We have the products,

the market position

and the strategic vision...

and we have

brought back the brand

to power our

worldwide growth.

Johns Manville

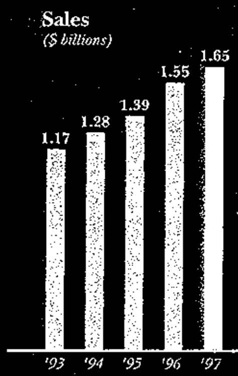
1997 Annual Report

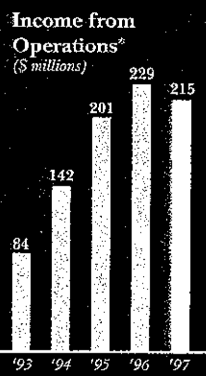
1997 Year in Review

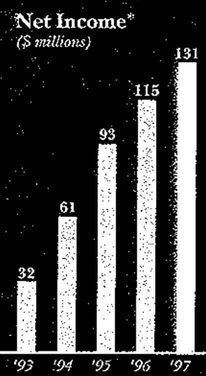
Financial Highlights

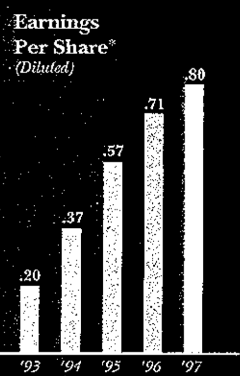
In millions of dollars, except per share amounts

For the Years Ended December 31,	1997	1996	1995
Reported Results			
Net Sales	**$ 1,647.6**	$ 1,552.4	$ 1,391.5
Income from Operations	**$ 215.4**	$ 187.4	$ 201.3
Net Income Applicable to Common Stock	**$ 150.0**	$ 30.1	$ 91.1
Underlying Results (As Adjusted for Unusual Items)			
Income from Operations	**$ 215.4**	$ 229.4	$ 201.3
Net Income Applicable to Common Stock	**$ 130.5**	$ 115.3	$ 93.4
Earnings Per Common Share (Diluted)			
As Reported	**$ .92**	$ .20	$ .73
As Adjusted for Unusual Items	**$ .80**	$ .71	$ .57
Net Cash Provided by Operating Activities	**$ 168.7**	$ 165.4	$ 217.6









*As adjusted for unusual items

Corporate Profile

Johns Manville Corporation (NYSE:JM) is a leading manufacturer and marketer of premium quality insulation and building products. The 140-year-old Denver-based company had sales of $1.65 billion in 1997. Johns Manville produces and markets insulation products for buildings and equipment; commercial/industrial roofing systems; and engineered products including high-efficiency filtration media, and fibers, fabric and nonwoven mats used as reinforcements in building and industrial applications. Johns Manville employs approximately 8,300 people and operates 50 manufacturing facilities in North America, Europe and China. Additional information can be found on the world wide web at www.jm.com.

INVESTMENT HIGHLIGHTS

Johns Manville is the name that has characterized the company's 140-year heritage of superior innovation, quality and customer service. We will power our future growth by leveraging these strengths of the JM brand.

We will drive growth by enhancing our leading market shares in commercial/industrial markets through product innovation and an aggressive focus on profitable acquisitions that we can quickly make earnings contributors.

We are committed to enhancing the value of our businesses by reducing costs and improving productivity.

We have a future tax advantage that arises from the Manville Trust's investment in JM stock. The value of future sales of JM stock by the Trust, as well as dividends paid to the Trust, create tax deductions for the company's U.S.-based business.

All of JM's employees now have the opportunity for an ownership stake in the business. Board, management and employee interests are thus aligned with our shareholders.

We will pursue our goal of doubling the value of shareholders' investment over the next few years by diligently focusing our attention on enhancing Johns Manville's brand value, improving the company's operations value and driving JM's shareholder value.

Dear Fellow Shareholders,

Our accomplishments of 1997 include results that set records; the addition of several complementary acquisitions that enhanced our global market presence and were accretive to earnings; the strengthening of the Johns Manville management team; and the return of the JM brand that will help power the company's future growth. Growth is of utmost importance to JM since our goal is to double the value of the company over the next few years. We are optimistic about our future opportunities and committed to reaching this long-term goal.

C.L. (Jerry) Henry, Chairman, President and Chief Executive Officer

1997 Results That Set Records

As shown in the highlights on the front inside cover of this report, in 1997, Johns Manville's results set records: sales increased six percent to $1.65 billion and underlying net income increased 13 percent to $130.5 million, or $.80 per share. We consider this a good performance, though not up to our plan or expectations.

The 1997 environment included favorable economic trends for the building industry, such as Gross Domestic Product (GDP) growth, strong construction spending as a percent of GDP, and low inflation and interest rates. These trends provided an opportunity for JM to drive growth and strengthen our leading market positions in 1997.

During the year we completed a number of complementary acquisitions focused in commercial/industrial markets, both in the U.S. and in Europe, and integrated these, and the businesses acquired in 1996, quickly and cost-effectively. We also improved our cost structure through productivity gains and cost reduction.

However, the 1997 environment also included industry capacity-related pricing pressures, primarily in residential insulation; otherwise, we would have met our internal expectations. Despite the favorable impact of higher volumes, acquisitions and cost improvements, pricing pressures caused underlying income from operations to decline six percent to $215.4 million in 1997, compared with $229.4 million in 1996. A lower effective tax rate in 1997, benefiting from utilization of tax credits and dividends paid to the Trust, drove the higher net income and earnings per share results. These results exclude unusual items, detailed in the financial section of this annual report, beginning on page 17.

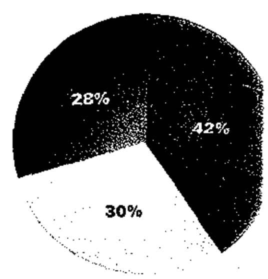
In 1997, JM increased its regular dividend to an annual rate of $.16 per share. This dividend commitment reflects the company's strong cash flow position. In 1997, JM generated "EBITDA" (Earnings Before Interest, Taxes, Depreciation and Amortization) of $296 million, up 17 percent from 1996 levels. Capital expenditures totaled $90.5 million in 1997, and depreciation and amortization was $80.2 million (see charts on page 17).

Year-end total debt was $458.1 million and represented 40 percent of total capital. JM's financial strength and flexibility support our commitment to profitable growth, which we will accomplish through both acquisitions and internal growth.

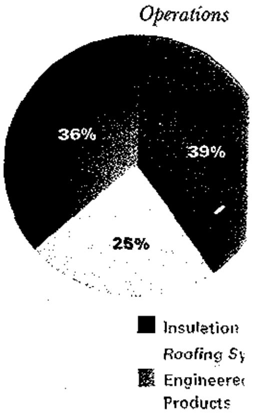
During 1997, we continued to strengthen the JM management team. In some instances we accomplished this by moving JM senior executives into new assignments; in others, by attracting several new executives with substantial industry experience to join the JM team.

I want to publicly thank all of our 8,300 employees for delivering these results, and for their support and counsel during 1997. We move into 1998 with renewed confidence and a strong team in place.

Sales



Income from Operations



#1 *JM has leading market share positions in most of its businesses.*

Core Businesses Strengthened and Restructured for Strategic Focus

Early in 1997, we reorganized into three worldwide strategic business units: Insulation, including residential, commercial/industrial and OEM; Roofing Systems; and Engineered Products, including mats and fibers, and filtration. (See charts on page 2.) This new structure focuses the businesses for better market coverage and growth. The change also simplifies financial reporting, since our internal business units and external business "segments" are now aligned.

Insulation

Insulation sales were basically flat in 1997, $697.8 million compared with $699 million in 1996. This reflects higher volumes driven by strong construction activity across the board, offset by continued pricing pressures, which began in 1995. Unusually competitive pricing has been used to place new industry capacity, targeted primarily at residential markets, which is projected to come on-stream starting in 1998. As a result of this pricing pressure, which is affecting all industry participants, Insulation income from operations declined four percent to $98.7 million in 1997, compared with $103.4 million in 1996.

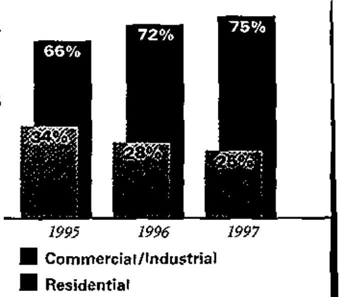
Our strategy is to continue to grow our business through innovative products, superior customer service and an increasing focus on commercial/industrial insulation markets where we are industry leaders. An example of this commitment is our announcement in January 1998 of the acquisition of a calcium silicate and fireproof board plant. This acquisition will enhance JM's leading position in commercial/industrial insulation markets. Our strategy is also to target productivity gains and cost reductions to minimize the impact of pricing pressures. However, we will aggressively defend our market share positions.

Roofing Systems

Our Roofing Systems business had another excellent year in 1997. Roofing Systems sales increased 23 percent, to $510.5 million, and income from operations nearly doubled to $62.9 million from $32.1 million, with a majority of the gain driven by acquisitions completed over the past year. The two acquisitions announced during the fall of 1997–the roofing business of HPG International, and Seal-Dry/USA– mark Johns Manville's entry into thermoplastic membranes, one of the fastest-growing markets in the commercial/industrial roofing business.

These acquisitions strengthen our position as the market leader in commercial/industrial roofing systems and broaden our capabilities in the growth segments of the business. (The new Hong Kong airport, pictured on page 12, has our thermoplastic membrane roof.) The margins in this business also increased, reflecting excellent execution in the integration of acquisitions completed over the past year, favorable raw materials cost and ongoing productivity gains.

We've reduced our exposure to residential markets in favor of more stable commercial/industrial markets.



Engineered Products

The Engineered Products segment reported sales of $476 million in 1997, up slightly from $470.8 million in 1996, while income from operations declined 18 percent to $92.6 million compared with $113.1 million. The decline reflects pricing pressures in both the U.S. mats and fibers, and filtration businesses during 1997, despite improved volumes in European mats and fibers, productivity improvements and the contribution from acquisitions completed during the year.

After several years of sold-out demand for mats and fibers in the U.S., our fibers business was adversely affected by competitive pricing pressures. In our filtration business, industry consolidation caused some pricing pressures and lost business. We believe that both situations have stabilized, and demand in these markets continues to grow.

In Europe, our mats and fibers business is quite healthy, despite continuing adverse currency comparisons and slow growth in many western European markets. This business had a record year as a result of continued productivity improvements and expansion into eastern European markets. In addition, the business benefited from the acquisition of Mitex, the leading manufacturer of premium fiber glass wall coverings, which enhances our international presence, growth potential and margins.

Back to the Future: Perspective on Our Growth Goals

The Return of the JM Brand Name

Johns Manville has entered a new era in the company's evolution. A milestone in that transition was the 1997 shareholder approval of the name change back to Johns Manville–the hallmark brand and company name for the majority of our 140-year history. Drawing on this heritage of superior innovation, quality and customer service, we will power our future growth by leveraging these JM brand strengths. These strengths are exemplified in the powerful images portrayed in this report, drawn from the "Perfectionist" advertising campaign that appeared in *The Wall Street Journal* and selected trade publications.

Johns Manville

The re-energized JM name and identity symbolize a powerful brand that has represented superior innovation, quality and customer service for the majority of the company's 140-year history.

We see significant long-term opportunities for the JM brand worldwide, principally in commercial/industrial product markets. We believe the single-focus brand strategy offers superior growth and profitability for our products, services and technical capabilities. We will drive this profitable growth through product innovation and a much more aggressive focus on acquisitions, particularly in international markets.

Commitment to Double the Value of the Company

Our goal is to double the value of the company over the next few years. This will be challenging because many of JM's businesses have benefited from the strong economic cycle, which has been especially favorable for the construction industry in recent years.

The reality is that many of our businesses are in cyclical or relatively mature markets. We have reduced our exposure to the more pronounced cycles by increasing our focus on more stable commercial/industrial markets, which now account for 75 percent of our sales, compared with 66 percent in 1995 (see chart on page 3).

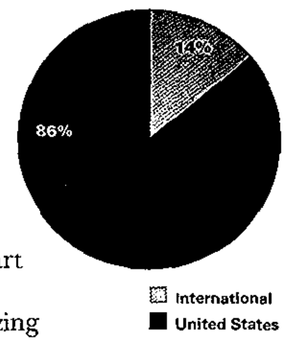
Acquisitions that further diversify our product portfolio, and provide access to new markets, will also help. Even so, we must be ever vigilant about being the low-cost producer in our businesses to mitigate the impact when cycles inevitably turn down.

We intend to achieve our long-term goal by diligently focusing on three things: enhancing Johns Manville's brand value, improving the company's operations value and driving JM's shareholder value.

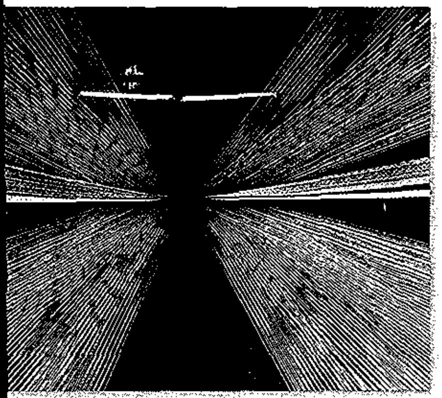
We will enhance the JM brand value by delivering on the brand's promise of superior, innovative, quality products and service designed to meet the needs of our customers; and by reinforcing and expanding the recognition of the JM name globally.

We will improve our operations value through our commitment to growth and improved productivity, and by meeting our targets for sales and income from operations. We mean to further enhance our growth by adding significant profitable acquisitions in our worldwide distribution channels that we can quickly make earnings contributors, much as we have done over the last two years. We seek acquisitions that provide a competitive or technological advantage in any of our markets, or geographic expansion. Our goal is for international sales to represent 30 percent of our total, compared to 14 percent currently (see chart, this page). These acquisitions are expected to earn their cost of capital and be accretive in the first full year that they are part of JM.

The target for international sales is 30 percent, suggesting aggressive growth in this area.



Productivity improvements (see chart on page 5) include: realizing manufacturing efficiencies, minimizing overhead and capturing synergies among



Our recent acquisition of Mitex makes Johns Manville a leader in the fastest-growing segment in European wall coverings–fiber glass textile.

our business units, with manufacturing efficiencies representing the lion's share of cost-saving opportunities.

JM is one of the best in our industry as measured by costs, but we can still improve. Our goal is to realize fixed-cost savings of five percent per year, which will enable JM to compete more effectively and profitably. These efforts include a re-emphasis on quality, not only in terms of our products and services, but also focusing on standards for safety and environmental impact. The discipline we apply to achieving these internal "perfectionist" goals (like the "perfectionist" customers shown in our advertising) applies to everything else we do.

Capturing synergies among our business units means focusing on our customers' total building products needs by cross-selling our products and leveraging technology advances across businesses. In 1997, we created a commercial/industrial products task force to ensure that we maximize our opportunities in this important market.

Driving Shareholder Value

By enhancing the value of JM's brand and operations, we leverage the value of our assets. We can unlock even greater value for shareholders through the attitude and commitment of our employees–a critical off-balance sheet asset–and through a unique tax asset.

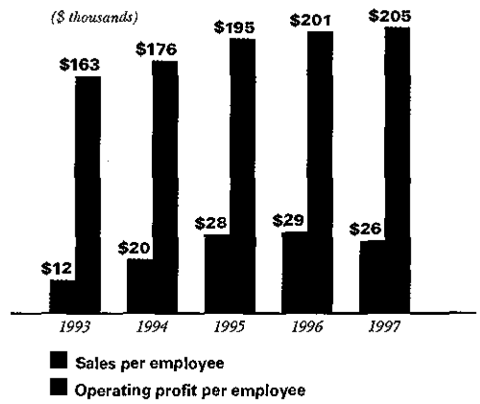
All of JM's employees now have the opportunity for an ownership stake in the business. Board, management and employee interests are thus aligned with our shareholders.

We also have a valuable tax advantage that arises from the Manville Trust's investment in JM stock–the Trust currently owns nearly 80 percent of the 162 million shares outstanding. The value of future sales of JM stock by the Trust, as well as all dividends paid to the Trust, create tax deductions for the company's U.S.-based business.

Outlook for 1998

We expect construction markets in the U.S. to remain relatively strong in 1998. The key indicators of the health of these markets relate to currently favorable expectations for GDP, inflation and interest rates. Demand for residential construction and remodeling should, therefore, remain robust, with commercial/industrial markets expected to be solid again in 1998. The wild card is pricing for insulation, which at this writing looks as though it may be stabilizing. International markets have strengthened, and growth in many countries will exceed what we expect to see in North America, though much depends on the health of Asian economies. We are committed to acquiring good businesses that meet our requirements, and there are still many opportunities.

As a result of our focus on productivity, sales and operating profit per employee have increased substantially since 1993.



We are optimistic about the future. We believe we have the right products, the leading market positions and a strategic vision. We are focused on improving the value of our operations. Our interests are aligned with our shareholders. And now, we once again have the brand name–Johns Manville–to power our worldwide growth.

Sincerely,

C.L. (Jerry) Henry
Chairman of the Board,
President and Chief Executive Officer

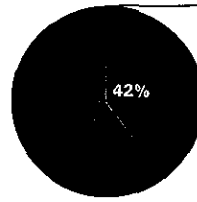
March 10, 1998

Johns Manville At a Glance

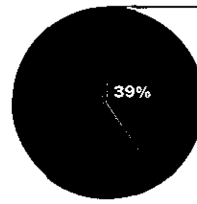
Description | **Contribution**

INSULATION

The market for fiber glass insulation in North America totals $2.6 billion. Johns Manville is the second-largest manufacturer of fiber glass insulation for residential applications and shares the leading market position for commercial/industrial applications. In specialty insulation sold to original equipment manufacturers (OEM), Johns Manville holds the No. 1 position in its three markets: aerospace; auto; and heating, ventilating and air conditioning (HVAC).



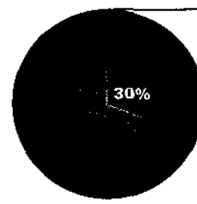
Sales



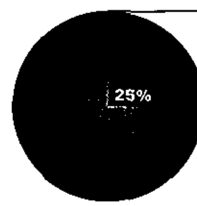
Income from Operations

ROOFING SYSTEMS

Johns Manville is the leading supplier of commercial/industrial roofing systems in North America, which is a $2.7 billion market. The company's Roofing Systems business, which provides the broadest line of total roofing systems in the industry, includes: built-up, modified bitumen and single-ply membranes; perlite, fiber glass and polyisocyanurate insulations; roofing guarantees; and accessories. Acquisitions in recent years have expanded product lines and provided substantial growth in this business segment.



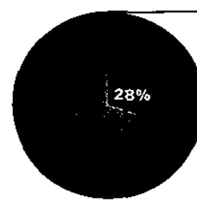
Sales



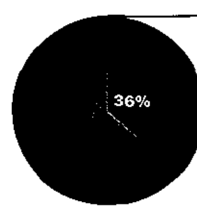
Income from Operations

ENGINEERED PRODUCTS

The Engineered Products segment includes mats and fibers, and filtration products. JM's mats and fibers business is the largest worldwide supplier of nonwoven fiber glass mat products. Mats and fibers are used as substrates for roofing, flooring and other specialty applications. In filtration, Johns Manville is a leading supplier of ultra-fine fibers used in filtration for clean rooms in the electronics and pharmaceutical industries; and as a component in stationary batteries for high-technology products.



Sales



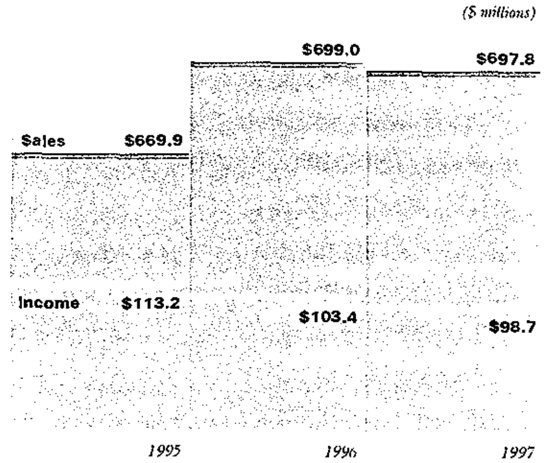
Income from Operations

1997 Highlights	Sales & Income from Operations	Outlook

1997 Highlights

- *Sales were flat and operating income decreased 4%.*
- *Volumes were up 4% for the year.*
- *Pricing pressures, primarily in residential insulation, caused income declines.*
- *Commercial/industrial focus reinforced leading market share in that area of the Insulation business.*
- *OEM insulation was especially strong throughout the year.*

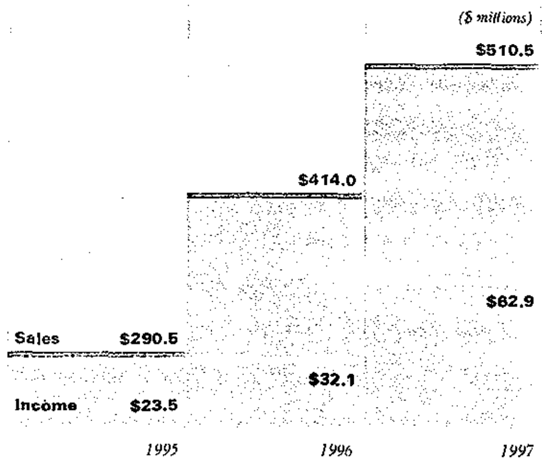
Sales & Income from Operations



Outlook

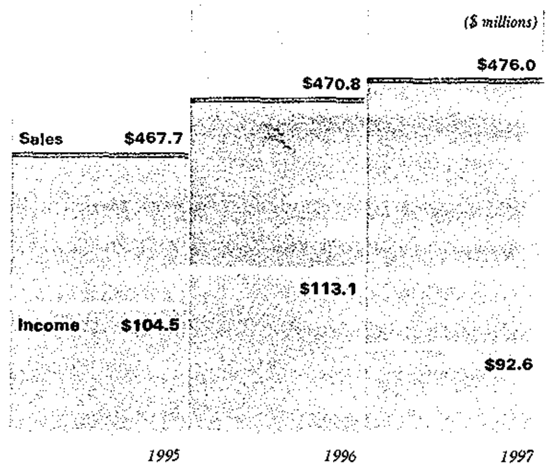
Volumes are expected to continue reasonably strong, and pricing pressures are expected to abate in 1998. Maintaining a focus on productivity, cost reductions, new applications and product enhancements will drive future growth.

