Justin Industries 1997 *Annual Report*

Experience, Commitment, Dedication, Stability.

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Financial Highlights

	1997	%Change	1996	%Change	1995	%Change
Net Sales	$ 439,787	- 1.8	$ 447,772	- 3.0	$ 461,448	- 4.5
Net Income	26,323	+ 12.7	23,365	- 8.9	25,651	- 30.5
Basic Earnings Per Share	1.00	+ 13.6	.88	- 7.4	.95	- 30.1
Diluted Earnings Per Share	.99	+ 13.8	.87	- 7.4	.94	- 29.9
Return on Shareholders' Equity	10.4%	+ 5.1	9.9%	- 14.7	11.6%	- 40.5
Capital Expenditures	21,782	- 11.9	24,738	- 4.9	26,020	+ 39.7
Working Capital	166,397	+ .8	165,053	- 9.0	181,385	- 2.3
Total Assets	376,067	+ 4.4	360,078	- 4.3	376,409	+ .4
Long-Term Debt	23,750	- 27.8	32,890	- 42.4	57,137	- 12.5
Shareholders' Equity	272,980	+ 8.0	252,856	+ 6.9	236,489	+ 6.6
Book Value Per Share	10.35	+ 8.3	9.56	+ 7.7	8.88	+ 9.0
Cash Dividends Per Share	.18	+ 12.5	.16	—	.16	—

in thousands of dollars, except per share data and percentages

Corporate Profile

JUSTIN INDUSTRIES, headquartered in Fort Worth, Texas, is a leader in each of its principal businesses:

BUILDING MATERIALS — including *Acme Brick Company*, one of the nation's largest producers of face brick; *Featherlite Building Products Corporation*, the Southwest's leader in manufactured concrete building products; *American Tile Supply Company*, a major Texas distributor of ceramic and marble floor and wall tile; and *Tradewinds Technologies, Inc.*, producer of evaporative coolers for home and light commercial applications.

FOOTWEAR — consisting of *Justin Boot Company*, *Tony Lama Company*, *Nocona Boot Company*, and *Chippewa Shoe Company*, whose products give Justin Industries a national identity as the preeminent producer of western boots, and quality work, sport, and casual footwear.

Northland Publishing, a distinguished publisher of western and southwestern Americana, art, Native American culture, and children's books, is also part of Justin Industries.

Justin Industries common stock is traded in the Nasdaq National Market System using the symbol "JSTN."

{Experience} is a word that of

To Our Shareholders

JANUARY 28, 1998

s tossed around, but for us it carries the weight of generations.

FOR JUSTIN INDUSTRIES, the past year has been a period of formidable challenges and meaningful achievements. Following two years of declining earnings, we entered 1997 optimistic that we would see a turnaround. Our hopes were based on anticipation that the two major indicators of the Company's business prospects, demand for residential housing and interest in western fashions, would meet or exceed 1996 levels. However, housing starts were down about 6% in our markets, and the decline in the western apparel and footwear industry, which began four years ago, continued through 1997.

As a result of these business conditions, brick shipments slipped a little, sales of western boots fell even more, and consolidated net sales of $440 million were 2% less than the previous year and 9% below the record-high year of 1994.

Not only were revenues below our expectations, but profitability was also impacted by extreme volatility in costs of natural gas, the fuel used in brick manufacturing, and costly litigation involving our Tradewinds subsidiary.

While at times we became a bit frustrated by these conditions that are largely beyond our control, our entire organization has maintained focus on the Company's strategies and goals, and has done a very good job, in our opinion, as evidenced by a number of accomplishments:

- Net income improved to $26.3 million, a 13% increase over 1996, ending a period of profit decline in spite of reduced volume and certain unanticipated costs.
- The Company's consolidated gross profit margin reached an all-time high as selling prices for bricks, blocks, and boots increased, and footwear efficiencies improved as a result of previously made organizational changes.
- We saw positive results from efforts to reduce the heavy influence of housing starts and western fashion trends. Strong sales growth in products used in all sectors of the construction industry, such as floor and wall tile, bagged goods, limestone, and glazed products, have lessened our dependence on residential housing starts, and the Footwear division's extremely successful introduction of the Justin Original Workboot has greatly expanded our consumer group.
- Operating activities produced $47.6 million in cash in 1997, enabling the Company to invest $21.8 million in facilities and equipment and raise the cash dividend rate 25%, the first increase in four years, while reducing interest-bearing debt another $10.5 million.

While our companies all operate in industries that are both seasonal and cyclical in nature, Justin Industries' financial strength and diversity allow us to sustain valuable programs and do well in difficult business climates as well as good ones. We are able to direct substantial capital resources to areas that advance the company. Facilities and equipment improvements ensure our ability to meet future demand efficiently, and investments in advertising and promotional programs and new product development allow us to extend markets in our existing businesses. Investment in information technology systems will further upgrade efficiencies and set new standards of customer service.

We enter 1998 with even lower debt than last year and greater capital resources. Interest rates are favorable, the economy is strong, and inflation remains under control. It appears that natural gas costs have declined to reasonable levels, and the litigation matter has been resolved. These factors should positively affect our future performance. Our disappointment in the further decline in western boot sales continues, but we are optimistic that the expansion of the non-western segment of the Footwear business will continue to contribute to overall profit improvements. Justin Industries is committed to the future of the Company and the future of our shareholders, our customers, our employees, and our products and services.

John Justin
Chairman and Chief Executive Officer

J. T. Dickenson
President and Chief Operating Officer

Justin Industries is a company deeply rooted in tradition, built on integrity, and recognized for its predictable quality. We acknowledge the value of hard work, plain and simple, and we're proud to call ourselves craftspeople—because despite the technological advances that have made us more efficient, making boots and bricks is a true craft. Founded in 1879 in America's heartland, Justin is still a company of individuals committed to their communities, their families, and their life's work.

{Commitment} to leading rather than follow

Building Materials

REPORT ON OPERATIONS

the goal at every plant, every office, every showroom, every day.

JUSTIN INDUSTRIES' BUILDING MATERIALS GROUP performed very well again in 1997. A slight reduction in brick volume was offset by gains in other product lines, resulting in near-record earnings for the year.

ACME BRICK COMPANY's slogan, "Acme brick, the best thing to have around your house," proved true again in 1997. More people selected homes with Acme brick than any other manufacturer in Acme's primary market territory of Texas, Oklahoma, Arkansas, Louisiana, Kansas, and Missouri. In fact, more Acme brick was used in this market in 1997 than that of all other brick manufacturers combined. During the year, tens of thousands of families moved into new homes built with Acme brick, and 200 million of the company's bricks were used to build commercial projects such as schools, churches, offices, government buildings, and shopping centers.

Acme's market dominance has been achieved over the years through innovative sales and marketing programs and continued capital investment in manufacturing and distribution facilities, that assures only top-quality products are made and are efficiently moved through the system.

Acme's sales and marketing programs are unique to the brick industry. As the only major manufacturer that sells direct to the customer rather than through independent distributors, Acme commits significant resources to advertising activities designed to gain brand awareness and create and maintain a reputation for quality. Again in 1997, Troy Aikman (quarterback for the Dallas Cowboys) was featured as the primary spokesman for the company. Aikman and Pat Summerall, the television sports announcer, were featured in television commercials targeting prospective home buyers with the message that for each Acme Brick home purchased during 1997, Acme would make a cash contribution to the Troy Aikman Foundation to benefit children. This television campaign was supported with billboards, print advertising, and point-of-sale materials.

In its continuing efforts to promote the use of brick, Acme again invested time and money in the advertising campaigns of numerous brick marketing councils throughout the United States. The most effective campaign was developed and implemented by the Southwest Brick Council, of which Acme is the leading manufacturer. A series of television commercials in the key Texas markets targeted a substandard, impermanent, fake stucco siding known in the industry as E.I.F.S. The campaign generated over 2,400 telephone calls from concerned consumers within a three-week period.

While Acme did not add brick manufacturing capacity in 1997, the company did invest significant capital in improving production efficiency and environmental controls. Various plants reduced consumption of natural gas through the use of programmable logic controllers, and several plants installed newer, much more efficient raw material preparation systems.

The company continues to increase its position in the building products industry by expanding and renovating sales office facilities. New sales locations were added or are being acquired in Fort Smith and Jonesboro, Arkansas; Corpus Christi and Temple, Texas; and Lafayette, Louisiana. Additional Texas warehouses were added in Abilene and Amarillo, and a major warehouse expansion and office renovation was finished in Shreveport, Louisiana.

