262
Valuation allowances	(73)	354	(525)
Other items	38	(139)	(6)
Total deferred taxes	$ 1,019	$ 1,254	$ 923

Tax expenses of $4,875,000 in 1980, $6,220,000 in 1979, and $6,600,000 in 1978 (effective rates of 38.2%, 36.7%, and 39.1%) are less than the amounts obtained by applying the U.S. Federal Corporate Income tax rate of 46% (48% in 1978) to income before taxes. The reasons for these differences are as follows: (in thousands of dollars)

	% of Pre-tax Income		
	1980	1979	1978
Statutory tax rate	46.0	46.0	48.0
Statutory depletion	(2.0)	(2.0)	(2.0)
Investment tax credits	(8.4)	(9.0)	(9.4)
State taxes and other	2.6	1.7	2.5
Actual tax expense	38.2	36.7	39.1

6. LITIGATION

The company has been named as defendant in certain private lawsuits seeking damages relating to the normal conduct of its business. Based on the information currently available, the company believes that its defenses have a substantial basis in fact and in law, and management does not now anticipate that the outcome of these matters will have a material adverse effect on the consolidated financial statements.

7. FINANCIAL INFORMATION BY PRODUCT LINES

The five-year analysis of sales and profit by product lines on page 7, as it pertains to the last three years, is an integral part of the company's consolidated financial statements. A discussion of the company's products and business is located on pages 12 to 20. The following additional information is presented by industry segment: (in thousands of dollars)

Product Line	Identifiable assets	Depreciation expense	Capital expenditures
1980			
Building materials	**$115,479**	**$ 6,799**	**$ 6,983**
Western and outdoor	**27,972**	**511**	**1,121**
Industrial equipment	**9,230**	**97**	**59**
Corporate assets	**5,245**	**514**	**110**
Total	**$157,926**	**$ 7,921**	**$ 8,273**
1979			
Building materials	$104,004	$ 6,477	$14,139
Western and outdoor	25,699	538	593
Industrial equipment	8,524	97	119
Corporate assets	4,231	157	—
Total	$142,458	$ 7,269	$14,851
1978			
Building materials	$ 89,010	$ 4,723	$20,007
Western and outdoor	19,050	547	272
Industrial equipment	6,200	226	204
Corporate assets	5,475	85	1,622
Total	$119,735	$ 5,581	$22,105

Auditor's Report

ARTHUR YOUNG & COMPANY

THE BOARD OF DIRECTORS AND SHAREHOLDERS
JUSTIN INDUSTRIES, INC.

We have examined the accompanying consolidated balance sheet of Justin Industries, Inc., at December 31, 1980, 1979, and 1978 and the related consolidated statements of income, retained earnings, 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.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Justin Industries, Inc., at December 31, 1980, 1979, and 1978, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

January 23, 1981, Fort Worth, Texas

Eleven -Year Financial Summary

Years Ending on December 31	1980	1979	1978	1977
SUMMARY OF OPERATIONS: (in thousands of dollars)				
Net sales:				
Building Materials	**121,926**	131,060	127,543	105,610
Western and Outdoor	**60,633**	39,033	27,714	27,589
Industrial Equipment	**15,303**	14,403	15,693	11,197
	197,862	184,496	170,950	144,396
Operating profit: (see note)				
Building Materials	**16,722**	23,464	25,548	15,087
Western and Outdoor	**7,601**	3,994	1,338	1,217
Industrial Equipment	**2,392**	1,105	(1,272)	(7)
	26,715	28,563	25,614	16,297
Selected costs and expenses:				
Cost of goods sold	**140,620**	128,382	119,957	105,123
Selling, general and administrative	**36,864**	33,531	30,431	26,311
Interest	**7,624**	5,610	3,673	2,796
Depreciation	**7,921**	7,269	5,581	4,992
Income taxes	**4,875**	6,220	6,600	4,040
Net income	**7,879**	10,753	10,289	6,211
Net income per share	**2.09**	2.83	2.72	1.67
Dividends declared per share	**.60**	.50	.39	.31
Capital expenditures	**8,273**	14,851	22,105	16,476
YEAR END STATISTICS: (in thousands of dollars)				
Working capital	**59,225**	45,957	33,675	32,778
Net property, plant, and equipment	**63,789**	64,343	59,566	43,263
Total assets	**157,926**	142,458	119,735	97,033
Long-term debt	**55,655**	48,763	40,569	32,428
Shareholders' equity	**64,283**	59,164	50,221	41,311
KEY FINANCIAL RATIOS:				
Pre-tax profit margin (%)	**6.45**	9.20	9.88	7.04
Net income—return on sales (%)	**3.98**	5.83	6.02	4.30
Return on shareholders' equity (%)	**12.76**	19.66	22.48	16.69
Return on assets (%)	**5.25**	8.20	9.49	7.00
Effective income tax rate (%)	**38.2**	36.7	39.1	39.7
Ratio of long-term debt to shareholders' equity (%)	**.87:1**	.82:1	.81:1	.79:1
Ratio of current assets to current liabilities (%)	**2.9:1**	2.6:1	2.4:1	2.7:1
SHAREHOLDERS' STATISTICS:				
Number of shareholders of record	**3,990**	2,930	2,229	2,112
Average number of shares outstanding (in thousands)	**3,768**	3,795	3,782	3,720
Book value per share	**17.30**	15.76	13.44	11.10
Dividends as a percent of net income	**28.4**	17.5	14.1	18.6
Market price (bid price) of common stock:				
High	**22¼**	21¾	17⅞	9½
Low	**10¾**	14	8¾	7½

NOTE: Operating profit is before unallocated corporate general and interest expenses. Net income per share has been computed common share equivalents. Book value per equivalent share of common stock has been computed on the number of common shares splits in both 1978 and 1979.