- *Sales increased 23% and operating income nearly doubled.*
- *Volumes were up 6-7% in 1997.*
- *Increases were fueled by acquisitions.*
- *Operating income was boosted by incremental sales from effective integration of acquisitions and realization of synergies.*
- *Acquisitions of HPG's roofing business and Seal-Dry strengthen JM's leading market share by expanding into thermoplastics, one of the fastest-growing segments of the roofing market.*
- *Improved productivity aided favorable results.*

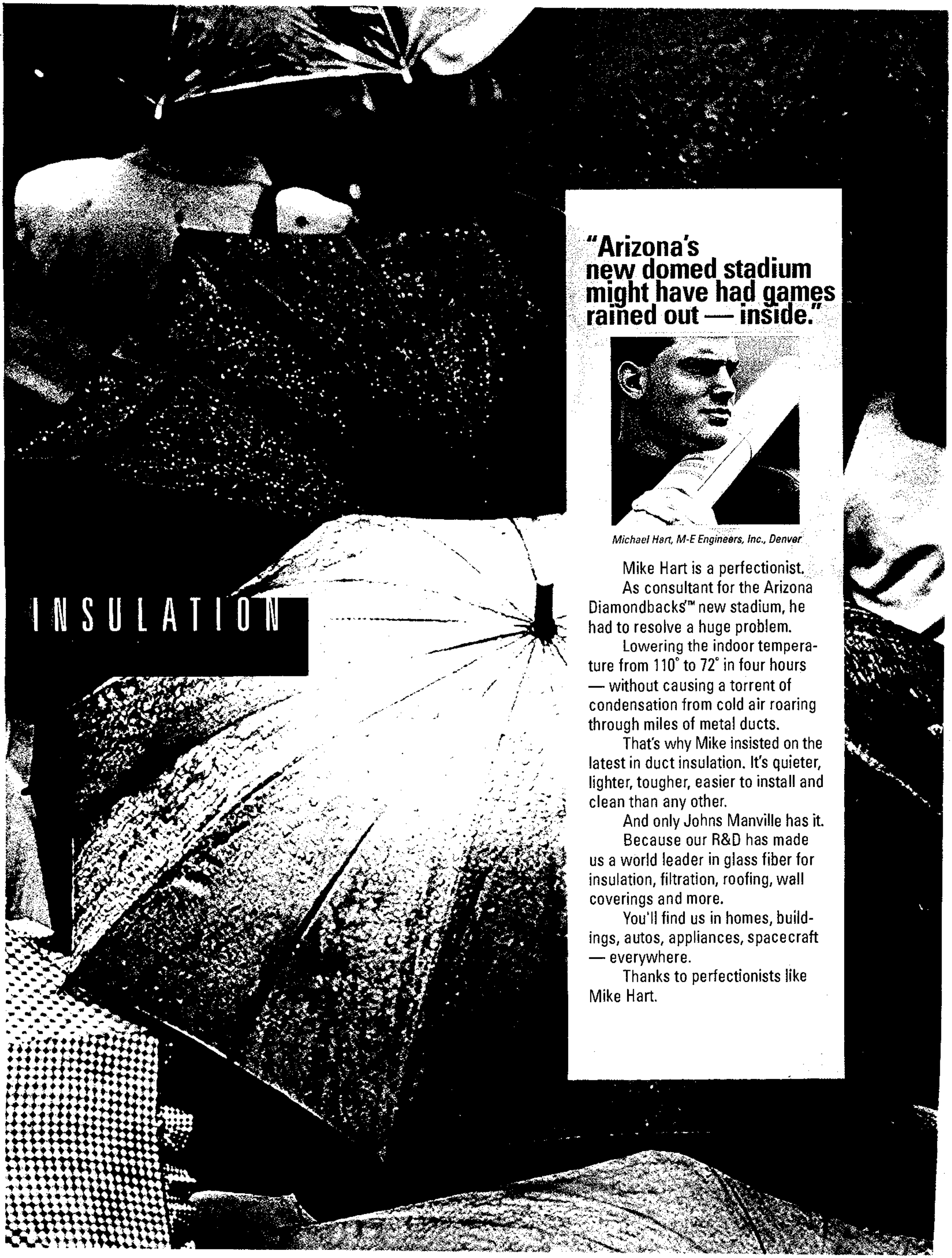


Future growth will be fueled by acquisitions, international expansion, market share gains, and continuing superior service and productivity improvements.

- *Sales were up slightly and operating income was down 18%.*
- *Volumes were up 3-4% in 1997.*
- *Competitive pricing pressures in U.S. mats and fibers and filtration adversely affected income.*
- *As a result of strong European mats and fibers sales, the international business reported record results.*
- *Acquisition of Mitex strengthened JM's position in fiber glass wall fabric used for functional and decorative wall coverings.*



Pricing pressures appear to be stabilizing, and volumes are expected to improve in the coming year. The European business is expected to continue to do well through productivity improvements and the further integration and expansion of the Mitex acquisition.

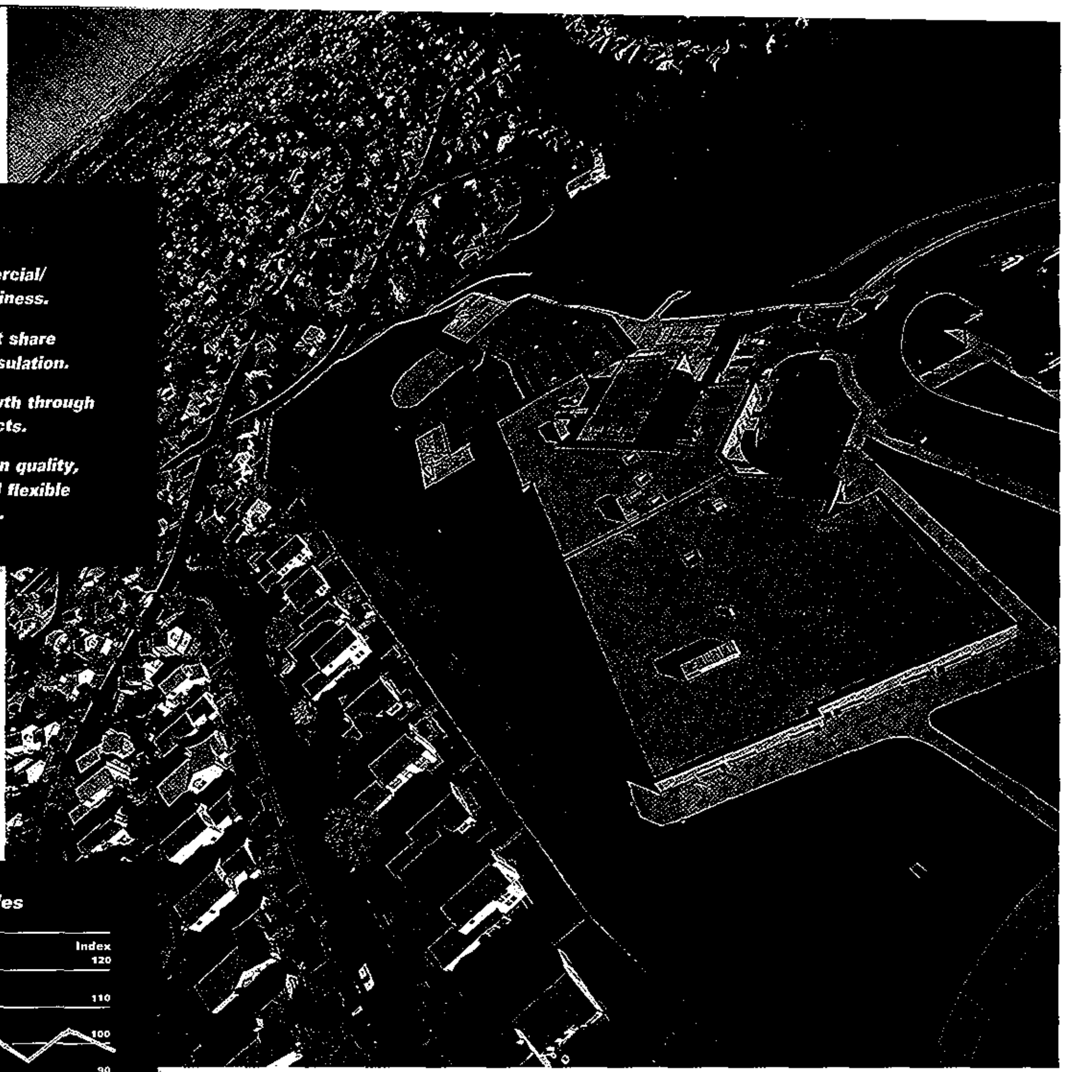

INSULATION
"Arizona's new domed stadium might have had games rained out — inside."
Michael Hart, M-E Engineers, Inc., Denver
Mike Hart is a perfectionist.
As consultant for the Arizona Diamondbacks'™ new stadium, he had to resolve a huge problem.
Lowering the indoor temperature from 110° to 72° in four hours — without causing a torrent of condensation from cold air roaring through miles of metal ducts.
That's why Mike insisted on the latest in duct insulation. It's quieter, lighter, tougher, easier to install and clean than any other.
And only Johns Manville has it.
Because our R&D has made us a world leader in glass fiber for insulation, filtration, roofing, wall coverings and more.
You'll find us in homes, buildings, autos, appliances, spacecraft — everywhere.
Thanks to perfectionists like Mike Hart.

Grow commercial/ industrial business.

Defend market share in residential insulation.

Drive internal growth through new products.

Continue focus on quality, productivity and flexible capacity.

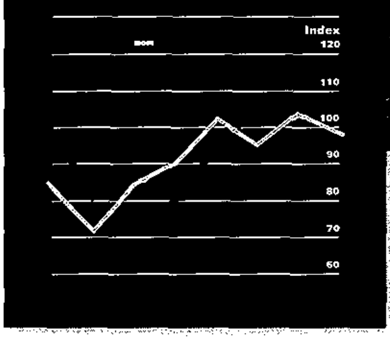


JM Insulation Products

Arolite®
Attic Protector™
Ceel-Co®
ClimatePro®
ComfortTherm™
DustEx™
EcoTherm™
Exact-O-Mat®
Flex-Glas™
Grid-SHIELD™
Insulmide™
Insul-SHIELD™
Insultone®
Micro-Aire® Duct Board
Microlite®
Micro-Lok®
Permacote® Linacoustic®
Permacote® Spiracoustic®
Rigid Round™ Duct
Roof Defender™
Sound-SHIELD™
Spin-Glas®
Spiracoustic Plus™
Super Caltemp™
SuperDuct™
Super Firetemp™
Super Round™ Duct
Thermal-SHIELD™
Thermo-12 Gold®
Tuf-Skin®
Valulite™
Whispertone®
Zeston® 2000

This school and surrounding homes are protected from fire, noise, adverse weather and air pollution with Johns Manville insulation products for commercial/industrial and residential buildings.

Construction Cycles



With favorable economic trends, both commercial and residential construction cycles have remained strong.

recent
fectionist"
porate advertising
paign illustrates
JM is the brand
oice for highly
nical applications
the most
nding
ssional uses.

INSULATION

1997 Results

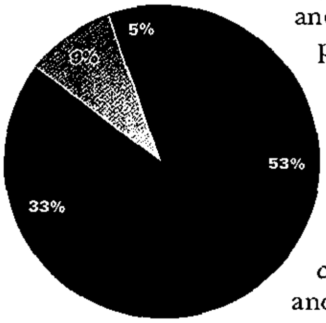
- Insulation contributed 42 percent to total company sales and 39 percent to income from operations.
- Volumes improved in commercial/ industrial insulation, and sales were flat at $697.8 million compared with $699 million in 1996.
- Pricing pressures, primarily in residential insulation, caused income from operations to decline four percent to $98.7 million, from $103.4 million in 1996. (Income from operations in 1996 included $17.6 million in nonrecurring charges related to facility closure costs and asset write-downs.)

Leading Market Shares

Johns Manville started producing high-quality insulation in the late 1800s and early 1900s. Since then, the market for fiber glass insulation products in North America has grown to $2.6 billion and Johns Manville holds the No. 2 overall position. JM is the second largest manufacturer of residential fiber glass insulation products, is the co-market leader in commercial/industrial insulation, and holds the No. 1 position in its OEM markets: aerospace, auto and HVAC. The company markets these products to home improvement retailers; contractors and building owners; fabricators; distributors; and equipment manufacturers.

In 1997, competitive pricing pressures led to a seven-to-eight percent decline in average selling prices in building insulation markets, which offset volume increases and drove profits lower in Insulation. Competitive pricing, especially in residential building insulation, is being used to place new industry capacity, and is affecting all building insulation manufacturers. However, volumes, pricing and market share for JM's commercial/industrial insulations improved as a result of strong construction markets in the U.S. and Canada, and strategic marketing initiatives. OEM markets for specialty insulation also generated increased volumes and improved profits.

JM holds a leading share of the fiber glass insulation market, which represents 53 percent of the $4.9 billion market for insulation in North America. Foam insulation (33 percent of the total market) represents a growth opportunity for JM.



North American Insulation Market

- Fiber Glass
- Foamed Plastics
- Mineral Wool
- Other

Residential Products Strengthened

In residential insulation, Johns Manville is committed to balancing product innovation and improved quality with targeted productivity gains and cost reductions. In 1997, JM introduced 50-square-foot coverage bags to package ClimatePro® blowing wool insulation. This product innovation saves contractors' time and money with fewer bags to transport and install. JM also expanded its premium line of ComfortTherm™ products in 1997 to include under-floor and sound control insulations. This line of products offers benefits, such as ease of handling and installation, compared to conventional fiber glass batts and rolls.

Commercial/Industrial Leader

As a leader in commercial/industrial insulation markets, JM is highly regarded by its customers for its knowledgeable sales force, partnership approach and reliable service. Driven predominantly by continuing growth in theater, sports facility and office building construction, JM's commercial/industrial building insulation businesses remain strong with increasing volumes and leading market shares.

JM is the largest North American manufacturer of pipe and duct insulation for commercial/industrial construction. Pipe insulation is used for thermal applications to insulate water, steam, petrochemical and other process lines. The company's Micro-Lok® and Zeston® 2000 have set the industry standard for pipe and fitting insulation products. Duct insulation is used for thermal and acoustic purposes. By developing products that are part of the Envirosystem™, JM addresses specifiers' needs for products that promote comfort and energy efficiency, and resist mold and mildew.

JM Insulation Markets

- *Fiber glass insulation (North America)*
- *Commercial/industrial insulation (co-market leader in North America)*
- *Residential insulation (North America)*
- *Fiber glass auto insulation (North America)*
- *Aerospace insulation (worldwide)*
- *HVAC equipment insulation (North America)*

Building on its leading position in commercial/industrial insulation products, in January 1998, JM completed the acquisition of a calcium silicate pipe and block insulation and fireproof board plant.

Results in OEM

Johns Manville holds the leading share worldwide in the market for aircraft insulation, which is growing and will follow the overall strength of the aerospace industry. JM also is the North American leader in the market for HVAC equipment insulation, which has maintained its steady growth. Acoustic insulation, which includes wall and ceiling panel substrates, is the fastest-growing area of JM's OEM business and is expected to continue to grow.

Outlook for Growth

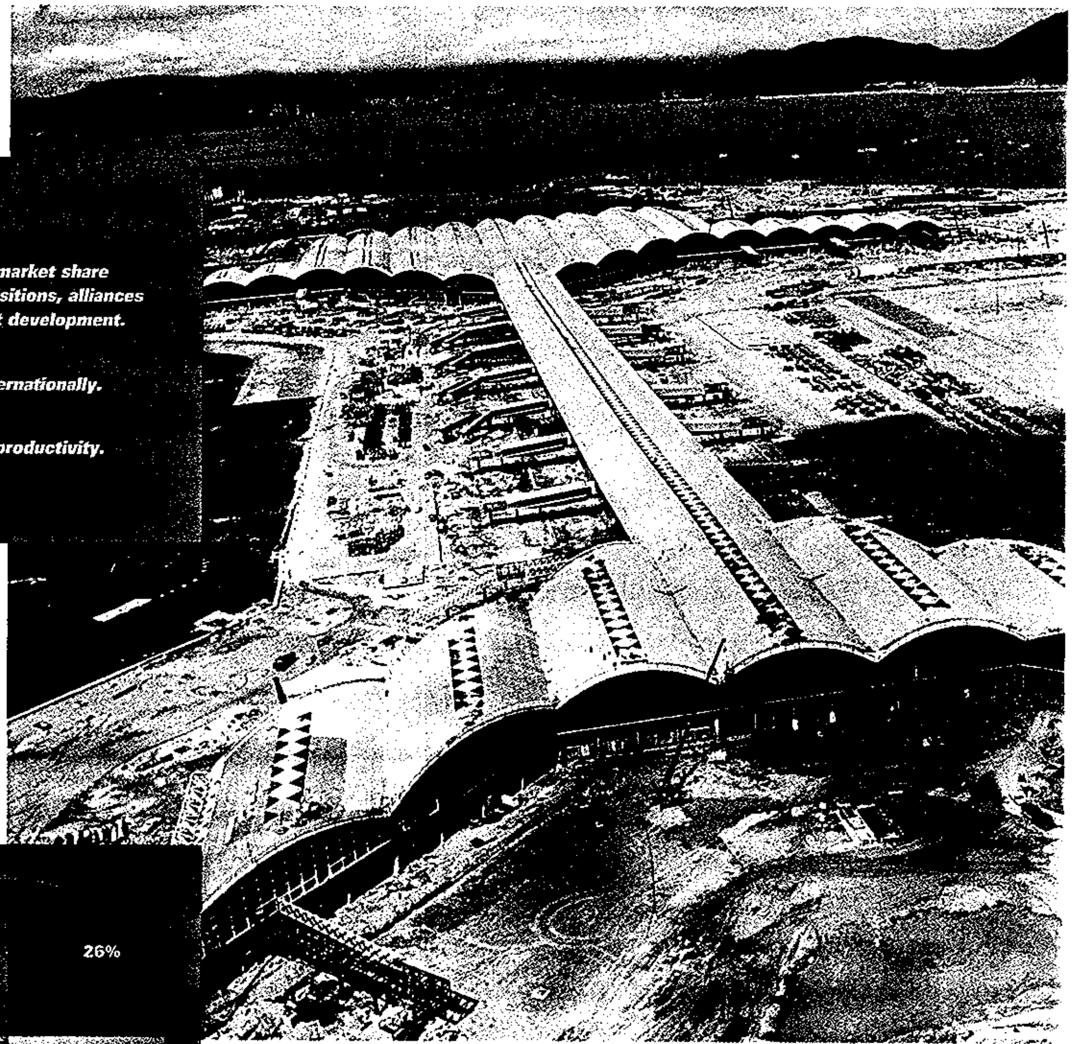
JM's insulation businesses are expected to continue strong, and pricing pressures are expected to abate in 1998. The overall market outlook for insulation is forecasted to be positive, with a continued robust economy and low interest rates driving healthy housing starts, which are estimated to remain in the 1.4 million range, and strong commercial construction market activity.


ROOFING
SYSTEMS
"Imagine putting a roof over the ocean."
Frank Lawson Jr., President, Lawson Roofing Inc.
Frank Lawson Jr. is a true perfectionist.
Small wonder his company was chosen to build the complex roofing system — extending over the water — at San Francisco's new UnderWater World.®
As the third generation in his company, and past president of his industry's association, he has even traveled abroad to discuss today's need for durable, economical, environmentally sound roofing.
So, small wonder he chose Johns Manville. Our R&D has made us a world leader in glass fiber for insulation, filtration, acoustics, roofing and more.
You'll find us in homes, buildings, autos, appliances, spacecraft — everywhere.
Thanks to perfectionists like Frank Lawson Jr.

Increase market share through acquisitions, alliances and product development.

Grow internationally.

Improve productivity.