Sales of purchased products again made important contributions to Acme's financial performance in 1997, with glazed products, floor and wall tile, bagged goods, and concrete block making significant gains.

Innovative Building Products ("IBP"), Acme's aluminum-frame glass-block installation system, continues to receive high acclaim from customers throughout the United States. In 1998, Acme will promote standard IBP products, with special emphasis on floor systems, and will add several manufacturing representatives to help with promotion and sales outside the company's direct marketing area.

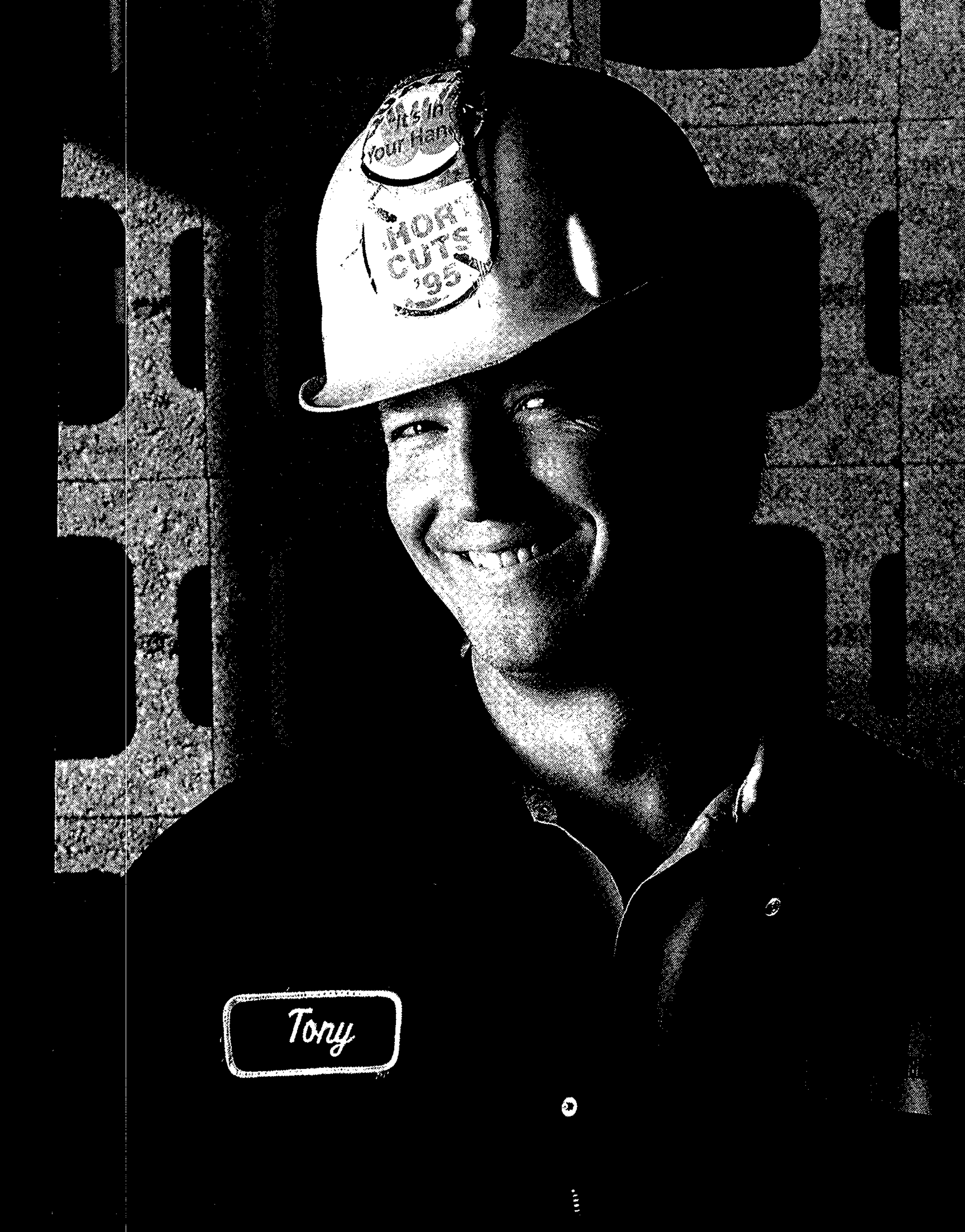
Acme Brick Company will make several additional investments in infrastructure in 1998. Major commitments for both production and marketing are in the planning stage and will be significant in preparing for the company's bright future.

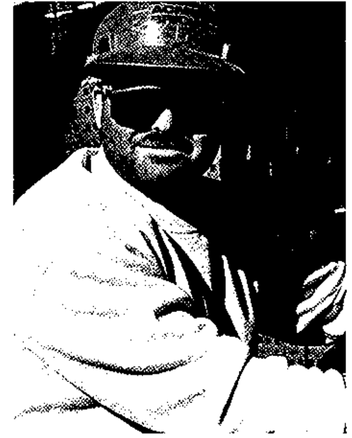
AMERICAN TILE SUPPLY COMPANY ("ATS") finished 1997 with record sales. While the overall ceramic tile market remained fairly stable for the year, ATS achieved revenue gains through increases in pricing and market penetration.

Some of ATS's expansion plans for 1997 were put on hold because of delays in acquiring property or procuring construction contracts. These problems have now been resolved, and major operations should open in June 1998 in Houston, Texas, and in September 1998 in Little Rock, Arkansas.

ATS's marble tile division, which currently distributes only marble, granite, and slate tile, will be expanded to include slabs of marble and granite as well, from a new location in Dallas. These popular products will put the company in a solid competitive position in a rapidly growing segment of the market. ATS also plans to expand into pool tile, another growing market, beginning in April 1998.

ATS's aggressive expansion plans for 1998 will bring the company's total locations


It's In
CUTS
'95
Tony

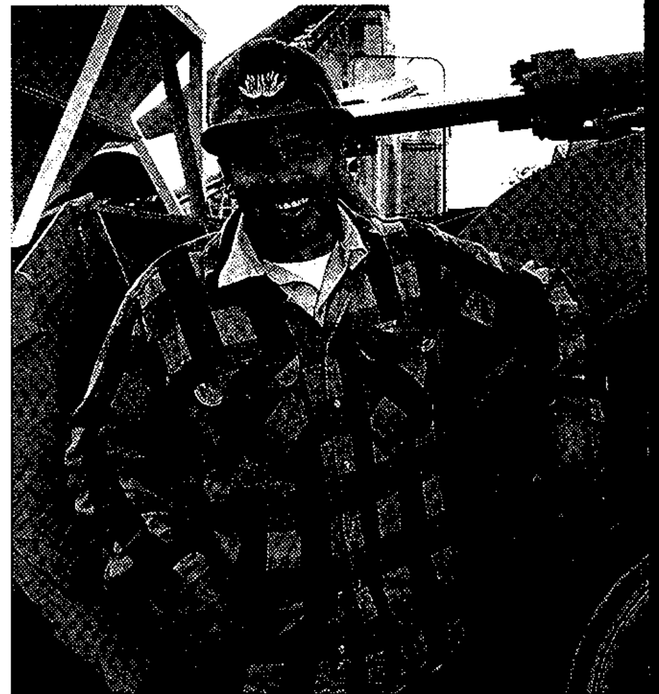


to twenty, almost doubling the number of facilities in four years. The business is very exciting, and management is optimistic about the prospects for future growth in revenues and profitability.

FEATHERLITE BUILDING PRODUCTS CORPORATION completed another successful year in 1997. A strong, relatively stable nonresidential construction market, combined with production volume at close to capacity, allowed prices to rise moderately and produce very good profit margins.

Featherlite has recognized the need to modernize its production facilities and expand capacity in the markets that have the potential for continued growth. In 1997, Featherlite completed the construction of a new plant in Dallas, its largest market. The highly automated plant, which uses the latest technology in concrete products manufacturing, increased Featherlite's total production capacity by 17%. The facility will allow Featherlite to market a wider range of products, such as pavers and landscape items, while continuing to produce its core products with greater efficiency. Featherlite also updated the manufacturing facility in Round Rock, Texas, where its highly successful line of burnished block is produced. The improvements will expand this product line and enable Featherlite to continue as the innovative leader in offering new and exciting styles and applications of this profitable product.