1976	1975	1974	1973	1972	1971	1970
64,268	39,987	41,156	34,026	36,075	30,358	24,428
26,160	22,412	21,050	16,919	13,605	12,330	11,225
8,660	6,994	8,400	3,984	5,823	3,828	3,555
99,088	69,393	70,606	54,929	55,503	46,516	39,208
9,068	5,138	4,484	4,914	6,039	3,912	1,621
1,813	2,589	1,926	1,317	1,255	1,018	843
1,244	1,131	1,410	298	984	448	682
12,125	8,858	7,820	6,529	8,278	5,378	3,146
71,055	49,059	52,385	39,586	38,604	33,683	28,944
18,622	13,492	12,025	10,398	10,019	8,668	8,323
1,490	1,353	1,284	401	293	380	673
3,480	2,929	2,580	1,886	1,598	1,456	1,422
3,350	2,413	1,906	1,823	2,969	1,598	524
4,533	3,076	3,006	2,721	3,618	2,187	744
1.35	.91	.89	.79	1.04	.61	.20
.25	.18	.15	.09	.07	—	—
5,184	2,028	5,474	4,422	3,217	1,189	597
31,374	20,740	15,762	13,552	12,079	10,584	9,443
32,497	21,603	22,808	17,511	15,093	13,597	14,016
80,347	52,057	51,125	38,775	33,647	30,315	31,154
24,624	11,563	10,511	5,540	4,088	4,734	5,389
33,137	29,389	27,111	24,865	22,630	19,377	17,994
7.99	7.91	6.96	8.27	11.87	8.14	3.23
4.57	4.43	4.26	4.95	6.52	4.70	1.90
14.50	10.89	11.57	11.46	17.23	11.70	4.22
6.84	5.96	6.69	7.51	11.31	7.12	2.41
42.3	44.0	38.8	40.1	45.1	42.2	41.3
.74:1	.39:1	.39:1	.22:1	.18:1	.24:1	.30:1
3.0:1	3.3:1	2.4:1	3.0:1	3.2:1	3.1:1	2.4:1
1,396	1,283	962	958	885	776	740
3,360	3,366	3,387	3,456	3,488	3,563	3,738
9.92	8.83	8.05	7.27	6.56	5.61	4.85
18.0	19.4	15.4	10.0	5.7	—	—
8⅞	4¾	5½	8½	8¾	4⅞	2½
4½	2½	2¼	2½	4¾	1½	⅝

on the average number of common and common equivalent shares outstanding during each year and includes preferred stock as outstanding at December 31. All per share information has been adjusted for the 2-for-1 stock split in 1972 and the 3-for-2 stock

Directors and Officers

Board of Directors

JOHN JUSTIN
Chairman of the Board and Chief Executive Officer, Justin Industries, Inc.

JERRY L. BROWNLEE
President and Chief Operating Officer, Justin Industries, Inc.

ROBERT B. CULLUM
Chairman of the Executive Committee, Cullum Companies, Inc., Dallas, Texas
primarily food and drug retailers

BAYARD H. FRIEDMAN
Chairman of the Board, The Fort Worth National Bank

ROBERT E. GLAZE
Personal investments, Dallas, Texas

ORAN F. NEEDHAM
Chairman of the Board, President and Chief Executive Officer, The Millers Group
insurance companies

RICHARD C. NEWKIRK
Personal investments, Fort Worth, Texas

Officers

JOHN JUSTIN, *Chairman and Chief Executive Officer*

JERRY L. BROWNLEE, *President and Chief Operating Officer*

DON JURY, *Vice President–Finance*

EDWARD L. STOUT, *Vice President–Brick*

JOHN HUBENTHAL, *Vice President–Water Cooling Systems*

HOWARD D. McMAHAN, *Vice President–Boots, Belts, and Leathergoods*

JON M. BENNETT, *Vice President–Personnel*

DEE J. KELLY, *General Counsel and Secretary*
principal occupation—private practice of law

A History Worth Repeating

MORE THAN A CENTURY of quality and vitality underscores the continuing success of Justin Industries, Inc. From a small frontier boot shop to the diversified company that now produces clay brick, cooling towers, boots and leathergoods, a wide range of concrete products, and also publishes books, Justin Industries has emerged a national leader.

Justin Industries derives its name from the original family business—H. J. Justin, Bootmaker—which began operations at Spanish Fort, Texas, in 1879 on the Old Chisholm Cattle Trail.