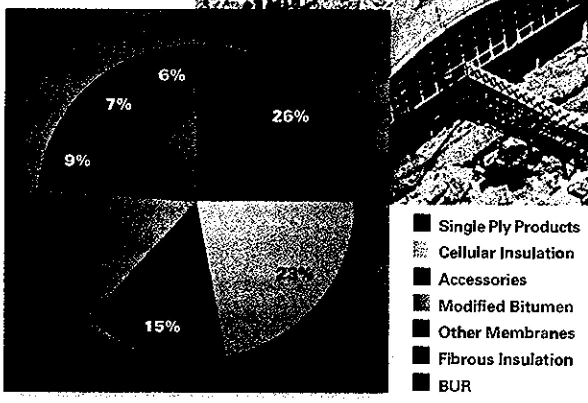
JM Roofing Products

Membranes
GlasPly® Premium BUR
Dyna Series SBS Modified Bitumen
APPeX™ APP Modified Bitumen
Dibiten™ APP Modified Bitumen
UltraGard® Single Ply

Insulations
Fesco®
E'NRG'Y® 2 polyiso
ISO 1™ polyiso
Fiber Glass™
Tapered Insulation System

Accessories
Expand-O-Flash®
Flex-I-Drain®
DynaTred™ Walkway
UltraFast® Mechanical Fasteners
Cements & Coatings
Presto Lock® Coping System

North American Roofing Market



The new Hong Kong airport, one of the most prestigious construction projects in the world, is an example of the international success of thermoplastic roofing systems. The airport's roof consists of 1.7 million square feet of HPG's reinforced thermoplastic roofing membrane, a product now offered under the JM brand name.

As the company offering the broadest line of roofing systems in the industry, JM's products encompass most of these major areas of the North American roofing market.

ROOFING SYSTEMS

1997 Results

- Roofing Systems represented 30 percent of sales and 25 percent of income from operations.
- Acquisitions and higher volumes fueled a 23 percent increase in net sales to $510.5 million compared with $414 million in 1996.
- Income from operations nearly doubled to $62.9 million from $32.1 million in 1996, driven by acquisitions, productivity improvements and favorable raw material costs. (The 1996 results include a $5.6 million nonrecurring charge in the fourth quarter related to facility closure costs.)

Leading Market Shares

JM's roofing business dates back to 1858 and the H.W. Johns Company, predecessor to Johns Manville. Today, the market for commercial roofing products totals $2.7 billion in North America. JM is the leading supplier of commercial/industrial roofing systems in this market, offering built-up, modified bitumen and single-ply membranes; perlite, fiber glass and polyisocyanurate insulations; roof guarantees; and accessories. In 1997, JM entered the thermoplastic membrane market, one of the fastest-growing segments of the roofing industry.

75%
Retrofit Market

17 YEAR
Replacement Cycle

Growth and Profitability

The North American roofing market is fairly stable, growing about two-to-three percent annually. Retrofit markets drive approximately 75 percent of demand for roofing in North America on a 15- to 17-year cycle, providing steady demand for JM's products. Roofing Systems produced record results and margins increased in 1997, reflecting excellent execution in the integration of acquisitions, ongoing productivity gains and lower raw material costs.

1997 Acquisitions Expand Product Line

Johns Manville continues to broaden its roofing capabilities through strategic acquisitions. In the second half of 1997, the company announced the acquisitions of the roofing business of HPG International, and Seal-Dry/USA, Inc., which mark JM's entry into the thermoplastic membrane market.

Acquiring these businesses broadens JM's capabilities as the market leader in commercial/industrial roofing systems and in the growth segments of the market. More than 300 million square feet of reinforced thermoplastic membranes are installed on new construction and retrofit applications each year.

Strong demand is expected to continue for these products because they are attractive and functional, and are popular in a variety of uses, including retail facilities, sports complexes, office buildings and airport roofs. The new Hong Kong International Airport features a thermoplastic membrane roof, which is ideal for this application because these roofing membranes are resistant to jet fuel erosion and extremely high winds. (See photo on page 12.)

Acquisitions have been, and will continue to be, a key growth driver in Roofing Systems, with an increased future emphasis on international expansion.

The Broadest Product Line in the Industry

Known for its high-quality products, comprehensive guarantees and excellent customer service, JM provides the broadest line of roofing systems in the industry. The integration of membranes, the weatherproofing component of the roof assembly; roofing insulation; and all other components above the roof deck allows Johns Manville to take a total systems approach to providing roofing solutions. This single-source supply capability is preferred by customers, which include building owners, architects, contractors and distributors. The result is improved performance and more consistent quality in the finished product.

Moreover, Johns Manville's systems approach is a significant point of difference in the roofing industry, which is reflected in JM's comprehensive guarantee program. JM has been a pioneer in the development of roofing guarantees that provide the key to performance and long-term protection for commercial/industrial roofs.

1996-1998 Acquisitions

- **Nord Bitumi** *completed 1/96*
- **Dibiten** *completed 8/96*
- **NRG Barriers, Inc.** *completed 8/96*
- **HPG International Roofing** *completed 9/97*
- **Seal-Dry/USA, Inc.** *completed 1/98*

Acquisitions have fueled outstanding growth in Roofing Systems in recent years.

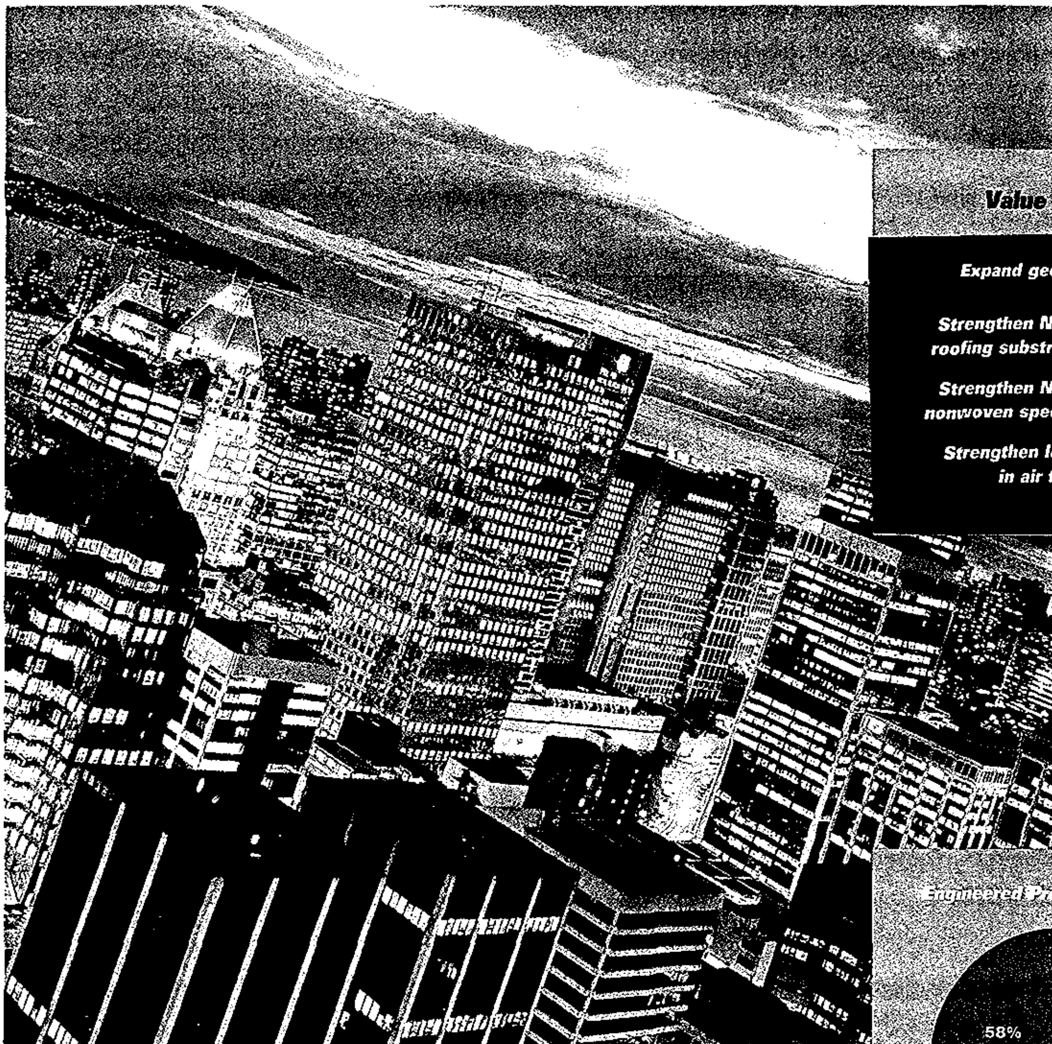
Outlook: Growth Through Acquisitions

The outlook for Roofing Systems is for continued growth in 1998. The company will focus on aggressively expanding the business, including further acquisitions, with a particular emphasis on increasing its presence in international markets. JM will drive future growth by leveraging recent acquisitions and focusing on efficiencies and cost reductions, including synergies from the acquired businesses.


"In the Louvre, even the wallpaper must be immortal."
Thure Svensson, Product Designer, Mitex
ENGINEERED PRODUCTS
Thure Svensson is a perfectionist.
He designed a fiber glass wall covering to resist bacteria, withstand wear, meet the strictest fire laws — and look good — in hotels, hospitals, offices and museums.
And other perfectionists — the architect for the recent renovation of La Cour Carrée in the Louvre, for instance — use it to protect and complement their masterpieces.
Mr. Svensson and his company, Mitex, in Sweden are an important part of Johns Manville.
The fact is, we're a world leader in glass fiber for insulation, filtration, acoustics, roofing and more.
You'll find us in homes, autos, buildings, appliances, spacecraft — everywhere.
Thanks to perfectionists like Thure Svensson.

JM Engineered Products

Chop-Pak®
Delta-Aire™
Dura-Felt 2000®
Dura-Glass®
Dynatech™
Dynaweb™
Dynawick™
Eco Mat®
Elasti-Glass®
Insulflame®
Microlith®
Micro-Strand®
Star Rov®
Star Stran®
Trisoperl®
Trispor®
Vitron®



Markets such as Vancouver, Canada, provide growth opportunities for JM's Engineered Products business, with its high-quality line of mats and fibers, and filtration products.

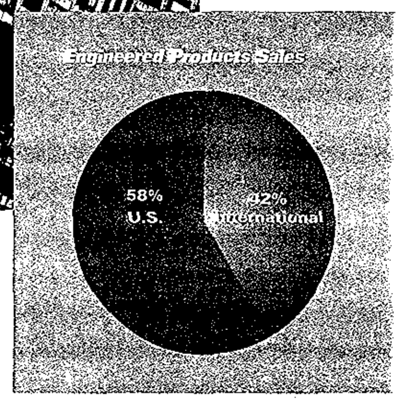
Value Drivers:

Expand geographically.

Strengthen No. 1 position in roofing substrates worldwide.

Strengthen No. 1 position in nonwoven specialty glass mats.

Strengthen leading position in air filtration.



The acquisition of the Mitex group and strong European demand for mats and fibers strengthened the non-U.S. Engineered Products businesses.

ENGINEERED PRODUCTS

1997 Highlights

- Engineered Products represented 28 percent of sales and 36 percent of income from operations.
- Record European results and acquisitions contributed to a slight increase in net sales in 1997 to $476 million, compared with $470.8 million in 1996.
- Income from operations declined 18 percent, to $92.6 million, compared with $113.1 million in 1996, as a result of pricing pressures in filtration and in U.S. mats and fibers. (The 1996 results include a $4 million nonrecurring gain in the fourth quarter primarily related to the sale of assets.)

Leading Market Positions

Johns Manville is an international leader in each of its Engineered Products businesses. The company holds the No.1 market share position in nonwoven glass mats worldwide and in specialty fibers in Europe, and a leading position in high-efficiency air filtration media. Engineered Products is divided into two principal businesses: mats and fibers, and filtration. In mats and fibers, JM experienced pricing pressures in the U.S., but generated record results in European markets. Filtration also experienced some competitive pricing activity, but recent acquisitions contributed to higher sales in 1997.

Quality Product Lines in Niche Markets

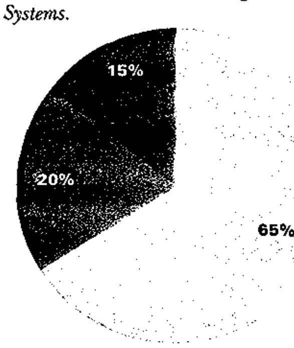
Johns Manville is a driving force in glass fiber technology. The company's mats and fibers business is the largest worldwide supplier of nonwoven fiber glass mat products, made of continuous filament fiber glass. Johns Manville holds leading market positions worldwide for roofing substrates, glass wall covering and nonwoven specialty glass mats. JM's mats and fibers are used to reinforce low-slope commercial roofs and residential roofing shingles; to lend stability to carpet tiles and vinyl flooring; as well as to reinforce plastics, particularly for applications in the automotive industry. Although JM's U.S. mats business has experienced sold-out demand for several years, its fibers business was adversely affected by aggressive price competition. This pricing environment was stabilizing at year end.

Growth in International Markets

International sales account for approximately 42 percent of total Engineered Products sales. Recent acquisitions and record volumes in European mats and fibers generated improved results, despite continuing adverse currency comparisons. The European mats and fibers business is very strong overall, in spite of varying regional economic conditions.

Johns Manville Engineered Products Markets

Engineered Products' largest application is roofing substrates, which are sold to customers including JM's Roofing Systems.



Roofing/Construction
Filtration
Fabric/Reinforcements

JM benefited from the acquisition of the Mitex group of companies in the second quarter of 1997. Mitex is the worldwide leading manufacturer of fiber glass wall fabric, which is used primarily in commercial/industrial and public buildings. This acquisition enhances JM's leading position in fiber technologies used for functional and attractive wall coverings in Europe, and brings geographic expansion that is consistent with the company's aggressive international growth strategy.

Rapidly Growing Markets in Filtration

JM holds a leading share worldwide in the market for ultra-fine fibers used in filtration for clean rooms in the electronics and pharmaceutical industries; and as a component in stationary batteries for cable TV, cellular phone installations and uninterruptible power back-ups for computers and alarms. The markets for JM's filtration products, especially HVAC filters, are growing rapidly in the U.S. and Europe, and there is untapped potential in other parts of the world where wireless infrastructures are yet to be established. In 1997, industry consolidation temporarily caused some pricing pressures and lost business. This pricing situation appears to have stabilized and sales for the year increased due to recent acquisitions.

China JV
completed 1/96

Web Dynamics Corporation
completed 3/96

Ergon Nonwovens, Inc.
completed 1/97

Mitex group of companies
completed 5/97

An aggressive focus on acquisitions and geographic expansion has netted positive results in recent years, and is expected to drive future growth in Engineered Products.

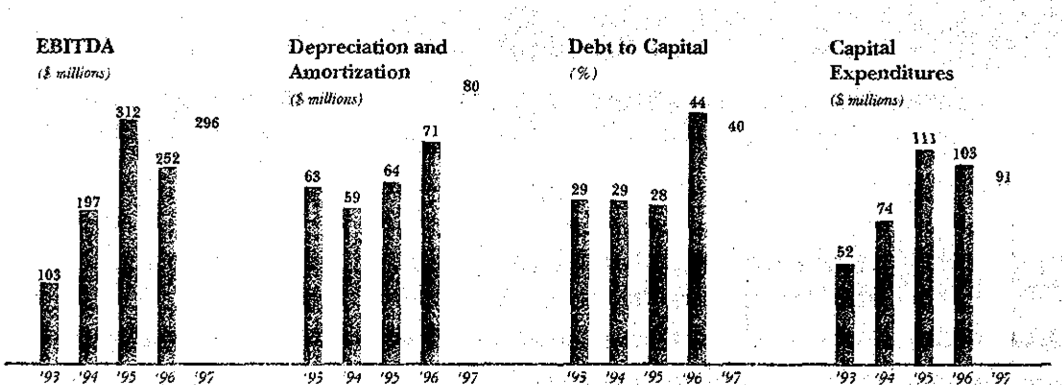
Early in 1997, the company acquired Ergon Nonwovens, a manufacturer of synthetic media. Ergon's products are used in applications such as air and liquid filtration, polypropylene sorbents, surgical face masks and single-use respirators. This strategic acquisition rounds out JM's synthetic filtration products and makes it one of the largest meltblown industrial roll goods producers in the world.

Better Volumes and Improved Pricing in 1998

In 1998, U.S. mats and fibers should generate volume increases and experience a stabilized pricing environment. Strong demand for European mats and fibers is expected to continue and volumes should increase, although adverse currency comparisons may limit some of those gains. In filtration, the pricing situation is stabilizing and growth is expected to return, with results likely to improve in the second half of 1998. New product development, continued market expansion and productivity improvements will fuel future growth in Engineered Products.

Financial Review

Highlights



Safe Harbor Statement

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements of the Company contained in this report concerning matters relating to the Company's financial results and its future operations constitute such forward-looking statements and, as such, concern matters that are not historical facts (see page 30 for more information on forward-looking statements). These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in such statements. Important factors relating to such risks and uncertainties are outlined in the Management's Discussion and Analysis section of this report.

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SELECTED FIVE-YEAR FINANCIAL DATA

In thousands of dollars, except per share amounts

Year Ended December 31,	1997	1996	1995	1994	1993
Income					
Net Sales *(Note B)*	**$ 1,647,645**	$ 1,552,429	$ 1,391,522	$ 1,277,818	$ 1,165,810
Income from Operations *(Notes A and B)*	**215,422**	187,427	201,283	142,299	52,451
Income from Continuing Operations, net of tax *(Notes A and B)*	**130,529**	190,525	122,006	55,606	57,837
Income before Extraordinary Items and Cumulative Effect of Accounting Change *(Note B)*	**150,000**	406,771	115,995	65,416	60,772
Net Income *(Notes B, D, E and F)*	**150,000**	90,486	115,995	36,996	47,782
Financial Position (As of December 31)					
Total Assets *(Note C)*	**$ 1,980,534**	$ 1,946,726	$ 2,474,059	$ 2,317,498	$ 2,163,079
Long-Term Debt, less current portion	**456,294**	428,160	447,007	441,798	354,205
Stockholders' Equity	**693,083**	580,462	1,181,307	1,080,781	883,114
Additional Data *(Note B)*					
Additions to Property, Plant and Equipment	**$ 125,296**	$ 153,000	$ 111,329	$ 82,833	$ 62,643
Research, Development and Engineering	**31,174**	32,663	29,988	29,738	27,972
Per Share Data *(Note G)*					
Earnings Per Common Share					
Basic:					
Income from Continuing Operations, net of tax *(Notes A and B)*	**$.81**	$ .86	$.79	$.25	$ .29
Income before Extraordinary Items and Cumulative Effect of Accounting Change *(Note B)*	**.93**	2.29	.74	.33	.31
Net Income *(Notes B, D, E and F)*	**.93**	.20	.74	.10	.21
Diluted:					
Income from Continuing Operations, net of tax *(Notes A and B)*	**.80**	.85	.78	.25	.29
Income before Extraordinary Items and Cumulative Effect of Accounting Change *(Note B)*	**.92**	2.27	.73	.33	.31
Net Income *(Notes B, D, E and F)*	**.92**	.20	.73	.10	.21
Common Dividends Paid	**.13**	6.03			1.04
Pro Forma Data *(Note H)*					
Income from Operations	**$ 215,422**	$ 229,367	$ 201,283	$ 142,299	$ 84,465
Net Income	**130,529**	115,267	93,443	60,992	31,816
Earnings Per Common Share (Diluted):					
Net Income	**$.80**	$.71	$.57	$.37	$.20

See notes on page 19.

Notes to Selected Five-Year Financial Data:

(A) During 1996, the Company recorded nonrecurring charges totaling $49.2 million. These charges included $41.7 million for the shutdown of current operations, demolition of facilities and site restoration and $7.5 million of asset write-downs to estimated fair values, partially offset by a gain on the sale of other manufacturing assets.

(B) In the first quarter of 1996, the Company disposed of its 81.3 percent interest in Riverwood International Corporation ("Riverwood"). Accordingly, Riverwood's operations have been reflected as discontinued operations and its operating results have been excluded from the determination of income from continuing operations for all periods presented. Income from continuing operations, net of tax, includes gains on sales of equity investments, interest income, interest expense and profit sharing expense. Income before extraordinary items and cumulative effect of accounting change and net income include a gain on disposal of discontinued operations of $216.2 million, net of tax, in 1996 and a loss on disposal of discontinued operations of $42.5 million, net of tax, in 1995.

During the third quarter of 1997, the Company recognized an additional net gain on disposal of discontinued operations of Riverwood of $19.5 million, of which $8.2 million related to income taxes.

(C) The net assets and liabilities of the discontinued operations of Riverwood have been classified as net assets held for sale for all periods presented. At December 31, 1995, 1994 and 1993, net assets held for sale totaled $375.6 million, $409.6 million and $435.4 million, respectively.

(D) In 1996, the Company recorded an extraordinary loss of $314.3 million, net of taxes of $169.2 million, on the exchange of approximately 32.5 million shares of the Company's common stock for the Manville Personal Injury Settlement Trust's profit sharing right to 20 percent of the Company's net earnings (as adjusted).

(E) The Company recorded extraordinary gains (losses) on early extinguishments of debt, net of taxes, of $(2) million, $(28.4) million and $0.9 million in 1996, 1994 and 1993, respectively.

(F) Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." As a result, the Company recorded a charge in 1993 of $13.9 million, net of taxes of $8.6 million, or $0.11 per common share, against net income to reflect the accumulated postemployment benefit obligation.

(G) During 1996, the Company redeemed its Cumulative Preference Stock, Series B. Earnings per share amounts prior to 1997 were calculated after the deduction for preference stock dividends/accretion and the $52.1 million premium on preference stock redemption.