Texas Quarries, Featherlite's architectural limestone division, is the Southwest's leading producer of high-quality dimensional stone for such prestigious buildings as the soon-to-be-completed Bass Performing Arts Center in Fort Worth, Texas. Texas Quarries is also a major supplier of stone for the high-end residential market, and has sold its limestone for use in residences all over the country. Sales of this division's products were at record levels in 1997.



Providing architects useful, up-to-date information about concrete masonry is important to Featherlite and the industry. In 1997, Featherlite distributed to architects a new CD-ROM developed by the National Concrete Masonry Association. The easy-to-use database provides technical information on many concrete masonry applications. As an additional service to architects and potential users of masonry products, Featherlite plans to develop an Internet site in 1998. The site will be a source of information about Featherlite's unique custom, burnished block, and lime-

stone products, and will also provide links to industry associations. This tool will place Featherlite ahead of its competitors in delivering useful electronic information to customers.

The outlook for the Texas economy appears good, and 1998 looks to be another promising year for Featherlite. The nonresidential construction market is expected to remain stable. With additional capacity and products available, the company should again be a meaningful contributor to Justin Industries.

TRADEWINDS TECHNOLOGIES, INC.'s sales declined significantly in 1997. The reduced sales volume, along with costs associated with recently settled litigation as well as research and development expenses for a product-line conversion, adversely impacted operating results in 1997.

Unusual weather patterns kept spring and early summer temperatures very mild. Hot weather, the significant driving force for evapotative cooler purchases, did not materialize until late in the summer, contributing to the low sales volume.

A significant achievement was made in 1997. After two years of working on product modifications, Tradewinds obtained an Undetwriters Laboratories (UL) listing for its units. A UL listing is a fire retardant safety rating. Tradewinds has the only plastic evaporative cooler with this designation, and the company is now the only evaporative cooler manufacturer to have this recognition for every type of unit it makes—an important distinction as more cities and municipalities require that all heating, ventilation, and air conditioning equipment be recognized by Underwriters Labotatories. Tradewinds is clearly positioned to improve its market share.

Commercial evaporative cooler unit sales for manufacturing and warehousing facilities improved in 1997. Large manufacturers of aircraft insulation, candy, beer, and oil products purchased Tradewinds units for both new construction and retro-fitting of existing buildings.

During the year, Tradewinds introduced The Chiller, a new single-inlet unit. Acceptance of this product in the growing single-inlet market segment offers sales opportunities that did not exist in previous years. The Chiller is a top-of-the-line cooler, able to compete in the higher-end markets of do-it-yourself home centers and professional contractors.

Tradewinds expects to be better positioned for improvements in 1998. The UL listing, increased commercial unit sales, addition of The Chiller, expansion of the retail do-it-yourself market, and a continuing commitment to quality manufacturing should make 1998 a much better year.

{Dedication} to the highest possib

Footwear

REPORT ON OPERATIONS

andards for every boot we make—that's a promise.

JUSTIN INDUSTRIES' FOOTWEAR GROUP continued to experience a decline in western markets in 1997. However, these operations were able to improve manufacturing efficiency and profitability with the help of new products such as the Justin Original Workboot. The Footwear group intends to continue to dominate the western core markets while developing additional lines to increase market opportunities and revenue sources. The Footwear group's strength is in its names—Justin, Tony Lama, Nocona, and Chippewa. Programs have been and will be initiated to capitalize on the recognition these brands have achieved over many decades.

During the past year, several of the Footwear group's major retailers have added non-western apparel and footwear to their product lines. In 1997, Tony Lama entered into two licensing agreements for apparel to be sold under the Tony Lama label. Late in the year, Justin also entered into a licensing agreement with a clothing manufacturer to produce and sell apparel under the Justin name. Chippewa Shoe licensed its name for manufacturing and marketing apparel in Japan. These agreements will generate royalty income and enhance brand awareness in non-western areas in addition to the traditional western markets.

Production levels at Justin Boot Company and Nocona Boot Company were increased during the second half of the year, allowing both divisions to lower the cost of production per pair. The Chippewa product line was transferred to the Tony Lama plant to make room for increased production at Justin, and in 1998, Chippewa and Tony Lama will both benefit from resulting lower production costs. Most of the Footwear group's factories are planning to purchase new, technologically advanced equipment that should result in additional gains in productivity and efficiency.

Justin Boot Company saw significant profit increases this year. In May 1997, Justin introduced a new product line that has met with great success. This new product, the Justin Original Workboot, features a technologically advanced seven-layer system that delivers maximum comfort, shock absorption, and ergonomically engineered arch support. This system is founded on Justin's revolutionary new Body Cushion® insole insert, which is placed on top of an orthotic Texon/Poron® insole. The company spent considerable time researching, developing, and testing the workboot before its introduction. Over 200,000 pairs were shipped in 1997, and significant increases are expected in 1998 and beyond.

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Production of the Justin Original Workboot also has revealed new opportunities to attract a much broader consumer base to Justin products. The workboot is offered in thirteen styles for men and women and is available in steel-toe and non-steel-toe models. All steel-toe models have ANSI 75 safety certification. Consumers can choose from six- and eight-inch lace-up and pull-on styles.

Justin is planning to introduce additions to the workboot line, comfort systems for Ropers and Lacers, and a new category called Justin for Women in 1998. Justin Junior workboots also will be added to rhe workboot line, and casual footwear will be introduced for the non-western-boot wearer.

Additional advertising programs at Justin will be directed to the workboot category. The top five states for workboots will be identified, and specific thirty-day advertising campaigns will be launched in key cities in those markets. Nationally, workboot commercials will be aired on broadcast networks such as ESPN, and advertising will be placed in general-interest magazines with strong nationwide circulation. In the traditional western markets, all major western lifestyle categories will be reached by using publications, billboards, and point-of-purchase advertising.

The Footwear division will continue to develop concept shops or "stores-within-stores," a strategy that is used by successful designers and licensees such as Tommy Hilfiger and Ralph Lauren. These "stores-within-stores" allow brands to be differentiated from competing products.

Tony Lama Company has long enjoyed a reputation for providing cowboy boots for working cowboys, and the company's Heavenly Soft Cushion Comfort line of boots, introduced in January 1997, has seen wide acceptance within the industry. The line was expanded in mid-year to include a wider selection of cowboy boots, stockman styles, and double-welt stitched crepe soles. During 1998, the company plans to continue expanding the Cushion Comfort line of products to capture a larger share of the traditional markets. Also in 1998, an expanded line of tall-tops, arena boots, and packers will be added to further penetrate the working cowboy market.

To capitalize on Tony Lama's reputation among the growing population of Hispanic consumers, the company will be focusing promotional and marketing efforts in the major Hispanic markets using radio commercials, billboards, and night-club displays, as well as joint marketing programs with other western products companies.

Chippewa Shoe Company enjoyed strong sales growth in 1997 in the United States, Europe, and Japan. The introduction of the Arroyos utility footwear products contributed greatly to growth in the past year. DynaTrac, with the "comfort temp" feature, was introduced in mid-1997 and helped position Chippewa as the leading quality manufacturer of outdoor footwear. DynaTrac draws the cold from the foot in cold environments and cools the foot in warm environments. Chippewa made use of this new technology to bring upscale footwear to outdoorsmen.

Chippewa plans to introduce several key products and fearures early in 1998. The Ultimate Comfort Management System (UCMS) will provide a lightweight, comfortable, pillow-type construction inside the shoe. Also planned is an "outdoor or work" boot that will serve a dual purpose—rugged styling with the durability needed for working conditions.

In 1998, Chippewa will do more direct advertising to build brand awareness among consumers who have already widely accepted its products: motorcycle enthusiasts, hunters, backpackers, and urban dwellers who use rugged, outdoor-lifestyle footwear to make a fashion statement.

Nocona Boot Company has positioned its footwear to serve the mid-range to higher-priced traditional western boot market. Soft sales and declining markets have had a major impact on sales and profitability for this division. To help combat the problem, Nocona recently installed an in-stock program (rather than made-to-order), with a guaranteed 48-hour delivery for the top twenty best-selling styles.

Nocona's Mobile Foot Center has proven to be a valuable marketing tool. "When your fit is as individual as you" is the main theme for Nocona's advertising campaign in 1998. Advertising will be aimed at several areas: cutting horse, rodeo, work, and traditional core western lifestyles. Mobile Fit Center advertising will also be used to announce local events and the proper fit message.