Pioneer determination was at the root of another company that would become an important part of Justin Industries. In 1891, the Acme Press Brick Company began operations at the site of a high quality shale deposit about fifty miles west of Fort Worth, Texas. It satisfied an expanding need for brick in rapidly growing Dallas and Fort Worth and surrounding cities. Additional brick plants were added by Acme throughout the Southwest, until it became one of the largest brick producers in America.

Innovation and foresight also led to the formation of the Ceramic Cooling Tower Company, as Acme Brick sought new ways to utilize the line of ceramic industrial products it then manufactured. The first cooling tower with a ceramic fill was built by CCT in 1948. The concept that a ceramic fill would result in a cooling tower far superior to competing products has now been firmly established.

A few scattered concrete products plants were added in the late 1960s, and with diversification under way, the First Worth Corporation was formed in 1968, with Acme as the major holding. The Justin Companies (boots, belts, and leathergoods) merged with First Worth on December 1, 1968. A year later, John Justin, grandson of the boot company's founder, became chief executive officer of the then struggling conglomerate. First Worth was renamed Justin Industries, Inc., in 1972.

Northland Press of Flagstaff, Arizona, joined the fold in 1973, and Justin gained a small but prestigious regional publishing house noted for its award-winning books about the art and history of the West.

Expansion continued the following year with the purchase of Sanford Brick Corporation. The acquisition gave Justin a position in the important brick market along the Atlantic Seaboard and made it the largest producer of face brick in the nation.

Justin became a major force in concrete products used in buildings and highway construction with the acquisition of Kingstip, Inc., and its subsidiary, The Featherlite Corporation, in 1976 and 1977. The step established Justin as the largest producer of concrete products serving the Southwest and Mid-South markets.

Perhaps Justin's most significant action to expand and improve its operations was totally internal in nature. In late 1976, an intensive review was started of every building materials plant in order to establish market potential, locate production bottlenecks, and identify expansion opportunities. During 1977, 1978, and 1979, dramatic expansion, improvement, and modernization of Justin's brick and concrete plants were achieved at an investment that substantially exceeded the company's total 1976 net worth. In 1980, similar aggressive expansion began in Justin's boot operations.

A leader in every principal area of its involvement, Justin Industries is now into its second hundred years, serving American industry and the public with increased strength and enthusiasm.

Shareholder Information

Annual Meeting Announced

The annual meeting of shareholders will be held on Friday, March 20, 1981, at the Fort Worth Club Building, twelfth floor, 306 West Seventh Street, Fort Worth, Texas, at 10:30 A.M. All shareholders are cordially invited to attend and are urged to be represented by proxy if unable to attend.

Dividend Reinvestment Program

Any shareholder of record may have dividends automatically reinvested in the company's common stock or make voluntary investments in the company's common stock through a service offered by Texas Commerce Bank of Houston. For additional information contact Vice President–Finance, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101.

Form 10-K

Investors who wish a copy of the company's annual report on Form 10-K filed with the Securities and Exchange Commission may obtain it upon request to Vice President–Finance, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101.

Stock Listing

Justin Industries, Inc., common stock is traded over-the-counter using the symbol "JSTN."

Stock Transfer Agent

Corporate Trust Department, The Fort Worth National Bank, P. O. Box 2050, Fort Worth, Texas 76101.

Independent Accountants

Arthur Young & Company, 2200 Fort Worth National Bank Building, Fort Worth, Texas 76102.

Market Makers*

DEAN WITTER REYNOLDS INC.
E. F. HUTTON & COMPANY, INC.
EPPLER, GUERIN & TURNER, INC.
FIRST SOUTHWEST COMPANY
GOLDMAN, SACHS & CO.
JEFFERIES & COMPANY, INC.
KIRKPATRICK, PETTIS, SMITH, POLIAN, INC.
LEHMAN BROTHERS KUHN LOEB, INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH, INC.
PAINE, WEBBER, JACKSON & CURTIS INC.
RAUSCHER PIERCE REFSNES, INC.
ROTAN MOSLE INC.
SMITH BARNEY, HARRIS UPHAM & CO. INC.
STEPHENS, INC.
UNDERWOOD, NEUHAUS & CO., INC.

*as of January 16, 1981

Quarterly Financial Data

(Unaudited—In thousands of dollars, except for per share data)

The following table presents summarized quarterly operating results for the two-year period ending December 31, 1980. First quarter operations are historically affected by the seasonal nature of the construction industry.

Quarter ended	Net sales	Gross profit	Net income	Earnings per share
3/31/79	$36,753	$10,527	$ 856	$ .23
6/30/79	47,279	14,721	3,350	.88
9/30/79	49,372	15,008	3,281	.86
12/31/79	51,092	15,858	3,266	.86
3/31/80	41,070	12,093	1,127	.30
6/30/80	46,257	13,204	1,592	.42
9/30/80	51,263	14,847	2,355	.63
12/31/80	59,272	17,098	2,805	.74

Executive Offices

Justin Industries, Inc., 2821 West Seventh Street, Fort Worth, Texas 76107 (817) 336-5125.

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Justin Industries, Inc.

EXECUTIVE OFFICES:
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