(H) Pro forma data has been adjusted to eliminate the effects of nonrecurring charges, restructuring of operations, certain pension plan settlement gains, gains on sales of equity investments, interest expense on the 9 percent Sinking Fund Debentures, profit sharing expense, unusual income tax items, discontinued operations, extraordinary gains and losses, cumulative effect of accounting change, preference stock dividends/accretion and premium on preference stock redemption, on a consistent basis and adjusted for estimated applicable tax effects. In addition, earnings per share are based on 163.1 million diluted weighted average shares for all periods presented.

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

Johns Manville Corporation (the "Company") manufactures and markets building and equipment insulation, commercial/industrial roofing systems, high-efficiency filtration media, and fibers and nonwoven mats used as reinforcements in building and industrial applications. The Company operates 50 manufacturing facilities in North America, Europe and China, and is comprised of three principal business segments: Insulation, Roofing Systems and Engineered Products.

The Insulation segment consists of the Company's building insulation business, which manufactures fiber glass wool insulation for walls, attics and floors in residential and commercial buildings and polyisocyanurate foam sheathing for residential structures; commercial/industrial insulation business, which manufactures pipe and duct insulation for use in commercial buildings, factories, refineries and other industrial applications; and original equipment manufacturers ("OEM") insulation business, which manufactures thermal and acoustic insulation for aircraft, marine vessels, automobiles and heating, ventilating and air conditioning ("HVAC") and other equipment.

The Roofing Systems segment consists of the Company's commercial/industrial roofing systems business, which supplies roofing membranes, insulations, accessories and related guarantees.

The Engineered Products segment consists of the Company's mats and fibers business, which manufactures continuous filament fiber glass-based products used for reinforcing roofing, flooring, wall covering and plastic products. The mats and fibers business includes the Company's German subsidiary, Schuller GmbH, and the Company's Swedish and U.K. subsidiaries, the Mitex companies. The Engineered Products segment also includes the Company's filtration business, which manufactures filtration media for commercial and industrial buildings; ultra-fine fibers for clean room air filters and battery separators; liquid filtration cartridges and media for use in commercial and industrial applications; and synthetic meltblown products used in various other applications.

1997 vs 1996

Results of Operations

The Company's net sales for 1997 increased $95.2 million, or 6.1 percent, to $1,647.6 million from $1,552.4 million in 1996. Gross profit of $431.5 million for 1997, decreased $9.1 million, or 2.1 percent, from $440.6 million in 1996. The gross profit percentage declined 2.2 percentage points to 26.2 percent for 1997 due to lower selling prices. Selling, general, administrative and research, development and engineering expenses, combined, increased $2.1 million to $205.7 million. These expenses, however, decreased as a percentage of sales in 1997 to 12.5 percent, compared with 13.1 percent in 1996. Income from operations for 1997 was $215.4 million, up 14.9 percent, compared with $187.4 million for 1996. Income from operations during 1996 included nonrecurring charges totaling $49.2 million – see "1996 vs 1995 Results of Operations."

Insulation Segment

The Insulation segment's net sales remained essentially unchanged at $697.8 million for 1997. Income from operations for this segment decreased $4.7 million, or 4.5 percent, to $98.7 million for 1997 from $103.4 million for 1996, which included $17.6 million of nonrecurring charges. During 1997, capacity-related selling price and other competitive pressures reduced net sales and led to lower margins and a decrease in operating income for the residential insulation business compared with 1996. The selling price decreases, averaging seven-to-eight percent, were partially offset by volume increases due to strength in U.S. construction markets. The commercial/industrial business, driven primarily by pipe and duct insulations, experienced higher 1997 net sales and operating income on volume increases, while lower selling prices led to slightly decreased margins compared with 1996. Despite lower 1997 net sales in automotive products primarily due to the disposition of the Company's molded parts business, operating income for OEM insulation increased for 1997 compared with 1996, reflecting strength in aerospace and other specialty insulations.

Roofing Systems Segment

The Roofing Systems segment's net sales increased $96.5 million, or 23.3 percent, to $510.5 million in 1997 compared with $414 million in 1996. The higher sales were primarily due to increased volumes and broadened product lines from acquisitions, partially offset by unfavorable product mix. Operating income increased $30.8 million to $62.9 million in 1997, reflecting strong margins when compared with $32.1 million for 1996, which included $5.6 million of nonrecurring charges. These increases reflected the effective integration of acquisitions, favorable raw material costs, higher roof guarantee earnings and improved productivity.

Engineered Products Segment

The Engineered Products segment's net sales increased $5.2 million to $476 million for 1997 compared with $470.8 million in 1996. Income from operations decreased to $92.6 million, or 18.1 percent, compared with $113.1 million in 1996, which included $4 million of income related to nonrecurring items. Net sales and operating income for the U.S. mats and fibers business decreased in 1997 as reduced costs were more than offset by declining volumes and selling prices due to competitive pressures. Strong improvements on higher sales volumes for the segment's European operations, including the incremental impacts of the Mitex acquisition, were partially offset by unfavorable currency comparisons on reported results. Net sales for the filtration business increased for 1997 on higher volumes due to recent acquisitions in the synthetic filtration media markets. These improvements in filtration were offset by competitive pricing pressures and higher acquisition-related costs which led to decreased margins and operating income for 1997.

Other Expense, net

Other expense, net, was $10.3 million for 1997 compared with $0.3 million for 1996. During 1997, other expense, net, included higher goodwill amortization, reflecting a full year of expense related to 1996 acquisitions, in addition to expense related to 1997 acquisitions. Other expense, net, for 1996 included a $7.2 million gain on the settlement of certain pension plans.

Interest

Compared with 1996, the Company's interest income decreased $8.6 million primarily due to lower average cash and marketable securities balances.

During 1997, the Company's interest expense increased $2 million due primarily to 1997 acquisition-related borrowings.

Income Taxes

The Company's 1997 effective income tax rate of 26 percent is lower than the U.S. federal statutory tax rate primarily due to the impact of utilizing prior years' general business credits and the tax benefit the Company receives on its quarterly dividend. The Company receives a tax deduction for dividends paid on the shares of the Company's common stock held by the Manville Personal Injury Settlement Trust (the "Trust"). For the year ended December 31, 1996, the Company reported a net income tax benefit of $39.1 million, which included a $104.5 million tax benefit on the portion of the special cash dividend that was paid to the Trust. Exclusive of the tax benefit on the special cash dividend, the Company's effective tax rate on income from continuing operations was 43 percent for the year ended December 31, 1996. This rate is higher than the U.S. federal statutory tax rate principally due to higher foreign effective tax rates and state taxes.

Discontinued Operations

During the third quarter of 1997, the Company adjusted the estimated gain recognized in 1996 on the disposition of Riverwood International Corporation ("Riverwood"). The adjustment, resulting in an additional net gain on disposal of discontinued operations of $19.5 million, of which $8.2 million related to income taxes, arose from the termination of certain indemnification obligations to the purchaser of Riverwood and from the determination of certain income tax consequences of the disposition, which were finalized with the completion of the Company's 1996 income tax returns.

During 1996, the Company received gross cash proceeds of $1.08 billion from the disposition of its 81.3 percent interest in Riverwood and recorded a gain of $216.2 million, net of taxes of $138.7 million.

Extraordinary Losses

During 1996, the Company exchanged approximately 32.5 million shares of its common stock for the Trust's profit sharing right to 20 percent of the Company's net earnings (as adjusted). As a result, the Company recorded an extraordinary loss of $314.3 million, net of taxes of $169.2 million.

Also during 1996, the Company redeemed its 9 percent Sinking Fund Debentures with cash of $27.7 million, plus accrued interest of $1.6 million, resulting in an extraordinary loss on early extinguishment of debt of $2 million, net of taxes of $1.1 million.

Preference Stock Redemption

The Company redeemed its Cumulative Preference Stock, Series B (the "preference stock"), with cash of $230.8 million during 1996. The premium, or excess of the redemption price over the carrying value of the preference stock, of $52.1 million was charged directly to capital in excess of par value and, along with preference stock dividends, was deducted from net income to compute earnings and earnings per share applicable to common stockholders during 1996.

Earnings Per Common Share

Basic and diluted net earnings per common share for 1997 were $0.93 and $0.92, respectively, as compared with basic and diluted net earnings per common share of $0.20 for 1996. Gain on disposal of discontinued operations increased basic and diluted earnings per common share by $0.12 during 1997 and increased basic and diluted earnings per common share by $1.43 and $1.42, respectively, during 1996. The combined extraordinary losses on trust settlement and early extinguishment of debt decreased 1996 basic and diluted earnings per common share by $2.09 and $2.07, respectively.

1996 vs 1995

Results of Operations

Net sales increased $160.9 million, or 11.6 percent, to $1,552.4 million in 1996 from $1,391.5 million in 1995. Gross profit for 1996 increased $42.2 million, or 10.6 percent, compared with 1995, due primarily to the increased sales volumes from acquisitions. Gross profit margins were 28.4 percent for 1996 and 28.6 percent for 1995 as the effects of lower prices were substantially offset by operating efficiencies. Selling, general, administrative and research, development and engineering expenses, combined, increased $23.6 million and were slightly higher as a percentage of net sales at 13.1 percent for 1996 compared with 12.9 percent for 1995. The increase was principally due to additional expenses as a result of acquisitions and acquisition-related activities. The Company's income from operations, including $49.2 million of nonrecurring charges, decreased $13.9 million, or 6.9 percent, to $187.4 million in 1996 from $201.3 million in 1995.

Insulation Segment

The Insulation segment's net sales increased $29.1 million, or 4.3 percent, to $699 million for 1996 compared with $669.9 million for 1995. Income from operations for 1996, which included $17.6 million of nonrecurring charges discussed below, decreased $9.8 million to $103.4 million in 1996 from $113.2 million in 1995. The residential insulation business' net sales improved moderately as higher volumes from increased housing starts in the U.S. and Canada for most of 1996 more than offset the effects of pricing pressures, which moderately reduced gross margins and operating income of this business. Net sales in commercial/industrial insulations increased on higher sales volumes, reflecting market share gains and strength in construction markets, which also led to improved gross profit and operating income. These increases were partially offset by weakness in sales of automotive products due to competition from alternate materials.

Roofing Systems Segment

The Roofing Systems segment's net sales increased $123.5 million, or 42.5 percent, to $414 million in 1996 from $290.5 million in 1995. Income from operations for 1996, which included $5.6 million of nonrecurring charges discussed below, increased $8.6 million to $32.1 million in 1996 from $23.5 million in 1995. These increases were due primarily to the inclusion of the operating results of the businesses acquired during 1996. In addition, 1996 gross profits and operating income reflected improved operating efficiencies.

Engineered Products Segment

The Engineered Products segment's net sales increased $13.1 million, or 2.9 percent, to $470.8 million for 1996 compared with $457.7 million for 1995. Income from operations for 1996, which included $4 million of income related to nonrecurring items discussed below, was $113.1 million, up $8.6 million from $104.5 million in 1995. The U.S. mats and fibers business had significantly higher net sales due to increased sales volumes as the Company expanded its production capacity during 1996. Meanwhile, industry-wide capacity constraints led to slightly higher 1996 selling prices, which improved gross profits and operating income. These U.S. operating results were partially offset by weakness in European construction markets and decreases in the U.S. dollar-reported results of the Company's German operations due to the strengthening of the U.S. dollar against the German mark. The filtration business experienced slightly higher net sales due to expanded markets for ultra-fine fibers.

Nonrecurring Charges

In 1996, the Company recorded the following pretax nonrecurring charges totaling $49.2 million.

The Company completed an evaluation of a manufacturing facility with both current and former operations and determined that its best course of action was closure of the facility. Consequently, the Company recorded nonrecurring charges of $41.7 million for the shutdown of current operations, demolition of facilities and site restoration, of which $30 million, $6.1 million and $5.6 million related to corporate and eliminations, the Insulation segment and the Roofing Systems segment, respectively. Of these charges, $7.5 million were noncash asset write-downs, and at December 31, 1997, $15.4 million was classified as other current liabilities. Upon completion of these actions, the Company intends to dispose of the remaining properties and does not expect to incur significant future monitoring and maintenance costs. The Company expects to fund the charges requiring cash outlays from existing cash balances and cash generated from operations. During 1997, the Company spent minimal amounts in preparation for demolition phases of the project. Pending federal and state regulatory agency approval, the final disposition will begin in 1998 and is expected to be substantially completed by 1999, with the majority of liabilities settled during that time frame. The nonrecurring charges are based on estimates and, therefore, are subject to risks and uncertainties related to the Company's ability to secure agreements with third parties, relinquish the properties and obtain regulatory approvals to execute the actions described above. As a result, the Company believes it is reasonably possible that these estimates may be revised in the near-term. However, the impacts of such revisions, if any, are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

The Company recorded additional 1996 nonrecurring charges (income) in the Insulation and Engineered Products segments of $11.5 million and $(4) million, respectively, consisting primarily of asset write-downs to estimated fair values in the automotive molded parts business, which was disposed of in 1997, and a gain on the sale of other manufacturing assets.

Other Expense, net

Other expense, net, was $0.3 million for 1996 compared with other expense, net, of $17 million for 1995. Included in 1996 was a $7.2 million gain on the settlement of certain pension plans. Other expense for 1996 also included higher amortization of goodwill resulting from acquisitions completed during the year. Other expense for 1995 included net asset write-offs/dispositions of $6.7 million related primarily to nonproductive assets. In addition, 1995 included a $2.9 million charge for legal costs in connection with litigation brought by the Company against the former owner of the phenolic roofing business.

Gain on Sale of Equity Investment

In 1995, the Company sold its remaining equity investment in Stillwater Mining Company for net cash proceeds of $110.5 million, resulting in a pretax gain on sale of equity investment of $74.9 million.

Interest Income

Compared with 1995, interest income in 1996 decreased by $5.3 million, due primarily to $5.2 million of interest received during 1995 from the Internal Revenue Service related to a 1993 income tax refund.

Profit Sharing Expense

The Company paid $6.6 million of profit sharing expense through April 1996 to the Trust. This was the final profit sharing payment to the Trust. Profit sharing expense for 1995 totaled $27.7 million and was also paid in 1996.

Income Taxes

For the year ended December 31, 1996, the Company reported a net income tax benefit of $39.1 million, which included a $104.5 million tax benefit on the portion of the special cash dividend that was paid to the Trust in 1996. Exclusive of the tax benefit on the special cash dividend, the Company's effective tax rate on income from continuing operations was 43 percent and 46 percent for the years ended December 31, 1996 and 1995, respectively.

These rates are higher than the U.S. federal statutory tax rate principally due to higher foreign effective tax rates and state taxes.

Discontinued Operations

During 1996, the Company received gross cash proceeds of $1.08 billion from the disposition of its 81.3 percent interest in Riverwood and recorded a gain of $216.2 million, net of taxes of $138.7 million.

In the fourth quarter of 1995, the Company recorded an estimated loss on the disposal of discontinued operations of $42.5 million. This loss primarily relates to deferred taxes on the Company's investment in Riverwood that had not been recognized previously. The Company recorded these taxes when it became apparent the taxes would be incurred due to the planned disposition of Riverwood.

Extraordinary Losses

During 1996, the Company exchanged approximately 32.5 million shares of its common stock for the Trust's profit sharing right to 20 percent of the Company's net earnings (as adjusted). As a result, the Company recorded an extraordinary loss of $314.3 million, net of taxes of $169.2 million.

Also during 1996, the Company redeemed its 9 percent Sinking Fund Debentures with cash of $27.7 million, plus accrued interest of $1.6 million, resulting in an extraordinary loss on early extinguishment of debt of $2 million, net of taxes of $1.1 million.

Preference Stock Redemption

The Company redeemed its preference stock with cash of $230.8 million during 1996. The premium, or excess of the redemption price over the carrying value of the preference stock, of $52.1 million was charged directly to capital in excess of par value and was deducted from net income to compute earnings and earnings per share applicable to common stockholders during 1996. In addition, earnings and earnings per share applicable to common stockholders for 1996 and 1995 were calculated after deducting preference stock dividends.

Earnings Per Common Share

Basic and diluted net earnings per common share for 1996 were $0.20 compared with basic and diluted net earnings per common share of $0.74 and $0.73, respectively, for 1995. The gain on disposal of discontinued operations increased basic and diluted earnings per share by $1.43 and $1.42, respectively, during 1996, while the loss on disposal of discontinued operations decreased basic and diluted earnings per share by $0.35 and $0.34, respectively, in 1995. Income from discontinued operations increased basic and diluted earnings per share by $0.30 and $0.29, respectively, during 1995. The combined extraordinary losses on trust settlement and early extinguishment of debt decreased 1996 basic and diluted earnings per common share by $2.09 and $2.07, respectively.

Liquidity and Capital Resources

The Company broadly defines liquidity as the ability to generate sufficient cash flow to satisfy operating requirements, fund capital expenditures and meet existing obligations and commitments. In addition, liquidity also includes the ability to obtain appropriate financing and convert into cash those assets that are no longer required to meet the Company's strategic objectives. Therefore, liquidity should not be considered separately from capital resources, which consist of currently or potentially available funds for use in achieving long-range business objectives and meeting debt service commitments.

The Company's agreements with its lenders contain a number of financial and general covenants. These include, among others, restrictions on borrowings, investments, stock issuances and repurchases, dividends and other distributions by Johns Manville International Group, Inc. ("Johns Manville International"), the Company's wholly owned subsidiary, which owns all of the Company's operating subsidiaries, and restrictions on intercompany transactions, including transfers of cash. As of December 31, 1997 and 1996, the maximum amount available for dividends to be paid to the Company by Johns Manville International under debt covenants of the Senior Notes was approximately $250 million and $210 million, respectively. Noncompliance with these or other covenants, or the occurrence of any other event of default, could result in the termination of existing credit agreements and the acceleration of debt owed by the Company and its subsidiaries. At December 31, 1997, the Company was in compliance with these covenants.

The Company's cash and marketable securities balances decreased $80.2 million during 1997 to $169.1 million at December 31, 1997, from $249.3 million at December 31, 1996. At December 31, 1997, cash and marketable securities located outside the U.S. and Canada were $28.2 million.

The Company's net operating activities provided $168.7 million of cash during 1997, compared with $165.4 million for 1996. The Company's cash flows from operating activities are primarily influenced by sales volume and selling prices. During 1997, sales volume increased primarily due to the incremental impact of acquisitions, strong U.S. commercial construction markets, and U.S. housing starts comparable to 1996 levels. The volume increases were, however, offset by selling price declines in most of the Company's businesses, particularly in residential insulation. During 1996, cash flows from continuing operations and proceeds from the settlement of pension plans were offset by cash disbursements relating to final profit sharing obligations and expenses associated with the Riverwood divestment.

The Company's investing activities used $213.4 million in 1997 and provided $935.4 million during 1996. Investing activities for 1997 used $136.5 million for acquisitions, net of cash acquired, and $90.5 million for capital expenditures. The 1997 capital expenditures included approximately $50 million related to capacity expansion projects, principally to increase mats and fibers production. Investing activities for 1997 also included proceeds from the disposition of the Company's automotive molded parts business. Investing activities for 1996 provided $1.08 billion of proceeds from the disposition of Riverwood. Cash used in investing activities for 1996 included acquisitions of $153.1 million and capital expenditures totaling $103 million, of which approximately $45 million related to capacity expansion projects.

During 1997, the Company borrowed $55 million from international credit facilities to partially finance 1997 acquisitions, of which $30 million was subsequently repaid. Also during 1997, the Company repaid debt totaling $30 million assumed in connection with 1996 acquisitions. The Company paid quarterly dividends, totaling $21 million, on its common stock during 1997. During the third quarter of 1997, the Company increased its quarterly dividend from $.03 to $.04 per common share. Financing activities for 1996 included payment of a special common stock dividend of $968.1 million; redemption of the Company's preference stock and related final dividend payment of $230.8 million and $10.3 million, respectively; proceeds totaling $64.8 million from exercises of warrants to purchase common stock; and the redemption of $27.7 million of 9 Percent Sinking Fund Debentures.

At December 31, 1997, the Company had $100 million available under a receivables sale facility (the "Receivables Facility") for its domestic short-term working capital requirements. Amounts available for borrowing under the Receivables Facility are based on the daily balance of certain outstanding trade accounts receivable, adjusted for various factors as defined under the terms of the Receivables Facility. In addition, the Company's international subsidiaries had borrowing and working capital facilities totaling $85 million, of which $51.9 million was available at December 31, 1997. These facilities are principally secured by the Company's equity ownership in certain international subsidiaries and joint ventures.

Cyclicality of Demand/Competitive Environment
Demand for the Company's products has historically been cyclical due to macroeconomic factors affecting residential and commercial construction markets. Due to their specific market niches, the Company's replacement roofing, filtration and specialty products are less sensitive to business cycles. Selling prices are subject to factors influenced by the competitive environment in which the Company operates, including fluctuations in overall capacity utilization.

During 1997, sales volumes increased due to continued strength in U.S. construction markets, businesses acquired in 1997 and 1996, increases in operating capacity and improvements in European construction markets. However, during 1997, most of the Company's businesses were adversely affected by capacity-related and other competitive selling price pressures, particularly in residential insulation.

Income Taxes

The cash taxes paid by the Company in the U.S. were substantially lower than statutory rates due to the Company's deductions related to payments made to the Trust, net operating loss carryforwards and tax credit carryforwards. As of December 31, 1997, the Company will need a cumulative total of approximately $670 million of U.S. federal taxable income to realize its net U.S. deferred tax asset of $234.3 million. Based on the Company's historical earnings levels, projected future earnings, and the expected timing of the taxable deductions principally related to amounts paid by the Trust or transferred to a specific settlement fund, the Company believes it will realize its net deferred tax asset. The Company's valuation allowance on all deferred tax assets is subject to change as forecasts of future years' earnings and the estimated timing of the utilization of the Company's tax benefits are revised.