A new company logo, new hang tags, and new company colors were introduced by Nocona in 1997. The new look projects a richer image, enhancing Nocona's reputation for quality and prestige.

A program to replace the Footwear operations' information technology systems was initiated in early 1997. Mission 2000, as the program has been named, will use world-class computer software systems with wide user access to data that can better serve the needs of the businesses and their customers. Over time, information technology costs will decline, and savings from the business improvements expected from Mission 2000 will help increase the Company's dominant position in its segments of the footwear industry.

{Stability} may not make all th

Management's Discussion and Analysis

eadlines, but it creates a healthier environment for long-term success.

JUSTIN INDUSTRIES' PROFITS improved in 1997, following two consecutive years of earnings decline. Net income for the year was $26.3 million, a 13% gain from 1996. The Building Materials group, led by Acme Brick Company, again contributed over 90% of the Company's operating profits (income before interest and corporate expenses). However, earnings from the segment were off slightly from 1996, primarily because of weaker results at Tradewinds Technologies, Inc. Operating profits in the Footwear segment increased more than $3 million in 1997, in spite of a further decline in sales, as gross profit margins improved approximately 16.5% from last year.

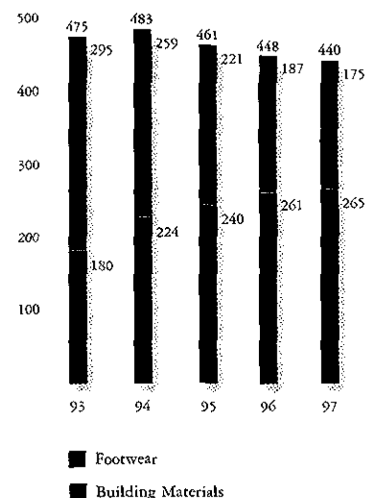
Justin Industries' Building Materials business operates primarily in a seven-state region in the central and southwestern United States, while Footwear segment sales are made to customers nationwide.

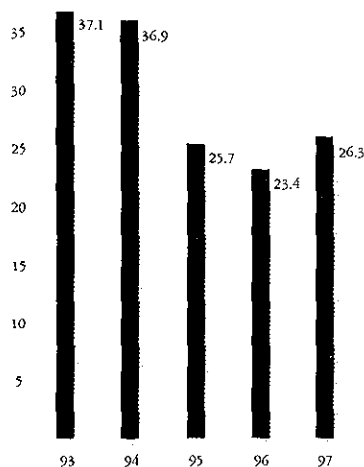
Operations

In 1997, consolidated net sales were $439.8 million—a decrease of 1.8% from 1996. Revenues of $447.8 million in 1996 were 3.0% less than those of 1995.

Sales in the Company's Building Materials segment increased 1.5% in 1997 to $265.3 million, a record high. Revenues in 1996 in this segment were $261.3 million, 8.8% above 1995 net sales of $240.1 million. The Building Materials group includes Acme Brick Company and its subsidiary, American Tile Supply Company; Featherlite Building Products Corporation; and Tradewinds Technologies, Inc. In early 1997, Acme acquired 100% ownership of Innovative Building Products ("IBP"), manufacturer of a patented grid system for glass block installations. Operations of IBP are not material to consolidated operations, and since Acme had been the exclusive distributor of IBP products, the acquisition does not affect total revenue comparisons for 1997, 1996, and 1995. Again in 1997, sales of Acme's brick products comprised just over one-half of Building Materials' revenues. Acme's number of bricks shipped declined 1.2% from the record high of 1996 because 1997 residential construction levels in those markets served by Acme were down. Average brick selling prices, however, improved 1.7% in 1997, offsetting the volume decline. Acme's record-high brick shipments in 1996 were 12.5% above those of 1995 due to increased housing starts. The average price of bricks sold in 1996 and 1995 was approximately the same. Acme's sales of purchased products again showed gains in 1997, up 15.2% from 1996, following an increase of 14.8% in 1996 over 1995. American Tile Supply's revenues increased slightly (less than 1%) in 1997. In 1996, revenues for this operation were 7.3% above those of 1995.

NET SALES BY LINE OF BUSINESS
(millions of dollars)





Revenues for Featherlite increased 0.5% in 1997 over 1996, while 1996 net sales for this operation were approximately 0.3% below those of 1995. While Featherlite's total revenues have remained relatively constant over this three-year period, there have been changes in the volume and pricing realized for various products. In 1997, the number of blocks sold increased abour 1% over 1996, and the average price improved 3.4%. Sales of cut limestone in 1997 at Featherlite's Texas Quarries division increased 14.4% from the prior year. Gains in sales generated by the block and cut limestone operations in 1997 were offset by reductions in the sale of purchased products. In 1996, the company sold 7.9% fewer concrere blocks than in 1995. This unit decline was offset by an average price increase of 3.2% and increased sales of limestone producrs.

Tradewinds Technologies represents less than 1% of Justin Industries' consolidated net sales. In 1997, sales were 21% below those of 1996 as weather conditions caused many consumers to defer purchases, and major enhancements to the entire product line distracted from sales and marketing efforts.

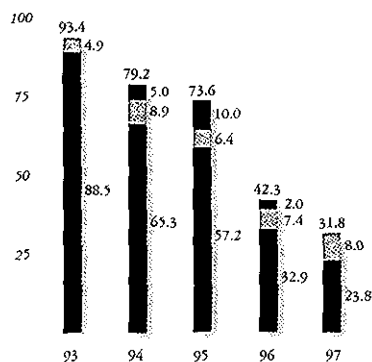
Revenues in the Company's Footwear operations of $174.5 million were 6.4% less than 1996 sales of $186.5 million. Net sales in 1996 were 15.8% less than the 1995 total of $221.4 million. Unit sales of footwear products in 1997 declined 10.9% from 1996, while the average unit selling price gained 4.5%. The increased average price in 1997 was due to product mix, reduced discounts and small price increases. In 1996, unit sales of footwear products were 10.4% below those of 1995, and the average selling price per pair declined 8%. Selling price declines in 1996 from 1995 resulted from product mix as well as higher discounts given to customers in order ro sell slower-moving styles and reduce inventory.

As a percentage of sales, cost of sales Companywide was 63.4% in 1997 compared to 65.4% in 1996 and 65.2% in 1995. Building Materials' gross profit margins are higher than those of the Footwear group; therefore, the increase in Building Materials' sales as a percentage of total revenues raises the overall gross profit margin. The major improvement in 1997 was also attribured to significant gains in Footwear margins.

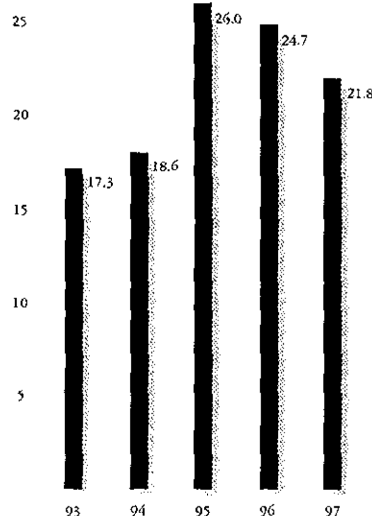
The gross profit margin in the Building Materials segment was 41.2% in 1997, 1996, and 1995. While the total gross profit margin for the entire segment was the same for all three years, each company experienced some change over the period. In 1997, Acme's gross profit margin improved slightly due to increases in brick selling prices and the absence of any new plant start-up costs, which offset the effects of higher natural gas costs. Acme's gross profit margin in 1996 was lower than 1995 due primarily to start-up expenses incurred at a new brick plant. American Tile Supply's margins declined slightly in 1997 due to product mix, while 1996 was greater than that of 1995 due to higher volume. Featherlite's gross profit margin in 1997 was unchanged from the prior year as a different product mix produced lower margins in cut limestone, offset by the improvements in block margins due to higher prices. Higher block pricing in 1996 produced better gross profit margins at Featherlite compared to 1995. Tradewinds' margins have declined over the last two years primarily due to reduced volume.

Footwear gross profit margins improved to 29.6% in 1997, compared to 25.4% in 1996 and 27.9% in 1995. Increased production requirements for Chippewa and the new Justin Original Workboot, a decrease in discounts given to customers to liquidate slow-moving inventory, and reduced levels of product returns in 1997; all contributed ro the margin gains. Weak margins in 1996 resulted from low production levels necessary to reduce inventories, high discounts, and high returns.

INTEREST-BEARING DEBT
(millions of dollars)



CAPITAL EXPENDITURES
(millions of dollars)



Selling, general, and administrative expenses as a percentage of net sales were 26.9% in 1997, compared to 25.7% in 1996 and 25.0% in 1995. This percentage has increased over the three-year period as revenues have declined. In 1997, the Company increased its advertising efforts in the Footwear operations, primarily for new product introductions. The Company spent approximately $2 million more on advertising and promotion in 1997 than in 1996. In addition, over $600,000 of expenses were incurred in 1997 in defense of a class action lawsuit involving the company's Tradewinds subsidiary. General terms of a settlement in the matter have been reached with no liability assessed to the Company. Operating costs in 1996 were impacted by unusually high bad debt losses in the Footwear division.

Interest expense in 1997 was $1.77 million, compared to $3.37 million in 1996 and $5.03 million in 1995. The decline over the three-year period was due to both lower average interest rates and lower borrowing levels. Based on the average month-end borrowings outstanding, the average effective interest rate was 5.1% in 1997, 5.5% in 1996, and 6.3% in 1995. Note 4 to the Consolidated Financial Statements on page 30 describes the Company's borrowing arrangements.

Income tax expense, as a percentage of pre-tax income, was 35.4% in 1997 and 36.2% in 1996 and 1995. The federal statutory rate was 35% for all three years. See Note 7 to the Consolidated Financial Statements on page 33 for a reconciliation of the actual tax rate to the federal statutory tax rate, and other information relating to income tax.

Justin Industries has initiated programs in its information technology areas to become compliant with the year 2000 issue. These programs include minor modifications to existing software and conversions to new software that were already planned to meet other business improvement objectives. All modifications and conversions are scheduled to be completed in 1998. Based on these plans, the Company believes that the year 2000 issue will not pose significant operational problems for its computer systems.

The table on page 40, Quarterly Financial Data, presents summarized operating results for each quarter in the two years ended December 31, 1997. The Company's businesses are seasonal in nature, with Building Materials' operations generating greater activity in the second and third quarters and Footwear operations accelerating in the third and fourth. As a result, first quarter earnings are generally the lowest and fourth quarter earnings the highest, which was the case in 1997 and 1996. Quarterly net income in 1997 was greater than the comparable quarters of the prior year in each period, except the first quarter.

The Company's Building Materials operations are dependent on levels of construction activity that are influenced somewhat by interest rates. Changes in interest rates, therefore, can affect the Company's future earnings prospects.

Inflation has not had a significant impact on the Company's operations in recent years; however, the Company attempts to recover any cost increases through improvements to its manufacturing processes and through increases in price where competitively feasible.

Financial Condition, Liquidity, and Capital Resources

The Company ended 1997 in excellent financial condition. The Balance Sheet Trends on page 24 presents the percentage relationship of the major asset, liability and equity accounts. In 1997, total assets increased approximately 4.4% to $376.1 million. At December 31, 1997, working capital totaled $166.4 million compared to $165.1 million at year end 1996, an increase of 1%. The current ratio at year-end was 3.6 to 1 versus 3.7 to 1 at December 31, 1996. For the year, shareholders' equity increased 8% to a new high of $273 million or

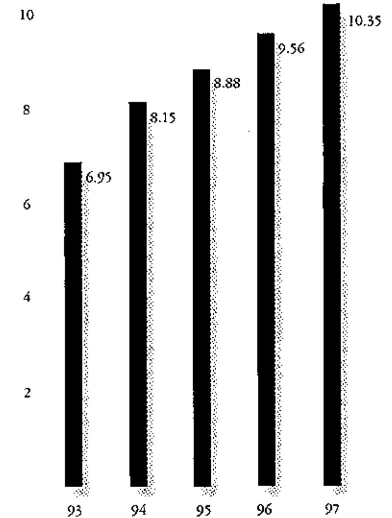
$10.35 per share. Interest-bearing debt was lowered to $31.8 million, a reduction of $10.5 million or 24.9% for the year. Interest-bearing debt was only 12% of shareholders' equity at December 31, 1997, compared to 17% at year-end 1996.

Net cash provided by operating activities amounted to $47.6 million in 1997, compared to $63.8 million in 1996 and $38.5 million in 1995. In addition to reducing interest-bearing debt, fixed asset additions made the most significant uses of the funds ($21.8 million). Major capital projects in 1997 included a new Featherlite block plant in Dallas, Texas, and major equipment replacements and improvements at Acme. In 1997, the Company purchased 231,700 shares of treasury stock for a cost of $2.6 million. The Company may purchase up to an additional 1.8 million shares of stock pursuant to Board of Directors' authorization.

In 1997, dividends declared per share were $.18, as the Company raised its quarterly dividend rate from $.04 to $.05 in the third quarter of the year. Dividends paid for the year amounted to $4.5 million.

Operations provide the Company's primary source of cash. In addition, the Company has credit facilities available from commercial banks. The Company believes that its borrowing arrangements are adequate to support its requirements for the foreseeable future. Unused lines of credit available to the Company at December 31, 1997, totaled $71 million.

BOOK VALUE PER SHARE
(dollars)



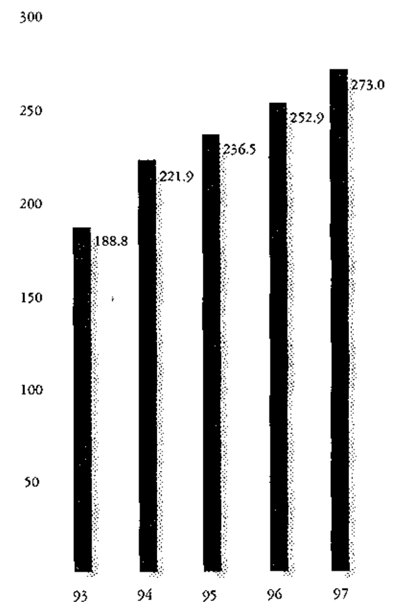
Backlogs

The Company maintains information on sales backlogs in order to plan for future production levels and to project sales volume. At December 31, 1997, the backlog for clay brick was $28.6 million, compared with $22.1 million at year-end 1996. The sales backlog for Footwear products at year-end 1997 was $4.6 million, compared with $7.4 million in 1996.

Safe Harbor Provisions

In accordance with the safe harbor provisions of the securities law regarding forward-looking statements, except for the historical information contained herein, this Annual Report contains forward-looking statements that involve risks and uncertainties. Justin's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences could include, but are not limited to, changes in demand, prices, and raw materials costs; changes in the economic conditions of the various markets the Company serves; changes in the amount and severity of inclement weather; and the other risks detailed herein and in the Company's reports filed with the Securities and Exchange Commission.

SHAREHOLDERS' EQUITY
(millions of dollars)



Balance Sheet Trends

Percent of Total Assets

ASSETS:	1997	1996	1995	1994	1993
Receivables	19%	22%	21%	22%	22%
Inventories	38	36	42	43	42
Property, plant, and equipment	29	29	26	23	23
All other assets	14	13	11	12	13
	100%	100%	100%	100%	100%
LIABILITIES AND EQUITY:					
Inreresr-bearing debt	8%	12%	19%	21%	27%
All other liabilities	19	18	18	20	19
Equity	73	70	63	59	54
	100%	100%	100%	100%	100%

Operating Trends

Percent of Net Sales

	1997	1996	1995	1994	1993
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	63.4	65.4	65.2	65.1	66.2
Gross profit	36.6	34.6	34.8	34.9	33.8
Operating expenses	27.3	26.4	26.1	23.0	22.0
Income raxes	3.3	3.0	3.1	4.3	4.2
Income before accounting change	6.0	5.2	5.6	7.6	7.6
Cumulative effect on prior years of change in accounting for income taxes	—	—	—	—	.2
Net income	6.0%	5.2%	5.6%	7.6%	7.8%

Five-Year Analysis of Sales and Operating Profit by Product Lines

(in thousands of dollars)

	1997		1996		1995		1994		1993	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percenr
Building Materials:										
Net sales	$265,313	60%	$261,315	58%	$240,094	52%	$224,213	46%	$179,740	38%
Operaring profit	43,245	90	44,233	97	42,107	82	44,600	66	31,445	48
Footwear:										
Net sales	174,474	40	186,457	42	221,354	48	258,796	54	295,191	62
Operating profit	4,795	10	1,591	3	9,234	18	22,871	34	34,168	52
Totals:										
Net sales	$439,787	100%	$447,772	100%	$461,448	100%	$483,009	100%	$474,931	100%
Operating profit	$ 48,040	100%	$ 45,824	100%	$ 51,341	100%	$ 67,471	100%	$ 65,613	100%
Less interest and parent company operations	7,293		9,202		11,137		9,995		9,583	
Income before income taxes	$ 40,747		$ 36,622		$ 40,204		$ 57,476		$ 56,030*	