The Company receives a tax deduction for the amount of any dividends paid on shares of the Company's common stock held by the Trust. In addition, the Company will receive a tax deduction when the Trust sells some or all of its shares of common stock and distributes the proceeds to its beneficiaries or transfers the proceeds to a specific settlement fund. Under Section 468B of the U.S. Internal Revenue Code, the Company is responsible for income taxes on the taxable income of the Trust's specific settlement fund at a tax rate of 15 percent. Any such taxes paid by the Company will generate a tax deduction for the Company. Although the Company cannot predict the amount of any such future tax obligations, the Company does not expect related future liabilities to have a material adverse effect on the Company's financial condition, liquidity or results of operations. However, this liability could be material in certain situations including the Trust monetizing, and retaining the proceeds of, a significant portion of its investment in the Company's common stock.

If the Trust were to sell the stock at a price greater than the Company's carrying value, the Company may receive a tax benefit in excess of the deferred tax asset reflected for financial reporting purposes. Likewise, if the Trust were to sell the stock at a price lower than the carrying value, the Company would receive a tax benefit less than the deferred tax asset reflected for financial reporting purposes. To illustrate, using the December 31, 1997 closing market price of $10.0625 per share, and assuming full realization, the deferred tax asset related to the Company's stock held by the Trust would total approximately $450 million, which exceeds the carrying value by nearly $300 million.

Capital Spending and Capacity Expansion

In order to increase its U.S. production of continuous filament fiber glass to meet the demand for its mats and fibers products, in August 1997, the Company completed the expansion of existing capacity with the reconstruction of a furnace. The Company's joint venture in China, which began expansion of an existing fiber glass mat facility in 1996, is expected to be completed in 1998. The Company estimates capital spending in 1998 of approximately $128 million excluding acquisitions, of which approximately $55 million will be used in capacity expansion programs. As of December 31, 1997, outstanding purchase commitments relating to capital spending and capacity expansion projects totaled $21.9 million. The Company plans to fund its capital spending from existing cash balances and cash flows generated by operations. The Company's capacity expansion programs are periodically revised to reflect changes in demand, industry capacity and the results of productivity improvements and technological innovations.

In response to the implementation of the 1990 Amendments to the federal Clean Air Act and requirements of various state air emissions regulations, the Company will be obligated to monitor and reduce air emissions at its manufacturing sites. Because many of the anticipated regulations have not yet been proposed, neither the costs nor timing of compliance can be reasonably anticipated at this time. Provisions of Titles III and VII of the 1990 Amendments and the related regulations will likely require capital expenditures in the years 1998-2001, with most of the expenditures occurring in the latter part of that time frame.

Acquisitions

During the third quarter of 1997, the Company acquired the roofing business of HPG International, Inc., a U.S. manufacturer of thermoplastic membranes. During the second quarter of 1997, the Company acquired the Mitex group of companies. Mitex is a manufacturer of fiber glass wall covering fabrics used primarily in commercial and industrial buildings, and has manufacturing facilities in Sweden and the United Kingdom. During the first quarter of 1997, the Company acquired the assets of Ergon Nonwovens, Inc., a U.S. manufacturer of synthetic meltblown nonwoven products. The Ergon and Mitex acquisitions are associated with the businesses of the Engineered Products segment.

The combined purchase price for these acquisitions, accounted for under the purchase method, was $136.5 million, net of cash acquired, financed from existing cash balances and borrowings from international credit facilities. The excess of the combined purchase prices over the estimated fair value of net assets acquired, or goodwill, amounted to approximately $84 million. These allocations were based on estimates and may be revised in the future.

In January 1998, the Company acquired the assets of Seal-Dry/USA, Inc., a U.S. manufacturer of reinforced thermoplastic roofing systems. Also in January 1998, the Company acquired a plant, associated with the Insulation segment, which manufactures calcium silicate pipe and block insulation, and fireproof board. Both acquisitions will be accounted for under the purchase method.

Contingent Product Liability

Between 1988 and 1992, the Company manufactured phenolic roofing insulation which may, under certain circumstances, contribute to the corrosion of metal decks on which it is installed. Subsequently, the Company began a voluntary program to inspect such metal decks and remediate where appropriate. The Company has accrued for costs relating to future inspections, remediation and anticipated claims. These accruals are based on the Company's historical experience regarding the incidence of corrosion and the cost of remediation and include a number of assumptions related to the types of roofs on which phenolic insulation has been installed as well as the assumption that the Company's past remediation experience will continue over the remaining lives of roofs insulated with the Company's phenolic roofing insulation.

Pursuant to reimbursement agreements with the Company's liability carriers and former owner of the phenolic roofing insulation business, the Company has been reimbursed for a portion of historical costs incurred and is entitled to receive reimbursement for a substantial portion of future costs to be incurred by the Company for inspection and remediation.

In 1996, the Company and a third party were named as defendants in two class action cases filed in U.S. District Court in Boston, Massachusetts. The plaintiffs purport to represent all building owners in the U.S. with phenolic insulation installed on their roof decks and seek damages and injunctive relief, including an order requiring the removal and replacement of the phenolic insulation and remediation of any deck corrosion. The Company intends to defend these allegations vigorously.

The Company has reviewed its historical inspection and remediation experience and the terms and collectibility of amounts payable under the reimbursement agreements in light of the contingencies described above. Based on the information available to date and subject to the assumptions described above, if additional costs are incurred in excess of the accrued amounts, such costs are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

Environmental Contingencies

At December 31, 1997, the Company had remediation activities in progress at nine sites, out of a total of 19 such sites for which the Company has identified environmental conditions requiring remediation. In addition, the Company has been identified as a potentially responsible party at 24 non-Company owned or operated sites under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state legislation. Of these 24 sites, the Company's potential liability for 17 sites will be determined pursuant to the settlement agreement described in the following paragraph.

The remaining seven sites are not subject to the agreement and, accordingly, the Company could be jointly and severally liable for costs of remediating these sites.

In 1994, the U.S. government and the Company settled certain litigation concerning the Company's disposal activities prior to consummation of its plan of reorganization. The settlement agreement, which was made an order of the court, limits the Company's future liability under both CERCLA and the Resource Conservation and Recovery Act ("RCRA") to 55 percent of its share of site-wide response costs and natural resources damages without regard to joint and several liability for disposals made by the Company prior to consummation of the Company's plan of reorganization. The agreement resolved the Company's liability at certain historical sites and also covers CERCLA and RCRA liability for other disposal sites at which the Environmental Protection Agency ("EPA") has incurred or may incur response costs and which were used by the Company prior to consummation of the plan of reorganization. The agreement provides that the amount the Company will be obligated to pay, in the aggregate, for such sites shall never exceed $850,000 during any given year. The EPA and others from time to time commence cleanup activities at such sites and in the future the EPA and others may assert claims against the Company with respect to such sites. The Company believes that all such activities and claims, if any, will be subject to the agreement.

At December 31, 1997 and 1996, the Company's balance sheet included undiscounted accruals for environmental remediation costs, including ongoing compliance, maintenance and monitoring costs, of $34 million. The Company paid $1.3 million and $1.8 million for environmental cleanup in 1997 and 1996, respectively. The Company believes that amounts paid in 1997 and 1996 are representative of the Company's future annual environmental cleanup costs and anticipates expenditures relating to costs currently accrued to be made over the next 15 years.

As a result of factors such as changes in federal and state regulations, the application and effectiveness of remedial actions, the difficulty in assessing the extent of environmental contamination, and the allocation of costs among potentially responsible parties, actual costs to be incurred for environmental cleanup may vary from previous estimates. Subject to the uncertainties inherent in evaluating environmental exposures, and based on information presently available, including the Company's historical remediation experience, currently enacted environmental laws and regulations, and existing remediation technology, the Company believes that if additional costs are incurred in excess of the accrued amounts, such costs are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

Year 2000 Compliance

The Company is engaged in a comprehensive project to modify its computer software for year 2000 compliance. Based on current estimates, spending to upgrade or replace the Company's software or systems related to year 2000 compliance is not expected to exceed $5 million through 1999. Although it is not possible to quantify the effects year 2000 compliance issues will have on customers or suppliers, the Company does not anticipate related material adverse effects on its financial condition, liquidity or results of operations.

New Accounting Pronouncements

During 1997, the Financial Accounting Standards Board issued the following Statements of Financial Accounting Standards effective for periods beginning after December 15, 1997: "Reporting Comprehensive Income" ("SFAS No. 130") and "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. Comprehensive income generally includes changes in separately reported components of equity along with net income. SFAS No. 131 establishes standards for reporting information about operating segments, along with related disclosures about products, services, geographic areas and major customers, based on the Company's disaggregation of an entity for internal operating decisions. The Company's reportable business segments are currently aligned with its internal business units.

The Company believes that its current cash position, cash generated from operations, and funds available under various credit facilities will enable it to satisfy debt service requirements, ongoing capital spending and capacity expansion programs, other ongoing operating costs and dividend policy. However, the Company may need to access capital markets to pay the principal of the Johns Manville International Senior Notes or in connection with possible significant future acquisitions.

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements of the Company contained in this report concerning matters that are not historical facts, including, without limitation, statements concerning (i) the Company's estimates concerning nonrecurring charges taken in 1996, (ii) the Company's ability to realize its net deferred tax asset, (iii) the Company's expectations as to contingencies related to phenolic roofing insulation and environmental liabilities, (iv) adverse effects on operating earnings of capacity-related and other competitive pressures in most of the Company's businesses, particularly residential insulation, (v) expected benefits from the continuing integration of acquisitions and capacity expansions, (vi) the Company's expectations concerning levels of capital spending and funding of current operations, debt service, dividends and future acquisitions and (vii) the Company's estimates concerning year 2000 compliance issues, constitute such forward-looking statements. See "Liquidity and Capital Resources."

Forward-looking statements of the Company are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in such statements. Important factors relating to such risks and uncertainties are set forth below.

Factors that could affect the forward-looking statements generally are related to demand for the Company's products and to overall capacity levels in the industry. Demand for such products is generally cyclical and is influenced by macroeconomic factors that affect demand in residential and commercial construction and replacement markets and demand from original equipment manufacturers, including the general rate of inflation, interest rates, employment rates and overall consumer confidence. Approximately 75 percent of the Company's annual sales are made to customers in commercial/industrial markets, while the remainder are to residential construction markets.

Overall capacity levels in the industry directly affect prices for the Company's products. Other factors that may affect prices include the overall competitive environment in which the Company operates, the availability and pricing of raw materials, rates of technological development and changes in productivity. In addition, overall demand for the Company's products could be affected by the factors described in "BUSINESS–Occupational Health and Safety Aspects of the Company's Products" in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Factors relating to the Company's estimates concerning nonrecurring charges are discussed in "1996 vs 1995 Results of Operations" and factors relating to the Company's net deferred tax asset are discussed in "Liquidity and Capital Resources–Income Taxes." For a discussion of factors concerning contingencies related to phenolic roofing insulation, environmental matters and year 2000 compliance, see "Liquidity and Capital Resources–Contingent Product Liability, Environmental Contingencies, and Year 2000 Compliance."

Other factors also could affect the Company's expected levels of capital spending and funding of current operations, debt service and dividends, including, without limitation, the contingencies and commitments discussed in the Company's financial statements included in this report for the year ended December 31, 1997. In addition, the Company's ability to make future acquisitions depends upon the ability of the Company to identify and reach agreement with viable acquisition candidates and the availability of sources of financing for such acquisitions on terms which are acceptable to the Company.

CONSOLIDATED BALANCE SHEET

In thousands of dollars

December 31,	1997	1996
Assets		
Current Assets		
Cash and equivalents	**$ 132,137**	$ 206,605
Marketable securities, at cost, which approximates market	**36,929**	42,690
Receivables	**221,943**	229,665
Inventories	**127,061**	101,041
Prepaid expenses	**11,409**	7,921
Deferred tax assets	**42,006**	30,001
Total Current Assets	**571,485**	617,923
Property, Plant and Equipment, at cost		
Land and improvements	**50,189**	47,977
Buildings	**246,175**	237,132
Machinery and equipment	**1,141,106**	1,115,649
	1,437,470	1,400,758
Less accumulated depreciation and depletion	**639,711**	630,338
Property, Plant and Equipment, net	**797,759**	770,420
Deferred Tax Assets	**194,836**	212,161
Goodwill	**202,844**	127,994
Other Assets	**213,610**	218,228
Total Assets	**$ 1,980,534**	$ 1,946,726
Liabilities		
Current Liabilities		
Short-term debt	**$ 1,767**	$ 31,748
Accounts payable	**114,638**	120,851
Compensation and employee benefits	**84,221**	105,629
Income taxes	**8,703**	35,837
Other accrued liabilities	**86,785**	68,888
Total Current Liabilities	**296,114**	362,953
Long-Term Debt, less current portion	**456,294**	428,160
Deferred Income Taxes	**42,175**	41,242
Postretirement Benefits Other Than Pensions	**197,419**	200,822
Other Noncurrent Liabilities	**295,449**	333,087
Total Liabilities	**1,287,451**	1,366,264
Commitments and Contingencies *(Notes 2, 9, 16 and 20)*		
Stockholders' Equity		
Cumulative Preference Stock, Series B, redeemed 1996		
Common Stock, $.01 par value, authorized 300,000,000 shares in 1997 and 175,000,000 shares in 1996; issued and outstanding 162,822,540 shares and 161,580,589 shares, respectively, in 1997; and issued and outstanding 162,712,576 shares and 161,495,930 shares, respectively, in 1996	**1,628**	1,627
Treasury Stock, at cost, 1,241,951 shares in 1997 and 1,216,646 shares in 1996	**(16,522)**	(16,241)
Capital in Excess of Par Value	**540,422**	539,423
Unearned Stock Compensation	**(7,224)**	(9,124)
Retained Earnings	**165,492**	38,106
Cumulative Currency Translation Adjustment	**9,287**	26,671
Total Stockholders' Equity	**693,083**	580,462
Total Liabilities and Stockholders' Equity	**$ 1,980,534**	$ 1,946,726

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

JM
Johns Manville

CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars, except per share amounts

For the Years Ended December 31,	1997	1996	1995
Net Sales	**$1,647,645**	$1,552,429	$1,391,522
Cost of Sales	**1,216,135**	1,111,811	993,111
Selling, General and Administrative	**174,573**	171,027	150,135
Research, Development and Engineering	**31,174**	32,663	29,988
Nonrecurring Charges		49,156	
Other Income (Expense), net	**(10,341)**	(345)	(17,005)
Income from Operations	**215,422**	187,427	201,283
Gain on Sale of Equity Investment			74,889
Interest Income	**10,263**	18,897	24,177
Interest Expense	**50,205**	48,242	48,265
Profit Sharing Expense *(Note 19)*		6,648	27,661
Income from Continuing Operations before Income Taxes	**175,480**	151,434	224,423
Income Tax Expense (Benefit)	**44,951**	(39,091)	102,417
Income from Continuing Operations	**130,529**	190,525	122,006
Income from Discontinued Operations, net of tax and Minority Interest *(Note 21)*			36,491
Gain (Loss) on Disposal of Discontinued Operations, net of tax *(Note 21)*	**19,471**	216,246	(42,502)
Income before Extraordinary Items	**150,000**	406,771	115,995
Extraordinary Losses *(Notes 19 and 22)*		(316,285)	
Net Income	**150,000**	90,486	115,995
Preference Stock Redemption Premium/Dividends		(60,341)	(24,923)
Net Income Applicable to Common Stock	**$ 150,000**	$ 30,145	$ 91,072
Earnings Per Common Share			
Basic:			
Income from Continuing Operations	**$.81**	$ .86	$.79
Income from Discontinued Operations, net of tax and Minority Interest *(Note 21)*			.30
Gain (Loss) on Disposal of Discontinued Operations, net of tax *(Note 21)*	**.12**	1.43	(.35)
Income before Extraordinary Items	**.93**	2.29	.74
Extraordinary Losses *(Notes 19 and 22)*		(2.09)	
Net Income Applicable to Common Stock	**$.93**	$ .20	$.74
Diluted:			
Income from Continuing Operations	**$.80**	$ .85	$.78
Income from Discontinued Operations, net of tax and Minority Interest *(Note 21)*			.29
Gain (Loss) on Disposal of Discontinued Operations, net of tax *(Note 21)*	**.12**	1.42	(.34)
Income before Extraordinary Items	**.92**	2.27	.73
Extraordinary Losses *(Notes 19 and 22)*		(2.07)	
Net Income Applicable to Common Stock	**$.92**	$ .20	$.73

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

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of dollars

For the Years Ended December 31,	**1997**	1996	1995
Cash Flows from Operating Activities			
Net income	**$ 150,000**	$ 90,486	$ 115,995
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	**80,163**	71,175	63,833
Deferred taxes	**11,571**	(67,178)	82,123
Product guarantee income	**4,961**	8,651	9,352
Provision for furnace rebuilds	**11,264**	8,270	8,349
Pension and postretirement benefits expense	**6,607**	12,251	22,645
Nonrecurring charges		49,870	
Gain on sale of equity investment			(74,889)
Interest expense	**2,318**	2,047	1,808
Profit sharing expense		6,648	27,661
Income from discontinued operations			(36,491)
(Gain) loss on disposal of discontinued operations	**(19,471)**	(216,246)	42,502
Extraordinary losses		314,296	
Other, net	**9,721**	20,534	12,450
(Increase) decrease in current assets:			
Receivables	**22,985**	11,411	4,798
Inventories	**(18,423)**	(2,680)	(19,327)
Prepaid expenses	**(4,165)**	(1,732)	1,237
Increase (decrease) in current liabilities:			
Accounts payable	**(5,217)**	(7,681)	(45)
Compensation and employee benefits	**(11,373)**	(13,022)	(12,247)
Income taxes	**(24,701)**	(14,186)	(22,556)
Other accrued liabilities	**23,264**	(40,412)	6,737
Decrease in postretirement benefits other than pensions	**(16,363)**	(16,347)	(19,742)
Decrease in other noncurrent liabilities	**(54,420)**	(16,450)	(7,697)
Profit sharing paid		(34,309)	(18,259)
Net cash provided by discontinued operations			29,339
Net cash provided by operating activities	**168,721**	165,396	217,576
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	**(90,528)**	(103,041)	(111,329)
Acquisitions	**(136,521)**	(153,113)	
Proceeds from sales of assets	**9,351**	15,386	112,672
Proceeds from disposition of Riverwood		1,081,341	
Purchases of available-for-sale marketable securities	**(27,664)**	(31,332)	(68,691)
Purchases of held-to-maturity marketable securities	**(14,042)**	(33,458)	(164,406)
Proceeds from sales of available-for-sale marketable securities	**45,712**	55,035	10,000
Proceeds from maturities of held-to-maturity marketable securities	**2,538**	84,446	135,966
(Increase) decrease in other assets	**(2,233)**	20,177	(2,561)
Net cash provided by (used in) investing activities	**(213,387)**	935,441	(88,349)
Cash Flows from Financing Activities			
Issuance of debt	**56,637**	63	6,622
Payments on debt	**(61,170)**	(42,786)	(3,464)
Preference stock redemption/dividends		(241,056)	(24,923)
Dividends on common stock	**(20,995)**	(972,988)	
Stock warrants exercised		64,794	
Purchases of treasury stock	**(281)**	(14,242)	(1,592)
Other stock transactions	**330**	2,514	710
Net cash used in financing activities	**(25,479)**	(1,203,701)	(22,647)
Effect of Exchange Rate Changes on Cash	**(4,323)**	(1,340)	(62)
Net Increase (Decrease) in Cash and Equivalents	**(74,468)**	(104,204)	106,518
Cash and Equivalents at Beginning of Year	**206,605**	310,809	204,291
Cash and Equivalents at End of Year	**$ 132,137**	$ 206,605	$ 310,809

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

JM
Johns Manville

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Cumulative Preference Stock, Series B	Common Stock	Treasury Stock
Balances at December 31, 1994	$178,638	$ 1,228	$ (407)
Net income for the year			
Currency translation			
Exercise of warrants for common stock			
Stock compensation plan transactions			
Preference stock dividends			
Purchase of treasury stock			(1,592)
Balances at December 31, 1995	178,638	1,228	(1,999)
Net income for the year			
Currency translation			
Exercise of warrants for common stock		69	
Stock compensation plan transactions		5	
Common stock dividends			
Preference stock dividends			
Redemption of preference stock	(178,638)		
Purchase of treasury stock			(14,242)
Issuance of common stock in connection with the profit sharing exchange		325	
Balances at December 31, 1996		1,627	(16,241)
Net income for the year			
Currency translation			
Stock compensation plan transactions		1	
Common stock dividends			
Purchase of treasury stock			(281)
Balances at December 31, 1997		**$1,628**	**$ (16,522)**

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

In thousands of dollars

Capital in Excess of Par Value	Unearned Stock Compensation	Retained Earnings (Accumulated Deficit)	Cumulative Currency Translation Adjustment	Total Stockholders' Equity
$ 1,011,310	$ (6,013)	$ (130,394)	$ 26,419	$ 1,080,781
		115,995		115,995
			6,265	6,265
324				324
1,871	2,586			4,457
		(24,923)		(24,923)
				(1,592)
1,013,505	(3,427)	(39,322)	32,684	1,181,307
		90,486		90,486
			(6,013)	(6,013)
64,725				64,794
14,989	(5,697)			9,297
(972,988)		(4,843)		(977,831)
		(8,215)		(8,215)
(52,126)				(230,764)
				(14,242)
471,318				471,643
539,423	(9,124)	38,106	26,671	580,462
		150,000		150,000
			(17,384)	(17,384)
999	1,900			2,900
		(22,614)		(22,614)
				(281)
$ 540,422	**$(7,224)**	**$ 165,492**	**$ 9,287**	**$ 693,083**

Note 1: Summary of Significant Accounting Policies

Johns Manville Corporation ("Johns Manville" or the "Company") manufactures and markets building and equipment insulation, commercial/industrial roofing systems, high-efficiency filtration media, and fibers and nonwoven mats used as reinforcements in building and industrial applications. The Company estimates that approximately 75 percent of its annual sales are to commercial/industrial markets, while the remainder are to residential construction markets. The Company's products are sold to contractors, mass merchants, wholesale distributors and fabricators throughout North America, Europe and Asia.

The Manville Personal Injury Settlement Trust (the "Trust") owns approximately 80 percent of the Company's common stock.

(A) Principles of Consolidation

The consolidated financial statements include the accounts of Johns Manville Corporation and its majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

(B) Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements, including disclosures of contingent liabilities.

(C) Cash and Equivalents

Cash and equivalents include money market mutual funds, time deposits and marketable securities with original maturities of three months or less.

(D) Financial Instruments

The Company uses the amortized cost method of accounting for investments in held-to-maturity debt securities for which it has the positive intent and ability to hold to maturity. Fair value accounting is used for debt securities that are classified as available-for-sale securities. Realized gains and losses are computed on the specific identification method.

The Company does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of counterparties.

(E) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally on the last-in, first-out (LIFO) basis for all domestic subsidiaries. The first-in, first-out (FIFO) basis is used to determine the cost of inventories for all foreign subsidiaries.

(F) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation expense is computed using the straight-line method, based upon the estimated useful lives of the assets. Buildings are depreciated principally over 20 to 40 years, and machinery and equipment are depreciated principally over 20 years.

Maintenance and repairs are charged to current period earnings, while replacements and betterments are capitalized.

(G) Goodwill

Goodwill associated with acquisitions in excess of fair value of net assets acquired is amortized on a straight-line basis generally over 20 years. The Company evaluates the recoverability of goodwill through its ongoing strategic planning process.

(H) Provision for Rebuilding Furnaces

The Company's glass furnaces have an estimated useful life of approximately 30 years. During that time, the refractory components of the glass furnaces are periodically rebuilt, typically every six to seven years. The timing of the periodic rebuilds is dependent upon a number of variables including production volumes, product mix, and the extent and timing of interim repair and maintenance work performed.

The estimated cost to rebuild the refractory components of the Company's glass furnaces is credited to an allowance and charged to operations on a straight-line basis over the estimated period to the next rebuild date. Unusual, nonrecurring adjustments to previously established allowances, if required, are included in operating results.

(I) Revenue Recognition

The Company recognizes revenue from product sales upon shipment. The Company estimates and records provisions for cash discounts, customer incentives, sales returns, allowances and original warranties in the period the sale is reported, based on its experience.

The Company also sells extended roofing product guarantees for periods of 10 to 20 years. These extended guarantees cover the water tightness of roofing systems resulting from defects in materials or deficiencies in workmanship. Revenue on these product guarantees is recognized over the contract period in proportion to costs incurred.

(J) Workers' Compensation

The Company accrues a liability for workers' compensation claims at present value, due to the fixed and determinable nature of the claim payments, based upon an evaluation of historical claims data and expected future claims. In addition, the Company records a receivable at present value for the portion of outstanding claims covered by third-party insurers.

(K) Income Taxes

Tax credits granted by various countries are accounted for as reductions of income tax expense in the year in which the related expenditures become eligible for investment benefit under applicable tax regulations.

(L) Reclassifications

Certain prior year information has been reclassified to conform with the current year presentation.

Note 2:
Financial Instruments

The Company has had limited involvement with derivative financial instruments and does not use them for trading purposes. The Company enters into foreign exchange forward contracts to hedge against currency fluctuations on certain material foreign currency exposures and records a receivable/payable which is classified consistently with the related outstanding foreign currency exposure. The Company did not have any forward contracts outstanding at December 31, 1997 or 1996.

Gains and losses on foreign currency transactions and forward exchange contracts are included in other income (expense), net, for the period in which the exchange rate changes. The discount or premium on forward contracts is accounted for separately from the gain or loss on the contracts and is amortized to other income (expense), net, over the life of the contract.

The Company had outstanding letters of credit totaling $15.4 million and $15.1 million as of December 31, 1997 and 1996, respectively. Letters of credit are primarily collateralized by cash.

The Company maintains cash and cash equivalents and certain other financial instruments with various financial institutions throughout the world. The Company invests excess cash in a diversified portfolio of high-quality money market instruments consistent with the preservation of capital and the maintenance of liquidity. The Company's investment policies require diversification of investments and include restrictions on maturity and credit quality. The Company monitors compliance with these restrictions on an ongoing basis. The Company has not experienced any material losses related to these investments.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its financial instruments, but does not anticipate any significant off-balance-sheet credit risk of accounting loss. The Company anticipates that counterparties will be able to fully satisfy their obligations under the contracts.

At December 31, 1997, the Company held investments in debt securities that were classified as held-to-maturity with an amortized cost basis of $54.9 million, which approximated fair value. The Company's investments in held-to-maturity debt securities at December 31, 1997 were classified on the balance sheet as cash equivalents of $31 million, marketable securities of $14.7 million and other assets of $9.2 million, depending upon the nature and maturity of the investments. Of these securities, $45.7 million had contractual maturities within one year; the remainder mature in one to five years. Additionally, at December 31, 1997, the Company had investments in available-for-sale debt securities that were classified on the balance sheet as marketable securities of $22.2 million and other assets of $4.7 million. The amortized cost basis of these securities approximated fair value. Of these securities, $5.1 million had contractual maturities within one year; the remaining $21.8 million have contractual maturities of one to five years.

At December 31, 1996, the Company held investments in debt securities that were classified as held-to-maturity with an amortized cost basis of $120.6 million, which approximated fair value. The Company's investments in held-to-maturity debt securities at December 31, 1996, were classified on the balance sheet as cash equivalents of $103.3 million, marketable securities of $7.7 million and other assets of $9.6 million, depending upon the nature and maturity of the investments. Of these securities, $105.8 million had contractual maturities within one year; the remainder mature in one to five years. Additionally, at December 31, 1996, the Company had investments in available-for-sale debt securities that were classified on the balance sheet as marketable securities of $35 million and other assets of $5 million. The amortized cost basis of these securities approximated fair value. Of these securities, $19.8 million had contractual maturities within one year; the remaining $20.2 million have contractual maturities of one to five years.

During 1997, 1996 and 1995, the Company sold securities that had been classified as available-for-sale, resulting in proceeds of $45.7 million, $55 million and $10 million, respectively, which approximated carrying value each year.

Note 3:
Receivables

In thousands of dollars

	1997	1996
Trade	**$237,743**	$242,530
Less allowances	**36,780**	30,016
	200,963	212,514
Other	**20,980**	17,151
	$221,943	$229,665

Included in allowances are doubtful accounts of $6 million and $7.6 million at December 31, 1997 and 1996, respectively. The Company generally requires no collateral on receivables. The provision for doubtful accounts charged (credited) to costs and expenses related to continuing operations was $(0.2) million for 1997, $1.1 million for 1996, and $0.8 million for 1995.

Note 4: Inventories

	1997	1996
In thousands of dollars		
Finished goods	**$ 82,082**	$ 60,456
Work-in-process	**10,869**	8,472
Raw materials	**25,410**	23,383
Supplies	**8,700**	8,730
	$127,061	$101,041

Inventories in the amounts of $23.4 million and $29.5 million at December 31, 1997 and 1996, respectively, were valued using FIFO. The balance of the inventories was valued using LIFO. The excess of current values over amounts for financial reporting purposes was $53.8 million and $51.5 million at December 31, 1997 and 1996, respectively.

Note 5: Short-Term Debt and Credit Facilities

	1997	1996
In thousands of dollars		
Short-term borrowings	**$1,330**	$ 22,634
Current portion of long-term debt	**437**	9,114
	$1,767	$ 31,748

At December 31, 1997, the Company had $100 million available under a receivables sale facility (the "Receivables Facility") for its domestic short-term working capital requirements. Amounts available for borrowing under the Receivables Facility are based on the daily balance of certain outstanding trade accounts receivable, adjusted for various factors as defined under the terms of the Receivables Facility. In addition, the Company's international subsidiaries had borrowing and working capital facilities totaling $85 million, of which $51.9 million was available at December 31, 1997. These facilities are principally secured by the Company's equity ownership in certain international subsidiaries and joint ventures.

Note 6: Compensation and Employee Benefits

	1997	1996
In thousands of dollars		
Vacation, compensation and payroll deductions	**$ 47,937**	$ 54,709
Self insured medical and group life coverage	**32,879**	35,032
Other	**3,405**	15,888
	$ 84,221	$105,629

Note 7: Long-Term Debt

	1997	1996
In thousands of dollars		
Unsecured		
10.875 percent Johns Manville International Senior Notes, payable 2004	**$400,000**	$ 400,000
Bonds payable to the Trust	**19,820**	17,502
Collateralized		
Revolving credit facility with interest at LIBOR plus 1 percent, payable 1999	**25,000**	
Industrial revenue bonds with interest at floating rates, from 2 percent to 8.625 percent, payable through 2009, collateralized by a letter of credit, real property and equipment	**9,557**	15,702
Notes payable with interest from 5.98 percent to 8.13 percent, payable through 2007	**2,354**	4,070
	456,731	437,274
Less current portion	**437**	9,114
	$456,294	$ 428,160

10.875 Percent Johns Manville International Senior Notes

In 1994, Johns Manville International issued $400 million of 10.875 percent Senior Notes, due 2004. Interest on these notes is payable semiannually. These notes may be redeemed on or after December 15, 1999 at prices ranging from 100 percent to 105 percent of the principal amount, plus accrued interest.

Bonds Payable to the Trust

At December 31, 1997, the bonds payable to the Trust (the "Trust Bonds") of $19.8 million consist of a series of fixed payments totaling $75 million per year in 2013 and 2014, discounted at 13 percent.

Long-term debt maturities at December 31, 1997 are as follows:

	In thousands of dollars
1998	$ 437
1999	25,274
2000	239
2001	989
2002	2,318
Thereafter	534,377
Total	563,634
Less interest accruing to principal	(106,903)
	$ 456,731

The Company's agreements with its lenders contain a number of financial and general covenants. These include, among others, restrictions on borrowings, investments, stock issuances and repurchases, dividends and other distributions by Johns Manville International Group, Inc. ("Johns Manville International"), the Company's wholly owned subsidiary, which owns all of the Company's operating subsidiaries, and restrictions on intercompany transactions, including transfers of cash. As of December 31, 1997 and 1996, the maximum amount available for dividends to be paid to the Company by Johns Manville International under debt covenants of the Senior Notes was approximately $250 million and $210 million, respectively. Noncompliance with these or other covenants, or the occurrence of any other event of default, could result in the termination of existing credit agreements and the acceleration of debt owed by the Company and its subsidiaries. At December 31, 1997, the Company was in compliance with these covenants.

At December 31, 1997, the Company's long-term debt totaled $456.7 million and had an estimated fair value of $515.5 million. At December 31, 1996, the Company's long-term debt totaled $437.3 million and had an estimated fair value of $494.4 million. Generally, the fair value of the Company's long-term debt is an estimate based on quoted market prices, when available, or the discounted cash flow method.

Note 8:
Allowance for Furnace Rebuilds

The activity in the allowance for furnace rebuilds, included in other noncurrent liabilities, for the years ended December 31, was as follows:

In thousands of dollars	**1997**	1996
Balance at beginning of year	**$22,300**	$22,405
Provisions for estimated costs	**11,264**	8,270
Rebuild expenditures	**(6,063)**	(8,375)
	27,501	22,300
Less current portion	**8,881**	1,947
	$18,620	$20,353

Note 9:
Commitments and Contingencies

Total rental expense related to continuing operations was $12.5 million in 1997, $11.9 million in 1996 and $14.6 million in 1995.

At December 31, 1997, minimum rental commitments of the Company under long-term, noncancelable operating leases are as follows:

	In thousands of dollars
1998	$ 6,321
1999	3,938
2000	3,432
2001	3,190
2002 and thereafter	7,620
	$ 24,501

Minimum rental commitments of the Company have not been reduced by anticipated sublease income over the lease terms of approximately $2.4 million.

The Company has various purchase commitments for items used in the ordinary conduct of business. In the aggregate, such commitments do not exceed current market prices or anticipated usage requirements.

Contingent Product Liability

Between 1988 and 1992, the Company manufactured phenolic roofing insulation which may, under certain circumstances, contribute to the corrosion of metal decks on which it is installed. Subsequently, the Company began a voluntary program to inspect such metal decks and remediate where appropriate. The Company has accrued for costs relating to future inspections, remediation and anticipated claims. These accruals are based on the Company's historical experience regarding the incidence of corrosion and the cost of remediation and include a number of assumptions related to the types of roofs on which phenolic insulation has been installed as well as the assumption that the Company's past remediation experience will continue over the remaining lives of roofs insulated with the Company's phenolic roofing insulation.

Pursuant to reimbursement agreements with the Company's liability carriers and former owner of the phenolic roofing insulation business, the Company has been reimbursed for a portion of historical costs incurred and is entitled to receive reimbursement for a substantial portion of future costs to be incurred by the Company for inspection and remediation.

In 1996, the Company and a third party were named as defendants in two class action cases filed in U.S. District Court in Boston, Massachusetts. The plaintiffs purport to represent all building owners in the U.S. with phenolic insulation installed on their roof decks and seek damages and injunctive relief, including an order requiring the removal and replacement of the phenolic insulation and remediation of any deck corrosion. The Company intends to defend these allegations vigorously.

The Company has reviewed its historical inspection and remediation experience and the terms and collectibility of amounts payable under the reimbursement agreements in light of the contingencies described above. Based on the information available to date and subject to the assumptions described above, if additional costs are incurred in excess of the accrued amounts, such costs are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

Environmental Contingencies

At December 31, 1997, the Company had remediation activities in progress at nine sites, out of a total of 19 such sites for which the Company has identified environmental conditions requiring remediation. In addition, the Company has been identified as a potentially responsible party at 24 non-Company owned or operated sites under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state legislation. Of these 24 sites, the Company's potential liability for 17 sites will be determined pursuant to the settlement agreement described in the following paragraph. The remaining seven sites are not subject to the agreement and, accordingly, the Company could be jointly and severally liable for costs of remediating these sites.

In 1994, the U.S. government and the Company settled certain litigation concerning the Company's disposal activities prior to consummation of its plan of reorganization. The settlement agreement, which was made an order of the court, limits the Company's future liability under both CERCLA and the Resource Conservation and Recovery Act ("RCRA") to 55 percent of its share of site-wide response costs and natural resources damages without regard to joint and several liability for disposals made by the Company prior to consummation of the Company's plan of reorganization. The agreement resolved the Company's liability at certain historical sites and also covers CERCLA and RCRA liability for other disposal sites at which the Environmental Protection Agency ("EPA") has incurred or may incur response costs and which were used by the Company prior to consummation of the plan of reorganization. The agreement provides that the amount the Company will be obligated to pay, in the aggregate, for such sites shall never exceed $850,000 during any given year. The EPA and others from time to time commence cleanup activities at such sites and in the future the EPA and others may assert claims against the Company with respect to such sites. The Company believes that all such activities and claims, if any, will be subject to the agreement.

At December 31, 1997 and 1996, the Company's balance sheet included undiscounted accruals for environmental remediation costs, including ongoing compliance, maintenance and monitoring costs, of $34 million. The Company paid $1.3 million and $1.8 million for environmental cleanup in 1997 and 1996, respectively. The Company believes that amounts paid in 1997 and 1996 are representative of the Company's future annual environmental cleanup costs and anticipates expenditures relating to costs currently accrued to be made over the next 15 years.

As a result of factors such as changes in federal and state regulations, the application and effectiveness of remedial actions, the difficulty in assessing the extent of environmental contamination, and the allocation of costs among potentially responsible parties, actual costs to be incurred for environmental cleanup may vary from previous estimates. Subject to the uncertainties inherent in evaluating environmental exposures, and based on information presently available, including the Company's historical remediation experience, currently enacted environmental laws and regulations, and existing remediation technology, the Company believes that if additional costs are incurred in excess of the accrued amounts, such costs are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

Year 2000 Compliance

The Company is engaged in a comprehensive project to modify its computer software for year 2000 compliance. Based on current estimates, spending to upgrade or replace the Company's software or systems related to year 2000 compliance is not expected to exceed $5 million through 1999. Although it is not possible to quantify the effects year 2000 compliance issues will have on customers or suppliers, the Company does not anticipate related material adverse effects on its financial condition, liquidity or results of operations.

Note 10:
Stockholders' Equity

During 1996, approximately 32.5 million shares of the Company's common stock were issued under the profit sharing exchange (see Note 19). In addition, warrants were exercised to purchase 6.9 million shares of common stock during 1996. The Company declared and paid a special cash dividend to all common stockholders during 1996 of $6.00 per share, totaling $968.1 million, representing a substantial portion of the proceeds from the disposition of Riverwood International Corporation ("Riverwood").

The Company redeemed its cumulative Preference Stock, Series B, in 1996 with cash of $230.8 million. The premium, or excess of the redemption price over the carrying value of the preference stock, of $52.1 million was charged directly to capital in excess of par value and, along with preference stock dividends, was deducted from net income to compute earnings and earnings per share applicable to common stockholders. Preference stock dividends paid in 1996 and 1995 totaled $10.3 million and $24.9 million, respectively.

The following is a summary of shares outstanding:

	Cumulative Preference Stock, Series B	Common Stock
Balance at December 31, 1994	9,230,583	122,827,761
Issuance of common stock in connection with compensation plans		89,300
Forfeiture of common stock issued in connection with compensation plans		(31,500)
Issuance of common stock upon exercise of warrants		34,550
Treasury stock acquired		(134,358)
Balance at December 31, 1995	9,230,583	122,785,753
Redemption of Cumulative Preference Stock, Series B	(9,230,583)	
Issuance of common stock in connection with compensation plans		325,504
Issuance of common stock upon exercise of warrants		6,892,988
Treasury stock acquired		(1,035,425)
Issuance of common stock in connection with the profit sharing exchange		32,527,110
Balance at December 31, 1996		161,495,930
Issuance of common stock in connection with compensation plans		109,964
Treasury stock acquired		(25,305)
Balance at December 31, 1997		**161,580,589**

Note 11:
Stock Compensation Plans

The Company's stock compensation plans grant eligible employees deferred stock rights, restricted stock and options to purchase shares of the Company's common stock. During 1996, an additional 7.9 million shares of the Company's common stock were registered and reserved for issuance. On July 1, 1997, the Company introduced a noncompensatory Johns Manville employee stock ownership plan for its worldwide employees. The plan enables employees to purchase stock directly from the market and through Company savings plans. In addition, the Company granted approximately 1.6 million options to employees at $12.19 per share. These options vest through July 1, 2002 and expire on December 31, 2002. In connection with the noncompensatory plan, the Company has registered and reserved for issuance, 5.3 million shares of its common stock. At December 31, 1997, approximately 6.6 million shares were available for issuance under stock compensation and noncompensatory plans.

The amount of compensation expense recognized for stock-based compensation was $2.7 million, $2.8 million and $1.8 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Deferred and Restricted Stock

Deferred stock rights entitle participants to the receipt of shares of common stock upon vesting and dividend equivalents, but no voting rights prior to vesting, and are restricted as to disposition and are subject to forfeiture prior to vesting upon certain circumstances. During 1997, 128,000 deferred stock rights were issued at a weighted average market value at grant date of $11.36 per share. During 1996, 1.1 million deferred stock rights were issued at a weighted average market value at grant date of $10.48 per share. These deferred stock rights, of which 1.0 million were outstanding at December 31, 1997, vest through December 31, 2000.

During 1996, 43,000 shares of restricted common stock were granted at a market price of $10.75 per share, of which 28,000 were outstanding at December 31, 1997. The vesting of 2.1 million shares of restricted stock previously issued was accelerated during 1996 due to the disposition of Riverwood.

Stock Options

The Company applies APB Opinion 25 and related interpretations in accounting for its fixed stock options. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") was issued in 1995, and if fully adopted, changes, among other things, the methods for recognition of expense on the Company's plans involving stock options.

The Company's common stock options were granted at exercise prices equal to, or in excess of, market prices on the grant dates, and therefore no compensation cost was recognized. The substantial majority of the options, other than those granted under the noncompensatory plan, vested by December 31, 1997 and expire on December 31, 2005.

The weighted average fair values of options granted during 1997 were $3.84 per share for options with exercise prices equal to market prices on grant dates, and $2.81 per share for options with exercise prices exceeding market prices on grant dates. The weighted average fair values of options granted during 1996 were $3.02 per share for options with exercise prices equal to market prices on grant dates, and $2.71 per share for options with exercise prices exceeding market prices on grant dates.