** before cumulative effect on prior years of change in accounting for income taxes*

Consolidated Financial Statements

Consolidated Balance Sheet

In Thousands of Dollars, Except Share Data, at December 31,	1997	1996
Assets		
Current assets:		
Cash	$ 5,113	$ 3,215
Accounts receivable, less allowance for doubtful accounts of $3,097 and $3,069, respectively	73,153	80,315
Invenrories	141,648	129,146
Federal and state income taxes	7,946	11,758
Prepaid expenses	2,454	1,527
Total current assets	230,314	225,961
Other assets	32,740	25,815
Assets held for sale	2,829	2,805
Property, plant, and equipment, at cost:		
Land	20,062	19,908
Buildings and equipment	266,988	247,285
Construction in progress	3,000	3,902
	290,050	271,095
Less accumulated depreciarion	179,866	165,598
Net property, plant, and equipmenr	110,184	105,497
	$ 376,067	$ 360,078
Liabilities and Shareholders' Equity		
Current liabilities:		
Note payable to bank	$ —	$ 2,000
Trade accounts payable	18,412	14,056
Accrued payroll items	12,984	11,393
Accrued insurance	10,803	11,818
Accrued state and local taxes	2,553	1,822
Other accrued expenses	9,846	11,366
Dividends payable	1,319	1,058
Current portion of long-term debt	8,000	7,395
Total current liabilities	63,917	60,908
Long-term debt, less current portion	23,750	32,890
Deferred income taxes	15,420	13,424
Shareholders' equity:		
Voting preferred stock, $2.50 par value; 1,000,000 shares authorized— Series Two convertible, 100 shares issued and outstanding	—	—
Common stock, $2.50 par value; 100,000,000 shares authorized, 27,869,888 shares issued	69,674	69,674
Capital in excess of par value	16,040	16,477
Retained earnings	202,645	181,068
Treasury stock, at cost, 1,490,915 and 1,416,800 shares, respectively	(15,379)	(14,363)
Total shareholders' equity	272,980	252,856
	$ 376,067	$ 360,078

See accompanying notes.

Consolidated Statement of Income

In Thousands of Dollars, Except per Share Data, for Years Ending on December 31,	1997	1996	1995
Net sales	$ 439,787	$ 447,772	$ 461,448
Costs and expenses:			
Cost of goods sold	278,769	292,858	300,842
Selling, general, and administrative expenses	118,505	114,925	115,370
Interest expense	1,766	3,367	5,032
	399,040	411,150	421,244
Income before income taxes	40,747	36,622	40,204
Income taxes	14,424	13,257	14,553
Net income	$ 26,323	$ 23,365	$ 25,651
Basic earnings per share	$ 1.00	$ .88	$ .95
Diluted earnings per share	$ .99	$ .87	$ .94

See accompanying notes.

Consolidated Statement of Shareholders' Equity

In Thousands of Dollars, Except Share Data, for Years Ending on December 31, 1997, 1996, and 1995	Preferred stock	Common stock	Capital in excess of par value	Retained earnings	Treasury stock
Balance January 1, 1995	$ —	$ 69,674	$ 16,959	$ 140,593	$ (5,326)
Purchase of 677,000 shares of stock for treasury	—	—	—	—	(7,259)
Issuance of 79,652 shares of stock from treasury upon exercise of stock options	—	—	(159)	—	668
Net income	—	—	—	25,651	—
Cash dividends declared — $.16 per share	—	—	—	(4,312)	—
Balance December 31, 1995	$ —	$ 69,674	$ 16,800	$ 161,932	$ (11,917)
Purchase of 323,000 shares of stock for treasury	—	—	—	—	(3,821)
Issuance of 140,785 shares of stock from treasury upon exercise of stock options	—	—	(323)	—	1,375
Net income	—	—	—	23,365	—
Cash dividends declared — $.16 per share	—	—	—	(4,229)	—
Balance December 31, 1996	$ —	$ 69,674	$ 16,477	$ 181,068	$ (14,363)
Purchase of 231,700 shares of stock for treasury	—	—	—	—	(2,562)
Issuance of 157,585 shares of stock from treasury upon exercise of stock options	—	—	(437)	—	1,546
Net income	—	—	—	26,323	—
Cash dividends declared — $.18 per share	—	—	—	(4,746)	—
Balance December 31, 1997	$ —	$ 69,674	$ 16,040	$ 202,645	$ (15,379)

See accompanying notes.

Consolidated Statement of Cash Flow

In Thousands of Dollars for Years Ending on December 31,	1997	1996	1995
Cash Flows from Operating Activities:			
Net income	$ 26,323	$ 23,365	$ 25,651
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	16,850	15,792	14,742
Amortization	804	496	689
Provision for losses on accounts receivable	1,624	2,707	1,347
Gain on sale of property, plant, and equipment	(280)	(238)	(167)
Deferred income taxes	5,518	411	(1,198)
Changes in current assets and liabilities:			
(Increase) decrease in accounts receivable	5,623	(4,809)	2,706
(Increase) decrease in inventories	(12,209)	29,184	2,564
Increase in other current assets	(617)	(1,807)	(776)
Increase (decrease) in accounts payable and accrued expenses	3,965	(1,331)	(7,043)
Net cash provided by operating activities	47,601	63,770	38,515
Cash Flows from Investing Activities:			
Proceeds from the sale of property, plant, and equipment	453	710	261
Purchase of property, plant, and equipment	(21,782)	(24,738)	(26,020)
(Increase) decrease in other long-term assets	(5,828)	(408)	114
Payment for purchase of business, net of cash acquired	(2,073)	—	—
Net cash used in investing activities	(29,230)	(24,436)	(25,645)
Cash Flows from Financing Activities:			
Borrowings	12,000	43,000	41,000
Repayment of borrowings	(22,535)	(74,288)	(46,681)
Dividends paid	(4,485)	(4,242)	(4,330)
Purchase of treasury stock	(2,562)	(3,821)	(7,259)
Proceeds from exercise of stock options	1,109	1,052	509
Net cash used in financing activities	(16,473)	(38,299)	(16,761)
Net increase (decrease) in cash	1,898	1,035	(3,891)
Cash at beginning of year	3,215	2,180	6,071
Cash at end of year	$ 5,113	$ 3,215	$ 2,180
Supplemental Disclosures of Cash Information:			
Cash paid during the year for:			
Interest	$ 1,884	$ 3,296	$ 5,129
Income taxes, net of refunds	$ 7,939	$ 15,242	$ 16,140
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Purchase of business:			
Fair value of assets acquired	$ 5,329	$ —	$ —
Cash paid for assets and related costs	(5,172)	—	—
Liabilities assumed	$ 157	$ —	$ —

See accompanying notes.

Notes to Consolidated Financial Statements

YEARS ENDING ON DECEMBER 31

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS. Justin Industries, Inc. (the "Company") is a manufacturing and distribution company whose principal lines of business are 1) building materials—including face brick, concrete block, and floor and wall tile, and 2) footwear products, primarily western-style boots. In 1997, revenues in the Building Materials segment were 60% of consolidated net sales, and the Footwear segment comprised 40% of the total. Building materials are sold directly through company sales offices primarily in a seven-state area consisting of Texas, Oklahoma, Arkansas, Louisiana, Kansas, Missouri, and Tennessee. Approximately 69% of Building Materials' sales are in Texas. Building Materials' sales are dependent upon construction levels within market areas served, with face brick sales specifically influenced by housing starts. Footwear products are sold primarily through independent western-wear retailers in the United States, with approximately 38% of sales in Texas.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions are eliminated upon consolidation.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

PROPERTY, PLANT, AND EQUIPMENT. Depreciation is computed principally by the straight-line method for financial reporting purposes. The annual depreciation provision has been based upon the following estimated lives:

Buildings	10 to 20 years
Equipment	3 to 15 years

INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS. Intangible assets resulting from business acquisitions consist of trademarks/tradenames and the excess of the acquisition cost over the fair value of the net assets of businesses acquired. Intangibles are amortized on a straight-line basis ranging from 20 to 40 years. As of December 31, 1997 and 1996, intangibles were $15.6 million and $14.4 million, respectively, net of accumulated amortization of $2.2 million and $1.7 million, respectively.

REVENUE RECOGNITION. Revenue from sale of products is recognized primarily upon passage of title to the customer, which generally coincides with physical delivery and acceptance.

ADVERTISING. The Company's policy is to expense advertising costs as incurred. Total advertising expense for the years ended December 31, 1997, 1996, and 1995, was $18,073,000, $15,989,000, and $16,999,000, respectively.

EARNINGS PER SHARE. In 1997, the Financial Accounting Standards Board issued Statement No. 128, *Earnings per Share.* Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options and convertible securities. Diluted earnings per share is very similar to what was previously called fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement 128 requirements.

PENSION AND EMPLOYEE BENEFIT PLANS. The Company and its subsidiaries have pension plans for the benefit of substantially all employees. Benefits are

primarily based on years of service and the employees' average compensation during the last five years of employment. The Company's policy is to fund pension cost accrued, but not in excess of the maximum allowable deduction for federal income tax purposes.

The Company grants stock options for a fixed number of shares to employees and non-employee directors with an exercise price equal to the fair value of the shares at the date of grant. The Company has elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and related interpretations in accounting for its employee stock options because, as discussed in Note 5, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation,* requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Proceeds from common stock issued pursuant to the Company's employee stock option plans are credited to common stock or treasury stock and capital in excess of par value at the time an option is exercised.

The Company has no postretirement health benefits and, therefore, realized no effect from accounting requirements under Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.*

STATEMENT OF CASH FLOWS. For purposes of reporting cash flows, cash includes cash on hand and unrestricted time deposits that have an original maturity of three months or less.

PENDING ADOPTION OF ACCOUNTING STANDARD. In June 1997, the Financial Accounting Standards Board issued Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information.* Statement 131 establishes annual and interim reporting requirements for an enterprise's operating segments, and related disclosures about its products and services, geographical areas in which it operates, and major customers. This statement is effective for fiscal years beginning after December 15, 1997, with earlier application permitted. Adoption of this statement is not expected to materially impact the Company's consolidated financial position or statements of income, shareholders' equity, and cash flows. Effects of the adoption of this statement will be limited to the form and content of the Company's disclosures.

2. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:
(in thousands, except per share data)

	1997	1996	1995
Numerator for basic and diluted earnings per share	$ 26,323	$ 23,365	$ 25,651
Denominator for basic earnings per share—weighted average shares	26,356	26,522	26,899
Effect of dilutive securities:			
Employee stock options	309	311	333
Convertible preferred stock	3	3	3
Diluted potential common shares	312	314	336
Denominator for diluted earnings per share—adjusted weighted average shares and assumed conversions	26,668	26,836	27,235
Basic earnings per share	$ 1.00	$ .88	$ .95
Diluted earnings per share	$ .99	$ .87	$ .94

For additional disclosures regarding the outstanding preferred stock and the employee stock options, see Note 5.

Options to purchase 204,500 shares of common stock at $18 per share were outstanding at December 31, 1997, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common stock and, therefore, the effect would be antidilutive.

3. Inventories

Inventories include the following:
(in thousands of dollars)

	1997	1996
Finished products	$ 105,100	$ 99,401
Work-in-process	6,040	5,246
Raw materials and supplies	30,508	24,499
	$ 141,648	$ 129,146

4. Borrowings

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

	1997	1996
Revolving credit loans	$ 7,000	$ 6,000
Term loan	8,000	15,000
Industrial Revenue Bonds	16,250	17,285
Note payable to bank	500	2,000
	31,750	40,285
Less current portion	8,000	7,395
	$ 23,750	$ 32,890

The Company may borrow up to a total of $52,000,000 in revolving credit loans pursuant to an agreement among four commercial banks originally entered into in May 1989. The revolving credit loans are repayable beginning in April 2000, when outstanding amounts are converted to term loans payable over three years. The conversion date may be extended annually for an additional twelve months by consent of all participating banks.

The $8,000,000 term loan is an agreement among three commercial banks providing for annual principal reductions that began in November 1992 with $2,000,000, increasing $1,000,000 each year thereafter until 1998, when the final payment is due.

Borrowings under the revolving credit and term loan agreements bear interest at rates determined on certain margins based on prime, certificates of deposit, and the London Interbank Offered Rate ("LIBOR"). Interest on all of these borrowings at December 31, 1997, was based on LIBOR in effect at the time of origination plus 50 basis points, and averaged 6.5%. Interest rate margins may fluctuate in increments of 12.5 basis points based on attaining certain quarterly funded debt-to-equity ratios stipulated in the loan agreements. The loans are unsecured; however, the loan agreements contain certain minimum requirements as to working capital, cash flow from operations, and tangible net worth, redemption of outstanding stock, and change in control of the Company. As of December 31, 1997, the Company was in compliance with all such requirements and restrictions.

The Industrial Revenue Bonds are payable in 2014, plus interest at varying rates based on certain indices (approximately 3.9% at December 31, 1997), secured by property, plant, and equipment with a net book value of approximately $7,650,000. In certain circumstances, the Company may be required to purchase up to $16,250,000 of its Industrial Revenue Bonds prior to their maturity. In such circumstances, the Company may borrow the purchase price under long-term standby letter of credit agreements and also has the right to resell the bonds.

Note payable to bank at December 31, 1997, is an unsecured borrowing due in 1999. Interest is based on LIBOR plus 50 basis points and was 6.2% at December 31, 1997.

The Company has a $5,000,000 one-year unsecured credit facility from a commercial bank. At December 31, 1996, $2,000,000 was outstanding on this note payable. Outstanding balances bear interest at LIBOR plus 50 basis points.

The aggregate maturities of long-term debt through 2002 are as follows: 1998, $8,000,000; 1999, $500,000; 2000, $1,167,000; 2001, $2,333,000; and 2002, $2,333,000.

At December 31, 1997, unused lines of credit for short-term, revolving, and term credit agreements were approximately $71,000,000. Outstanding standby letters of credit at December 31, 1997, amounted to approximately $20,331,000.

Interest rates on the majority of the Company's borrowings float with prevailing market rates; therefore, the fair value of such debt approximates carrying value at December 31, 1997 and 1996. Based on fixed interest rates currently available to the Company for bank loans and industrial revenue bonds with similar terms and maturities, the fair value of fixed rate borrowings approximates carrying value at December 31, 1997 and 1996.

5. Shareholders' Equity

The Company has qualified incentive stock option plans and non-qualified stock option agreements with certain of its employees and non-employee directors to purchase its common stock. The plans for employees, as amended, provide for the granting of either incentive stock options or stock options that are not qualified under the Internal Revenue Code, at the discretion of the Compensation Committee of the Board of Directors. In addition, they provide for exercise of stock options without regard to the sequence of dates of original grants. All outstanding stock options are non-qualified and expire over a period of ten years. Options are granted at the fair market value of the underlying common stock at the date of grant. Employee-granted options vest over a five-year period, while director options vest after one year. Currently, the Board has authorized 353,835 shares for future grants of options. A summary of the Company's stock option activity and related information for the years ended December 31, 1997, 1996, and 1995, is as follows:

	1997		1996		1995
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares
Outstanding at January 1	1,516,252	$ 9.12	1,524,067	$ 8.72	1,481,286
Granted	277,975	$ 14.19	201,400	$ 11.51	160,600
Canceled	(33,650)	$ 15.07	(68,060)	$ 15.03	(25,370)
Exercised	(175,799)	$ 4.77	(141,155)	$ 5.33	(92,449)
Outstanding at December 31	1,584,778	$ 10.36	1,516,252	$ 9.12	1,524,067
Exercisable at end of year	1,047,073	$ 9.24	1,027,152	$ 7.92	1,001,717
Weighted-average fair value of options granted during the year	$ 5.24		$ 4.43		
Exercise price per share					$3.17–$18.00
Aggregate purchase price *(in thousands of dollars)*					$13,283

The following table segregates outstanding options into groups based on exercise price ranges of less than and more than $10 per share:

	Price Ranges	
	$3.17 to $10.00	$10.00 to $18.00
All outstanding options:		
Number of shares	554,993	1,029,785
Weighted-average exercise price	$4.91	$13.30
Weighted-average remaining contractual life	2.8 years	7.8 years
Exercisable options:		
Number of shares	554,993	492,080
Weighted-average exercise price	$4.91	$14.13

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a binomial option pricing model with the following weighted-average assumptions for 1997, 1996, and 1995, respectively: risk-free interest rates of 6.4%, 6.2%, and 5.6%; dividend yields of 1.5%, 1.6%, and 1.6%; volatility factors of the expected market price of the Company's common stock of .329, .342, and .377; and a weighted-average expected life of the option of 5.5, 6, and 6 years.