A summary of the status of the Company's stock option plans as of December 31, 1997, 1996 and 1995 is presented below:

	1997		1996		1995	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	**5,235,225**	**$11.51**	548,900	$ 9.00	318,400	$ 7.54
Granted	**2,234,295**	**$12.29**	5,260,440	$11.69	325,000	$10.00
Exercised	**(44,242)**	**$ 8.62**	(252,800)	$ 7.14	(84,800)	$ 7.18
Forfeited	**(443,416)**	**$11.70**	(321,315)	$ 7.56	(9,700)	$10.38
Outstanding at End of Year	**6,981,862**	**$11.76**	5,235,225	$11.51	548,900	$ 9.00
Options Exercisable at End of Year	**4,685,108**		2,075,515		223,900	

The following table summarizes information about stock options outstanding at December 31, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 4.00	110,000	7.3	$ 4.00	70,400	$ 4.00
$9.88-$12.43	4,717,606	7.0	$11.20	2,747,828	$10.63
$12.44-$15.55	2,154,256	8.0	$13.40	1,866,880	$13.28
	6,981,862	7.3	$11.76	4,685,108	$11.58

Recognition of compensation expense under SFAS No. 123 is optional; however, pro forma disclosures as if the Company adopted expense recognition under SFAS No. 123 beginning in 1996 are required. Had compensation cost been determined based on the fair value at grant dates for stock option awards consistent with SFAS No. 123, the Company's net income and earnings per share for the years ended December 31, 1997, 1996 and 1995 would have been reduced to the following pro forma amounts:

In thousands of dollars, except per share amounts

	1997	1996	1995
Net income applicable to common stock:			
As reported	**$150,000**	$ 30,145	$ 91,072
Pro forma	**$144,476**	$ 25,926	$ 90,919
Basic earnings per share:			
As reported	**$.93**	$.20	$.74
Pro forma	**$.89**	$.17	$.74
Diluted earnings per share:			
As reported	**$.92**	$.20	$.73
Pro forma	**$.89**	$.17	$.73

The pro forma compensation expense based on the fair value of the options is estimated on the grant date using the Black-Scholes option-pricing model. The weighted average assumptions used for options granted in 1997 were: dividend yield of $0.16 per share; expected volatility of 31.4 percent; a risk free rate of return of 6.3 percent and an expected life of the options of 4.5 years. The weighted average assumptions used for options granted in 1996 were: dividend yield of $0.12 per share; expected volatility of 32 percent; a risk free rate of return of 6.6 percent and an expected life of the options of 4 years. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995, and additional awards in future years are possible.

Note 12:
Earnings per Common Share

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), which revises the computation and disclosure of earnings per share. Principally, SFAS No. 128 replaces primary earnings per share with basic earnings per share which does not consider common stock equivalents, modifies certain dilutive computations and replaces fully diluted earnings per share with diluted earnings per share. The adoption of SFAS No. 128 did not have a material effect on the Company's reported results, including prior periods which were restated.

Basic earnings per common share amounts are based on the weighted average number of common shares outstanding during the year. The diluted earnings per common share computation further includes all dilutive potential common shares outstanding during the year. The basic and diluted earnings per common share amounts are determined using the following common equivalent shares:

	1997		1996		1995	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Common stock	**162,768,000**	**162,768,000**	152,201,000	152,201,000	122,886,000	122,886,000
Dilutive potential common shares:						
Warrants, stock options and deferred stock rights		**1,594,000**		1,228,000		1,662,000
Treasury stock	**(1,226,000)**	**(1,226,000)**	(871,000)	(871,000)	(105,000)	(105,000)
	161,542,000	**163,136,000**	151,330,000	152,558,000	122,781,000	124,443,000

The basic and diluted earnings per common share amounts are determined using the following income amounts:

In thousands of dollars

	1997	1996	1995
Income from Continuing Operations	**$130,529**	$190,525	$122,006
Preference Stock Redemption Premium/Dividends		(60,341)	(24,923)
	130,529	130,184	97,083
Income from Discontinued Operations, net of tax and Minority Interest			36,491
Gain (Loss) on Disposal of Discontinued Operations, net of tax	**19,471**	216,246	(42,502)
Income before Extraordinary Items	**150,000**	346,430	91,072
Extraordinary Losses		(316,285)	
Net Income Applicable to Common Stock	**$150,000**	$ 30,145	$ 91,072

Note 13: Pensions

The Company maintains noncontributory defined benefit pension plans for its U.S. and German employees. Pension expense (income) and projected benefit obligations under each of these plans are determined using assumptions regarding discount rates, rates of increase in future compensation levels and expected long-term rates of return on assets. These assumptions are subject to prevailing economic conditions and, accordingly, the Company believes it is reasonably possible that a change in these assumptions may occur in the near-term.

U.S. Pension Plans

Substantially all of the Company's U.S. employees are covered by noncontributory defined benefit pension plans. Pension benefits are based primarily on years of service and the employee's compensation or pension rate near retirement. The Company's funding policy is to contribute funds to a trust as necessary to at least meet the minimum funding requirements of the Internal Revenue Code. Plan assets are invested primarily in equity and fixed income securities.

(A) Pension Expense (Income)

The Company's pension expense (income) related to the U.S. defined benefit pension plans, exclusive of amounts related to discontinued operations, for the years ended December 31 consists of the following:

In thousands of dollars

	1997	1996	1995
Service cost – benefits earned during the year	**$ 7,685**	$ 8,506	$ 6,866
Interest cost on projected benefit obligation	**45,254**	44,480	46,248
Estimated return on assets			
– actual (gain) loss	**(87,480)**	(46,778)	(146,437)
– deferred gain (loss)	**32,577**	(6,168)	101,651
Net amortization	**(6,490)**	(3,297)	(4,028)
Total pension expense (income)	**$ (8,454)**	$ (3,257)	$ 4,300

Assumptions used in determining the pension expense (income) for the years ended December 31 are as follows:

	1997	1996	1995
Discount rates	**7.50%**	7.00%	9.00%
Rates of increase in future compensation levels	**5.50%**	5.50%	6.50%
Expected long-term rates of return on assets	**8.25%**	8.00%	8.00%

(B) Funded Status

The funded status of the Company's defined benefit plans covering U.S. employees as of December 31, is as follows:

In thousands of dollars

	1997	1996
Actuarial present value of:		
Vested benefit obligation	**$595,970**	$583,115
Accumulated benefit obligation	**$624,619**	$610,947
Projected benefit obligation	**$641,560**	$632,407
Plan assets at fair value	**741,007**	691,591
Plan assets in excess of projected benefit obligation	**99,447**	59,184
Unrecognized net loss	**30,213**	68,559
Unrecognized prior service costs	**11,509**	12,204
Unrecognized transition adjustment	**(12,013)**	(20,095)
Prepaid pension asset	**$129,156**	$119,852

The projected benefit obligations for the U.S. plans were determined in 1997 and 1996 using a discount rate of 7.5 percent and a rate of increase in future compensation levels for salary-related plans of 5.5 percent. The Company utilizes a discount rate based on available high-quality corporate bonds. The vested U.S. benefit obligation is calculated on the benefits the employees are entitled to receive if they were to separate immediately.

German Pension Plan

The German plan is noncontributory and is unfunded. The pension or termination benefits are based primarily on years of service and the employee's compensation.

(A) Pension Expense

The pension expense, determined using a discount rate of seven percent and a rate of increase in future compensation of five percent for each year, for the years ended December 31 consists of the following:

In thousands of dollars

	1997	1996	1995
Service cost – benefits earned during the year	**$ 567**	$ 881	$ 909
Interest cost on projected benefit obligation	**1,529**	1,861	1,869
Net amortization	**(34)**	105	111
Total pension expense	**$ 2,062**	$ 2,847	$ 2,889

(B) Funded Status

The status of the Company's unfunded German plan as of December 31 is as follows:

In thousands of dollars

	1997	1996
Actuarial present value of:		
Vested benefit obligation	**$ 21,335**	$ 24,691
Accumulated benefit obligation	**$ 22,309**	$ 25,861
Projected benefit obligation	**$ 23,421**	$ 28,204
Unrecognized net gain	**4,183**	2,972
Unrecognized transition adjustment	**(633)**	(863)
Pension liability	**$ 26,971**	$ 30,313

Projected benefit obligations were determined using a discount rate of seven percent for both 1997 and 1996. The rate of increase in future compensation levels for salary-related plans was four percent in 1997 and five percent in 1996. The vested benefit obligation is calculated on the benefits the employees are entitled to receive if the employees were to separate immediately.

Voluntary Savings Plans

The Company provides voluntary savings plans in which eligible U.S. employees of the Company may participate. Employees may make contributions of up to 16 percent of their compensation. The Company matches up to six percent of certain contributions at rates ranging from 15 percent to 100 percent, depending on the Company's performance. Company contributions to the savings plans were $7.1 million in 1997, $7.5 million in 1996 and $7.6 million in 1995.

Note 14:
Other Postretirement Benefits

Medical and life insurance coverage is provided to eligible U.S. and Canadian retirees of the Company and their dependents under defined benefit plans. The postretirement benefit expense for the years ended December 31 consists of the following:

In thousands of dollars

	1997	1996	1995
Service cost – benefits earned during the year	**$ 1,390**	$ 1,373	$ 1,560
Interest cost on accumulated postretirement benefit obligation	**13,210**	12,955	15,434
Net amortization	**(1,640)**	(1,604)	(2,478)
Total postretirement benefit expense	**$ 12,960**	$ 12,724	$ 14,516

The postretirement benefit expense was calculated using a discount rate of 7.5 percent in 1997, seven percent in 1996 and nine percent in 1995.

The Company's unfunded postretirement benefit obligation reconciled with the amounts shown in the Company's consolidated balance sheet as of December 31, is as follows:

In thousands of dollars	1997	1996
Actuarial present value of the accumulated postretirement benefit obligation:		
Retirees	**$151,202**	$151,206
Fully eligible plan participants	**10,037**	8,563
Other active plan participants	**27,592**	25,212
	188,831	184,981
Unrecognized net gain	**1,889**	8,912
Unrecognized prior service costs	**24,538**	26,376
Postretirement benefit obligation	**$215,258**	$220,269

The current portions of $17.8 million and $19.5 million of the postretirement benefit obligation are reflected in compensation and employee benefits as of December 31, 1997 and 1996, respectively. The accumulated postretirement benefit obligations were determined in 1997 and 1996 using a discount rate of 7.5 percent. The Company utilizes a discount rate based on available high-quality corporate bonds. For measurement purposes, a 5.9 percent annual rate of increase in the per capita cost of covered medical benefits was assumed for 1998; the rate was assumed to decrease gradually to 5.5 percent in 2002 and remain at that level thereafter.

The Company's assumptions regarding the discount rate and annual rate of increase in the per capita cost of covered medical benefits are subject to prevailing economic conditions. Accordingly, the Company believes it is reasonably possible that a change in these assumptions may occur in the near term. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated benefit obligation as of December 31, 1997, by $7.5 million, and the aggregate of the service and interest cost components of the periodic cost for the year then ended by $0.6 million.

Note 15:
Workers' Compensation

The workers' compensation liability and related receivable at gross and present value at December 31 are:

In thousands of dollars	1997	1996
Workers' Compensation Liability:		
Gross	**$ 117,917**	$ 123,569
Present Value	**66,658**	69,002
Insurance Receivable:		
Gross	**$ 7,572**	$ 7,765
Present Value	**4,798**	4,818

The liability and receivable were measured using risk-free discount rates of 6 percent and 6.4 percent at December 31, 1997 and 1996, respectively, which reflect rates of return on available U.S. Treasury securities with maturities similar to the timing of expected claim payments. Although the Company is exposed to credit losses in the event of nonperformance by its insurers, the Company anticipates claims for insurance coverage will be fully satisfied.

Discount rates of 6.4 percent, 6.2 percent and 8.2 percent were used to measure expense for the years ended December 31, 1997, 1996 and 1995, respectively.

The Company expects to pay the following amounts for its workers' compensation obligations:

	In thousands of dollars
1998	$ 7,200
1999	7,200
2000	7,000
2001	6,600
2002	6,200
Thereafter	83,717
	$ 117,917

Note 16:
Nonrecurring Charges

In 1996, the Company recorded the following pretax nonrecurring charges totaling $49.2 million.

The Company completed an evaluation of a manufacturing facility with both current and former operations and determined that its best course of action was closure of the facility. Consequently, the Company recorded nonrecurring charges of $41.7 million for the shutdown of current operations, demolition of facilities and site restoration, of which $30 million, $6.1 million and $5.6 million related to corporate and eliminations, the Insulation segment and the Roofing Systems segment, respectively. Of these charges, $7.5 million were noncash asset write-downs, and at December 31, 1997, $15.4 million was classified as other current liabilities. Upon completion of these actions, the Company intends to dispose of the remaining properties and does not expect to incur significant future monitoring and maintenance costs. The Company expects to fund the charges requiring cash outlays from existing cash balances and cash generated from operations. During 1997, the Company spent minimal amounts in preparation for demolition phases of the project. Pending federal and state regulatory agency approval, the final disposition will begin in 1998 and is expected to be substantially completed by 1999, with the majority of liabilities settled during that time frame. The nonrecurring charges are based on estimates and, therefore, are subject to risks and uncertainties related to the Company's ability to secure agreements with third parties, relinquish the properties and obtain regulatory approvals to execute the actions described above. As a result, the Company believes it is reasonably possible that these estimates may be revised in the near-term. However, the impacts of such revisions, if any, are not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

The Company recorded additional 1996 nonrecurring charges (income) in the Insulation and the Engineered Products segments of $11.5 million and $(4) million, respectively, consisting primarily of asset write-downs to estimated fair values in the automotive molded parts business, which was disposed of in 1997, and a gain on the sale of other manufacturing assets.

Note 17:
Other Income (Expense), net

In thousands of dollars

	1997	1996	1995
Amortization of intangible assets	**$(10,516)**	$ (4,528)	$ (677)
Pension and postretirement benefits	**(2,068)**	(3,513)	(6,456)
Interest accretion on workers' compensation liabilities	**(3,072)**	(3,567)	(3,910)
Phenolic legal expenses		(600)	(2,921)
Settlement of pension plans		7,216	
Write-off/disposition of nonproductive assets			(6,723)
Other	**5,315**	4,647	3,682
	$(10,341)	$ (345)	$ (17,005)

Pension and postretirement benefits are attributable to retirees of the Company's former business operations. Interest accretion on workers' compensation liabilities primarily relates to previous asbestos operations.

Note 18:
Gain on Sale of Equity Investment

In 1995, the Company sold its remaining equity investment in Stillwater Mining Company for net cash proceeds of $110.5 million, resulting in a pretax gain on sale of equity investment of $74.9 million. The Company retained a five percent net smelter royalty on metals produced from certain Stillwater mining claims.

Note 19:
Profit Sharing Obligation

During 1996, the Company exchanged approximately 32.5 million shares of its common stock for the Trust's profit sharing right to 20 percent of the Company's net earnings (as adjusted). As a result, the Company recorded an extraordinary loss of $314.3 million, net of taxes of $169.2 million. The extraordinary loss was based on the New York Stock Exchange closing price of the Company's common stock on April 4, 1996 of $14.50 per share, plus related expenses of the transaction and other trust related settlements.

The Company paid $6.6 million of profit sharing expense through April 1996 to the Trust. This represents the final profit sharing payment to the Trust. Profit sharing expense for 1995 totaled $27.7 million and was also paid in 1996.

Note 20:
Income Taxes

Income taxes payable consists of the following:

In thousands of dollars

	1997	1996
U.S. federal and foreign income taxes	**$ 8,300**	$ 20,857
Deferred income taxes		14,316
State and local taxes	**403**	664
	$ 8,703	$ 35,837

The approximate tax effect of the temporary differences and carryforwards giving rise to the net deferred tax asset is as follows:

In thousands of dollars

	1997	1996
U.S. Deferred Tax Assets:		
Trust deductions	**$216,412**	$215,994
Employee benefit accruals	**102,379**	108,613
Reserves	**52,370**	62,027
Credit for prior year minimum tax carryforward	**20,871**	22,596
Provision for furnace rebuilds	**9,625**	7,805
Capitalized research, development and engineering	**7,239**	
Deferred state and local taxes	**6,552**	7,488
Deferred compensation	**5,839**	4,575
General business credit carryforward	**3,523**	18,188
Other	**13,599**	14,216
	438,409	461,502
Foreign Deferred Tax Assets	**2,547**	842
Total Deferred Tax Assets	**440,956**	462,344
U.S. Deferred Tax Liabilities:		
Property, plant and equipment	**100,695**	97,764
Prepaid pension asset	**44,658**	45,555
Other	**6,761**	6,675
Total Deferred Tax Liabilities	**152,114**	149,994
Net Deferred Tax Asset, before valuation allowances	**288,842**	312,350
Valuation Allowances	**(52,000)**	(70,188)
Net Deferred Tax Asset	**$236,842**	$242,162

The deferred tax asset related to Trust deductions primarily represents stock and Trust Bonds issued to the Trust that are not yet deductible for income tax purposes. The charge related to the Trust Bonds becomes deductible as principal and interest payments are made to the Trust, or when the Trust Bonds are sold by the Trust, and funds are distributed to claimants or deposited in a specific settlement fund. The deferred tax asset related to Trust deductions includes $206.7 million (exclusive of any related valuation allowance) generated from the issuance of stock to the Trust.

The Company receives a tax deduction for the amount of any dividends paid on shares of the Company's common stock held by the Trust. In addition, the Company will receive a tax deduction when the Trust sells some or all of its shares of common stock and distributes the proceeds to its beneficiaries or transfers the proceeds to a specific settlement fund. Under Section 468B of the U.S. Internal Revenue Code, the Company is responsible for income taxes on the taxable income of the Trust's specific settlement fund at a tax rate of 15 percent. Any such taxes paid by the Company will generate a tax deduction for the Company. Although the Company cannot predict the amount of any such future tax obligations, the Company does not expect related future liabilities to have a material adverse effect on the Company's financial condition, liquidity or results of operations. However, this liability could be material in certain situations including the Trust monetizing, and retaining the proceeds of, a significant portion of its investment in the Company's common stock.

If the Trust were to sell the stock at a price greater than the Company's carrying value, the Company may receive a tax benefit in excess of the deferred tax asset reflected for financial reporting purposes. Likewise, if the Trust were to sell the stock at a price lower than the carrying value, the Company would receive a tax benefit less than the deferred tax asset reflected for financial reporting purposes.

The Trust transferred approximately $17.2 million and $1.1 billion in 1997 and 1996, respectively, to the specific settlement fund within the Trust or to claimants generating corresponding current tax deductions for the Company. The monies transferred and use of operating loss carryforwards were adequate to eliminate substantially all U.S. cash income tax liability in 1996.

At December 31, 1997, the Company had a $52 million valuation allowance on its U.S. deferred tax asset primarily related to future deductible amounts that may not be realized. The $18.2 million decrease in the valuation allowance in 1997 is primarily due to the utilization of general business credit carryforwards that the Company previously believed would expire unused. The valuation allowance decreased $12.3 million in 1996 primarily due to the expiration of foreign tax credit carryforwards and general business credit carryforwards which were fully reserved in prior years. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the Company's valuation allowance on all deferred tax assets is subject to change as forecasts of future years' earnings and the estimated timing of the utilization of the Company's tax benefits and credit carryforwards are revised (including the timing and amounts received by the Trust for its investment in Company stock).

The approximate tax effect of the temporary differences giving rise to the net deferred tax liability is as follows:

In thousands of dollars

	1997	1996
Foreign Deferred Tax Assets	$ 1,942	$ 2,244
Foreign Deferred Tax Liabilities:		
Property, plant and equipment	41,772	43,486
Undistributed earnings of foreign subsidiaries		14,316
Other	2,345	
Total Deferred Tax Liabilities	44,117	57,802
Net Deferred Tax Liability	$ 42,175	$ 55,558

The U.S. and foreign components of income from continuing operations before income taxes consist of the following:

In thousands of dollars

	1997	1996	1995
U.S.	$136,277	$103,491	$182,056
Foreign	39,203	47,943	42,367
	$175,480	$151,434	$224,423

The provision for income tax expense (benefit) on continuing operations consists of the following:

In thousands of dollars

	1997	1996	1995
Current:			
U.S. federal	$ 12,875		$ 2,049
U.S. state and local	2,887	$ 3,595	1,642
Foreign	17,618	24,492	16,603
	33,380	28,087	20,294
Deferred:			
U.S.	13,044	(61,203)	72,526
Foreign	(1,473)	(5,975)	9,597
	11,571	(67,178)	82,123
	$ 44,951	$ (39,091)	$ 102,417

The reported amount of income tax expense on consolidated pretax income from continuing operations differs from the amount of income tax expense that would result from applying the domestic federal statutory tax rate to consolidated pretax income from continuing operations for the following reasons:

In thousands of dollars

	1997	1996	1995
U.S. federal statutory expense	$ 61,420	$ 53,002	$ 78,543
Increase (decrease) resulting from:			
Utilization of general business credits	(18,188)		
Deduction for dividends to the Trust	(6,298)	(107,213)	
Foreign income taxed at higher rates	3,924	11,246	17,978
U.S. state and local taxes, net of federal benefit	1,913	1,293	1,466
Other, net	2,180	2,581	4,430
	$ 44,951	$ (39,091)	$ 102,417

As of December 31, 1997, the Company had $3.5 million of general business credit carryforwards and $20.9 million of U.S. federal credit for prior year minimum tax carryforwards. The general business credits expire at various dates beginning in 2002. There is no expiration date on the prior year minimum tax credit; however, it can only be applied against regular tax.

Undistributed earnings intended to be reinvested indefinitely by the foreign subsidiaries totaled $187.3 million at December 31, 1997. The determination of the deferred tax liability related to these undistributed earnings is not practicable. Accordingly, no U.S. deferred income tax has been recorded.

Note 21: Discontinued Operations

During the third quarter of 1997, the Company adjusted the estimated gain recognized in 1996 on the disposition of Riverwood. The adjustment, resulting in an additional net gain on disposal of discontinued operations of $19.5 million, of which $8.2 million related to income taxes, arose from the resolution of indemnification issues with the purchaser of Riverwood and from the determination of certain income tax consequences of the disposition, which were finalized with the completion of the Company's 1996 income tax returns.

During 1996, the Company received gross cash proceeds of $1.08 billion from the disposition of its 81.3 percent interest in Riverwood and recorded a gain of $216.2 million, net of taxes of $138.7 million.

Riverwood's results of operations have been shown as discontinued operations through the disposition in the first quarter of 1996. Summarized information on the discontinued operations of Riverwood is as follows:

In thousands of dollars

	1995
Net Sales	$ 1,342,304
Income Before Income Taxes	$ 25,485
Income Tax Expense	11,214
Income Before Equity in Earnings of Affiliate and Minority Interest	14,271
Equity in Earnings of Affiliate, net of taxes	30,609
Minority Interest in Riverwood	(8,389)
Income from Discontinued Operations, net of tax and Minority Interest	$ 36,491

In the fourth quarter of 1995, the Company recorded an estimated loss on the disposal of discontinued operations of $42.5 million. This loss primarily relates to deferred taxes on the Company's investment in Riverwood that had not been recognized previously. The Company recorded these taxes when it became apparent the taxes would be incurred due to the planned disposition of Riverwood.

Note 22:
Early Extinguishment of Debt

During 1996, the Company redeemed its 9 percent Sinking Fund Debentures, with cash of $27.7 million, plus accrued interest of $1.6 million, resulting in an extraordinary loss on early extinguishment of debt of $2 million, net of taxes of $1.1 million.

Note 23:
Supplemental Cash Flow Information

In connection with the consolidated statement of cash flows, cash paid for interest related to continuing operations during 1997, 1996 and 1995 was $53.8 million, $46.4 million and $47.8 million, respectively. Cash paid for income taxes related to continuing operations during 1997, 1996 and 1995 was $48.7 million, $29.9 million and $18.9 million, respectively.

Note 24:
Acquisitions

During the third quarter of 1997, the Company acquired the roofing business of HPG International, Inc., a U.S. manufacturer of thermoplastic membranes. During the second quarter of 1997, the Company acquired the Mitex group of companies. Mitex is a manufacturer of fiber glass wall covering fabrics used primarily in commercial and industrial buildings, and has manufacturing facilities in Sweden and the United Kingdom. During the first quarter of 1997, the Company acquired the assets of Ergon Nonwovens, Inc., a U.S. manufacturer of synthetic meltblown nonwoven products. The Ergon and Mitex acquisitions are associated with the businesses of the Engineered Products segment.

The combined purchase price for these acquisitions, accounted for under the purchase method, was $136.5 million, net of cash acquired, financed from existing cash balances and borrowings of $55 million from international credit facilities. The excess of the combined purchase prices over the estimated fair value of net assets acquired, or goodwill, amounted to approximately $84 million. These allocations were based on estimates and may be revised in the future.

In January 1998, the Company acquired the assets of Seal-Dry/USA, Inc., a U.S. manufacturer of reinforced thermoplastic roofing systems. Also in January 1998, the Company acquired a plant, associated with the Insulation segment, which manufactures calcium silicate pipe and block insulation, and fireproof board. Both acquisitions will be accounted for under the purchase method.

Note 25:
New Accounting Pronouncements

During 1997, the Financial Accounting Standards Board issued the following Statements of Financial Accounting Standards effective for periods beginning after December 15, 1997: "Reporting Comprehensive Income" ("SFAS No. 130") and "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. Comprehensive income generally includes changes in separately reported components of equity along with net income. SFAS No. 131 establishes standards for reporting information about operating segments, along with related disclosures about products, services, geographic areas and major customers, based on the Company's disaggregation of an entity for internal operating decisions. The Company's reportable business segments are currently aligned with its internal business units.

Note 26: Business Segments and Geographic Area Information

Beginning in 1997, the Company reorganized its business segments and will report separately its operating results in the following three principal business segments: Insulation, Roofing Systems and Engineered Products. The 1996 and 1995 results were reclassified to conform with the current presentation format.

The Insulation segment consists of the Company's building insulation business, which manufactures fiber glass wool insulation for walls, attics and floors in residential and commercial buildings and polyisocyanurate foam sheathing for residential structures; commercial/industrial insulation business, which manufactures pipe and duct insulation for use in commercial buildings, factories, refineries and other industrial applications; and original equipment manufacturers ("OEM") insulation business, which manufactures thermal and acoustic insulation for aircraft, marine vessels, automobiles and heating, ventilating and air conditioning ("HVAC") and other equipment.

The Roofing Systems segment consists of the Company's commercial/industrial roofing systems business, which supplies roofing membranes, insulations, accessories and related guarantees.

The Engineered Products segment consists of the Company's mats and fibers business, which manufactures continuous filament fiber glass-based products used for reinforcing roofing, flooring, wall covering and plastic products. The mats and fibers business includes the Company's German subsidiary, Schuller GmbH, and the Company's Swedish and U.K. subsidiaries, the Mitex companies. The Engineered Products segment also includes the Company's filtration business, which manufactures filtration media for commercial and industrial buildings; ultra-fine fibers for clean room air filters and battery separators; liquid filtration cartridges and media for use in commercial and industrial applications; and synthetic meltblown products used in various other applications.

JM Johns Manville

In thousands of dollars

December 31,	**1997**	1996	1995
Assets			
Insulation	**$ 520,729**	$ 537,514	$ 527,225
Roofing Systems	**398,734**	378,845	148,369
Engineered Products	**582,193**	478,225	454,317
Corporate *(Note E)*	**530,930**	605,461	1,397,051
Eliminations and Adjustments *(Note B)*	**(52,052)**	(53,319)	(52,903)
Total	**$ 1,980,534**	$ 1,946,726	$ 2,474,059
Years Ended December 31,			
Depreciation, Depletion and Amortization			
Insulation	**$ 33,569**	$ 30,550	$ 28,235
Roofing Systems	**15,855**	11,594	5,391
Engineered Products	**29,638**	26,341	26,646
Corporate	**1,101**	2,690	3,561
Total	**$ 80,163**	$ 71,175	$ 63,833
Additions to Property, Plant and Equipment			
Insulation	**$ 34,687**	$ 32,531	$ 73,614
Roofing Systems	**7,945**	51,650	5,338
Engineered Products	**81,715**	68,462	30,262
Corporate	**949**	357	2,115
Total	**$ 125,296**	$ 153,000	$ 111,329

See notes on page 58.

In thousands of dollars

Years Ended December 31,	1997	1996	1995
Insulation			
Net Sales	**$ 697,845**	$ 698,954	$ 669,938
Costs and Expenses	**598,859**	579,028	548,609
Nonrecurring Charges		17,550	
Other Income (Expense), net *(Note D)*	**(247)**	977	(8,137)
Income from Operations	**$ 98,739**	$ 103,353	$ 113,192
Roofing Systems			
Net Sales	**$ 510,460**	$ 414,013	$ 290,518
Costs and Expenses	**444,749**	372,993	265,274
Nonrecurring Charges		5,644	
Other Income (Expense), net *(Note D)*	**(2,843)**	(3,247)	(1,718)
Income from Operations	**$ 62,868**	$ 32,129	$ 23,526
Engineered Products			
Net Sales	**$ 475,954**	$ 470,761	$ 457,685
Costs and Expenses	**379,274**	362,846	354,578
Nonrecurring Charges (Income)		(4,018)	
Other Income (Expense), net *(Note D)*	**(4,118)**	1,149	1,419
Income from Operations	**$ 92,562**	$ 113,082	$ 104,526
Corporate and Eliminations			
Net Sales *(Note A)*	**$ (36,614)**	$ (31,299)	$ (26,619)
Costs and Expenses	**(1,000)**	634	4,773
Nonrecurring Charges		29,980	
Other Income (Expense), net *(Note D)*	**(3,133)**	776	(8,569)
Income from Operations	**$ (38,747)**	$ (61,137)	$ (39,961)
Consolidated Total Company			
Net Sales	**$ 1,647,645**	$ 1,552,429	$ 1,391,522
Costs and Expenses	**1,421,882**	1,315,501	1,173,234
Nonrecurring Charges		49,156	
Other Income (Expense), net	**(10,341)**	(345)	(17,005)
Income from Operations	**$ 215,422**	$ 187,427	$ 201,283

See notes on page 58.

In thousands of dollars

Years Ended December 31,	1997	1996	1995
United States			
Net Sales	**$ 1,426,609**	$ 1,341,216	$ 1,200,371
Costs and Expenses	**1,206,560**	1,109,647	993,192
Nonrecurring Charges		19,176	
Other Income (Expense), net	**(4,120)**	9,863	(6,129)
Income from Operations	**$ 215,929**	$ 222,256	$ 201,050
Foreign			
Net Sales	**$ 231,758**	$ 224,232	$ 199,356
Costs and Expenses	**192,511**	188,770	158,444
Other Income (Expense), net	**(1,140)**	1,737	(363)
Income from Operations	**$ 38,107**	$ 37,199	$ 40,549
Corporate and Eliminations			
Net Sales *(Note A)*	**$ (10,722)**	$ (13,019)	$ (8,205)
Costs and Expenses	**22,811**	17,084	21,598
Nonrecurring Charges		29,980	
Other Income (Expense), net *(Note C)*	**(5,081)**	(11,945)	(10,513)
Income from Operations	**$ (38,614)**	$ (72,028)	$ (40,316)
Consolidated Total Company			
Net Sales	**$ 1,647,645**	$ 1,552,429	$ 1,391,522
Costs and Expenses	**1,421,882**	1,315,501	1,173,234
Nonrecurring Charges		49,156	
Other Income (Expense), net	**(10,341)**	(345)	(17,005)
Income from Operations	**$ 215,422**	$ 187,427	$ 201,283
December 31,			
Assets			
United States	**$ 1,232,880**	$ 1,207,303	$ 936,453
Foreign	**268,776**	187,281	193,458
Corporate *(Note E)*	**530,930**	605,461	1,397,051
Eliminations and Adjustments *(Note B)*	**(52,052)**	(53,319)	(52,903)
Total	**$ 1,980,534**	$ 1,946,726	$ 2,474,059

See notes on page 58.

Notes to Business Segments and Geographic Area Information:

(A) Net sales included in corporate and eliminations relate principally to the elimination of intersegment and intergeographic sales (at prices approximating market). Intersegment sales principally relate to sales from the Engineered Products segment to the Roofing Systems segment.

(B) 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.

(C) Includes the elimination of intergeographic dividends between the Company's foreign and U.S. segments.

(D) Other income (expense), net, as reported in each of the business segments, represents specific operating income and expense items recognized by the individual business units. Other income (expense), net, included in corporate and eliminations consists of amounts primarily attributable to previous business operations.

(E) Corporate assets are principally cash and equivalents and marketable securities, prepaid income taxes, certain investments, the net assets held for sale related to Riverwood, certain long-term receivables, deferred tax assets, a portion of prepaid pension assets and a portion of property, plant and equipment.

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 and Form 10-K is consistent with that in the financial statements.

The Company 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. Oversight of management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an Audit Committee that consists solely of outside directors.

C.L. (Jerry) Henry
Chairman of the Board,
President and Chief Executive Officer

J.P. Murphy
Senior Vice President and
Chief Financial Officer

JM
Johns Manville

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Directors of Johns Manville Corporation:

We have audited the accompanying consolidated balance sheets of Johns Manville Corporation as of December 31, 1997 and 1996 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Johns Manville Corporation as of December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Denver, Colorado
January 30, 1998

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

In thousands of dollars, except per share amounts

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended December 31, 1997					
Net Sales	$379,010	$428,036	$438,122	$402,477	$1,647,645
Gross Profit	100,656	117,939	112,871	100,044	431,510
Income from Operations	49,698	63,032	57,906	44,786	215,422
Income before Extraordinary Items *(Note A)*	27,492	37,175	58,329	27,004	150,000
Net Income *(Note A)*	27,492	37,175	58,329	27,004	150,000
Basic Earnings Per Common Share					
Income before Extraordinary Items *(Note A)*	$.17	$.23	$.36	$.17	$.93
Net Income *(Note A)*	.17	.23	.36	.17	.93
Diluted Earnings Per Common Share					
Income before Extraordinary Items *(Note A)*	$.17	$.23	$.36	$.17	$.92
Net Income *(Note A)*	.17	.23	.36	.17	.92
Year Ended December 31, 1996					
Net Sales	$326,109	$381,403	$422,978	$421,939	$1,552,429
Gross Profit	93,559	108,502	121,439	117,118	440,618
Income from Operations *(Note B)*	55,291	56,299	67,615	8,222	187,427
Income before Extraordinary Items *(Note A)*	305,537	28,150	33,918	39,166	406,771
Net Income (Loss) *(Notes A, C and D)*	(8,759)	26,161	33,918	39,166	90,486
Basic Earnings (Loss) Per Common Share *(Note E)*					
Income (Loss) before Extraordinary Items *(Note A)*	$2.44	$(.16)	$.21	$.24	$2.29
Net Income (Loss) *(Notes A, C and D)*	(.12)	(.18)	.21	.24	.20
Diluted Earnings (Loss) Per Common Share *(Note E)*					
Income (Loss) before Extraordinary Items *(Note A)*	$2.39	$(.16)	$.21	$.24	$2.27
Net Income (Loss) *(Notes A, C and D)*	(.12)	(.18)	.21	.24	.20

(A) The Company disposed of its 81.3 percent interest in Riverwood in the first quarter of 1996 and recorded a gain on the sale of $177.2 million, net of estimated taxes of $177.8 million. In the fourth quarter of 1996, an additional gain of $39.1 million was recognized, adjusting the estimated taxes from $177.8 million to $138.7 million.

During the third quarter of 1997, an additional net gain of $19.5 million was recognized, of which $8.2 million related to income taxes, arising from the termination of certain indemnification obligations to the purchaser of Riverwood and from the determination of certain income tax consequences of the disposition, which were finalized with the completion of the Company's 1996 income tax returns.

(B) During the fourth quarter of 1996, the Company recorded nonrecurring charges totaling $49.2 million. These charges include $41.7 million for the shutdown of current operations, demolition of facilities and site restoration and $7.5 million of asset write-downs to estimated fair values, partially offset by a gain on the sale of other manufacturing assets.

(C) In the first quarter of 1996, the Company recorded an extraordinary loss of $314.3 million, net of taxes of $169.2 million, on the exchange of approximately 32.5 million shares of the Company's common stock for the Trust's profit sharing right to 20 percent of the Company's net earnings (as adjusted).

(D) In the second quarter of 1996, the Company redeemed its 9 percent Sinking Fund Debentures due through 2003 that resulted in an extraordinary loss on early extinguishment of debt of $2 million, net of taxes of $1.1 million. The Company also redeemed its Cumulative Preference Stock, Series B, with cash of $230.8 million, resulting in a $52.1 million premium on preference stock redemption.

(E) Earnings (loss) per share amounts for 1996 were calculated after the deduction for preference stock dividends and the premium on preference stock redemption.

BOARD OF DIRECTORS

Leo Benatar
Associated Consultant
A.T. Kearney, Inc.
Director since 1996

Mr. Benatar serves as Chairman of the Health, Safety & Environment Committee and is a member of the Audit and Compensation Committees.

Robert A. Falise
Chairman and Managing Trustee
Manville Personal Injury
Settlement Trust
Director since 1992

Mr. Falise serves as Chairman of the Executive Committee and is a member of the Audit, Board Organization & Operation, Compensation and Finance Committees.

Todd Goodwin
General Partner
Gibbons, Goodwin, van Amerongen
Director since 1991

Mr. Goodwin is Chairman of the Compensation Committee and is a member of the Board Organization & Operation, Executive and Finance Committees.

Michael N. Hammes
Former Chairman and Chief
Executive Officer
The Coleman Company, Inc.
Director since 1993

Mr. Hammes is a member of the Audit, Compensation, Executive and Finance Committees.

Kathryn Rudie Harrigan
Henry R. Kravis Professor of
Business Leadership
Columbia University
Graduate School of Business
Director since 1995

Ms. Harrigan is a member of the Finance and Health, Safety & Environment Committees.

Charles L. (Jerry) Henry
Chairman of the Board, President
and Chief Executive Officer
Johns Manville Corporation
Director since 1996

Mr. Henry is a member of the Board Organization & Operation, Executive, Finance and Health, Safety & Environment Committees.

Louis Klein, Jr.
Trustee
Manville Personal Injury
Settlement Trust
Director since 1992

Mr. Klein serves as Chairman of the Audit Committee and is a member of the Compensation and Finance Committees.

Frank J. Macchiarola
President
St. Francis College
and Trustee
Manville Personal Injury
Settlement Trust
Director since 1996

Mr. Macchiarola is a member of the Health, Safety & Environment Committee.

Christian E. Markey, Jr.
Trustee
Manville Personal Injury
Settlement Trust
Director since 1992

Judge Markey is Chairman of the Board Organization & Operation Committee and is a member of the Health, Safety & Environment Committee.

William E. Mayer
Founder
Development Capital L.L.C.
Director since 1996

Mr. Mayer serves as Chairman of the Finance Committee and is a member of the Audit, Board Organization & Operation and Executive Committees.

CORPORATE OFFICERS

William S. Bullock
Treasurer

Thomas L. Caltrider
Senior Vice President
Insulation Group

David S. Cope
Vice President
Taxes

John A. Coppola
Senior Vice President
Science & Technology

Paul F. Hahmann
Vice President and General Manager
Schuller GmbH

Ron L. Hammons
Senior Vice President
Human Resources and Purchasing

Michael R. Harrison
Vice President and General Manager
Commercial/Industrial Insulations

Charles L. (Jerry) Henry
Chairman of the Board, President
and Chief Executive Officer

Wayne O. Jackson
Vice President and General Manager
Engineered Products Division

Kenneth L. Jensen
Senior Vice President
Corporate Development and
Investor Relations

John P. Murphy
Senior Vice President and
Chief Financial Officer

Harvey L. Perry, Jr.
Senior Vice President
Engineered Products Group

Bartley E. Roggensack, Jr.
Vice President and General Manager
Roofing Systems Group

John M. Rosebery
Controller

Simon W. Ulmer
Vice President and General Manager
OEM Insulations

Richard B. Von Wald
Executive Vice President,
General Counsel and Secretary

Securities Information

Johns Manville's common stock is registered on the New York Stock Exchange, Inc. (symbol JM). Its stock also is traded on the Boston, Midwest, Pacific, and Philadelphia exchanges.

A two-year history of high and low sales prices for the Company's common stock based on sales transactions reported by the New York Stock Exchange is provided below.

Comparative Common Stock Data

	Market prices per share	
1997	High	Low
For the Quarters Ended:		
March 31	12⅝	10½
June 30	12⅜	9⅜
September 30	13 7/16	10 15/16
December 31	12 9/16	9¼
1996	High	Low
For the Quarters Ended:		
March 31	14½	12⅛
June 30	15¼	7¾
September 30	10⅝	8⅛
December 31	10¾	8⅝

Johns Manville International Group, Inc. Senior Notes are listed on the New York Stock Exchange (symbol JMIG 04).

Johns Manville Corporation

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(303) 978-3117

Product Information Center

(303) 978-4900 or
(800) 654-3103
Fax: (303) 978-2318

Transfer Agent and Registrar

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, New Jersey 07303
(201) 324-1644 or
(800) 756-8200

Hearing Impaired:
TDD: (201) 222-4955

Internet Address:
e-mail: fctc@em.fcnbd.com
http://www.fctc.com

Send shareholder address changes to the above address.

Johns Manville Annual Meeting

April 24, 1998 8:00 a.m.
Denver, Colorado

Annual Report and 10-K

To obtain a copy of Johns Manville's Annual Report, Form 10-K or Quarterly Reports on Form 10-Q, please call (303) 978-3882.

The Johns Manville Annual Report is a publication of Johns Manville Corporation.

This annual report contains forward-looking statements. Please see page 30 for a review of risk factors associated with these forward-looking statements.

News Releases

Johns Manville news releases, including earnings announcements, are available by fax by calling (888) 724-4577.

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PERFECTIONIS
"I can't let the aliens drown out the 18th-century romance next door."
Sam Giordano, Sr. VP, American Multi-Cinema, Inc.
Sam Giordano is a perfectionist.
He's in charge of Design and Development for the theatrical exhibition company that leads the industry in gross receipts.
His obsession: "Give people a great movie experience. Wall-to-wall screen and digital sound.
"But with 30 screens under one roof, I can't have sound carry from one theater to the next."
So he's very insistent when it comes to acoustical insulation.
Johns Manville.
Not surprising. Our R&D has made us a world leader in glass fiber for insulation, filtration, roofing, wall coverings and more.
You'll find us in homes, buildings, autos, appliances, spacecraft — everywhere.
Thanks to perfectionists like Sam Giordano.
JOHNS MANVILL