Binomial option valuation models are used in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense on a straight-line basis over the options' vesting period. The pro forma effects on net income for 1997, 1996, and

1995, are not representative of the pro forma effect on net income in future years because they do not take into consideration pro forma compensation expense related to grants made prior to 1995. The Company's pro forma information follows: *(in thousands of dollars, except for earnings per share information)*

	1997	1996	1995
Pro forma net income	$26,068	$23,208	$25,629
Pro forma basic earnings per share	$.99	$.88	$.95
Pro forma diluted earnings per share	$.98	$.87	$.94

The preferred stock is convertible into 2,826 shares of common stock at December 31, 1997. The Board of Directors is empowered to set the dividend, redemption, and liquidation rights pertaining to the preferred stock and to establish the voting rights and any special rights or restrictions.

One Common Stock Purchase Right is outstanding for each share of common stock. Following Board of Directors approval, a) the rights will be exercisable at an exercise price of $13.33 if a person or group acquires 20% or more of the Company's common stock or announces a tender offer that would result in ownership of 30% or more of the common stock, or b) the rights may be redeemed at five cents per right at any time before a 20% position has been acquired. The rights expire on October 6, 1999.

6. Retirement Plans

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet at December 31, 1997 and 1996, related to the Company's pension plans: *(in thousands of dollars)*

	1997	1996
Actuarial present value of benefit obligations:		
Vested	$ 54,296	$ 47,802
Non-vested	2,397	2,214
	$ 56,693	$ 50,016
Projected benefit obligations for service rendered to date	$ (63,397)	$ (56,458)
Plan assets at fair value	108,092	90,572
Plan assets in excess of projected benefit obligations	44,695	34,114
Unrecognized net gain from past experience different from that assumed and effect of changes in assumptions	(33,635)	(23,347)
Prior service cost not yet recognized in net periodic pension cost	(958)	(1,053)
Unrecognized net asset at January 1, 1985, being recognized over 15 years	(1,577)	(2,365)
	$ 8,525	$ 7,349

Plan assets at December 31, 1997, are invested primarily in listed stocks and bonds or cash equivalents. The Company's own common stock (1,011,400 shares) accounts for approximately $13,780,000, or 12.7%, of the fair value of plan assets at December 31, 1997. Dividends paid to the pension trust related to these shares amounted to approximately $182,000 in 1997 and $162,000 in 1996.

Net pension credit includes the following components: *(in thousands of dollars)*

	1997	1996	1995
Service cost—benefits earned during the period	$ 2,141	$ 2,184	$ 1,903
Interest cost on projected benefit obligation	4,259	3,883	3,864
Actual return on plan assets	(20,500)	(12,514)	(16,590)
Net amortization and deferral	12,932	5,638	10,048
Net pension credit	$ (1,168)	$ (809)	$ (775)

The weighted-average discount rates used in determining the actuarial present value of the projected benefit obligations were 7.25% in 1997 and 7.75% in 1996. The rate of increase in future compensation was 4% in 1997 and 4.25% in 1996. The expected long-term rate of return on assets was 9% for all years above.

Contributions to the plans, limited by federal income tax regulations, were $10,000 in 1997, $11,000 in 1996, and zero in 1995.

The Company also has an Employee Stock Ownership Plan ("ESOP") for the benefit of substantially all employees. Eligible employees may contribute up to the lesser of 15% of their compensation or the maximum amount authorized by the Company ($9,500 in 1997 and 1996, and $9,240 in 1995). In 1997, 1996, and 1995, 50% of the amount contributed by all employees was matched by the Company, up to 5% of total compensation. Pursuant to Internal Revenue Service Regulation 401(k), the employees' contributions are on a pre-tax basis. For 1998, employees may contribute up to the lesser of 15% of their compensation or $8,000, except for certain highly compensated employees, who will be limited to 5% of compensation.

The amount of Company contributions made to the ESOP and charged to expense was $1,159,000, $1,181,000, and $1,239,000 in 1997, 1996, and 1995, respectively.

7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1997 and 1996, are as follows: *(in thousands of dollars)*

	1997	1996
Deferred tax assets:		
Insurance accruals	$ 4,578	$ 5,473
Asset valuation allowances	3,254	5,638
Employee benefit plans	196	127
Other	606	918
	$ 8,634	$ 12,156
Deferred tax liabilities:		
Intangible assets	$ 5,097	$ 4,116
Depreciation	8,229	7,586
Employee benefit plans	2,094	1,722
	$ 15,420	$ 13,424

Significant components of the provision for income taxes are as follows:

	1997	1996	1995
Current	$ 8,906	$ 12,846	$ 15,751
Deferred	5,518	411	(1,198)
Total income tax expense	$ 14,424	$ 13,257	$ 14,553

In addition, the Company received income tax benefits of $527,000, $304,000, and $192,000 in 1997, 1996, and 1995, respectively, upon the exercise by employees of non-qualified stock options. Such benefits were recorded as an increase in shareholders' equity when realized.

A reconciliation of the statutory federal income tax rate and the effective tax rate follows:

	1997	1996	1995
Statutory tax rate	35.0%	35.0%	35.0%
State taxes	.8	1.6	1.8
Other	(.4)	(.4)	(.6)
Effective tax rate	35.4%	36.2%	36.2%

In connection with the acquisition of Tony Lama, the Company acquired a tax net operating loss carryforward. None of the tax net operating loss carryforward was utilized in 1997, 1996, or 1995. Approximately $802,000 of the acquired carryforward is available to offset future taxable income. The carryforward will expire in 2004. Future utilization of such carryforward will be recognized through adjustment of the value of acquired net assets.

8. Financial Information by Product Lines

The five-year analysis of sales and operating profit by product lines on page 24, as it pertains to the last three years, is an integral part of the Company's consolidated financial statements. A discussion of the Company's products and businesses is located on pages 7 to 17. The following additional information is presented by industry segments: *(in thousands of dollars)*

	Identifiable Assets	Depreciation Expense	Capital Expenditures
1997			
Building Materials	$ 185,505	$ 12,544	$ 18,983
Footwear	163,046	3,927	2,561
Corporate assets	24,687	379	238
Assets held for sale	2,829	—	—
Total	$ 376,067	$ 16,850	$ 21,782
1996			
Building Materials	$ 171,587	$ 11,082	$ 23,519
Footwear	159,981	4,325	1,174
Corporate assets	25,705	385	45
Assets held for sale	2,805	—	—
Total	$ 360,078	$ 15,792	$ 24,738
1995			
Building Materials	$ 150,440	$ 9,595	$ 23,013
Footwear	198,870	4,910	2,990
Corporate assets	22,220	237	17
Assets held for sale	4,879	—	—
Total	$ 376,409	$ 14,742	$ 26,020

Assets held for sale relate primarily to raw land that is being marketed by third parties on behalf of the Company.

9. Commitments

At December 31, 1997, approximate future minimum rental commitments for all noncancellable operating leases are as follows: *(in thousands of dollars)*

1998	$ 2,829
1999	1,901
2000	1,062
2001	607
2002	241
Thereafter	334
	$ 6,974

Total rent expense for all operating leases amounted to approximately $3,785,000, $4,063,000, and $4,682,000 in 1997, 1996, and 1995, respectively.

10. Acquisition

Effective January 1, 1997, the Company purchased Innovative Building Products, Inc. and its related companies ("IBP") for a total purchase price of approximately $5,300,000. Assets acquired included $3,100,000 in cash. IBP manufactures and distributes a patented installation system for glass block. Operations of the business, which are immaterial to consolidated operations, are included in the Consolidated Statement of Income from date of acquisition.

Report of Ernst & Young LLP

INDEPENDENT AUDITORS

Board of Directors
Justin Industries, Inc.

We have audited the accompanying consolidated balance sheets of Justin Industries, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows 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 Justin Industries, Inc. at 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.

Ernst & Young LLP

Fort Worth, Texas
January 28, 1998

Management's Responsibility for Financial Statements

The Consolidated Financial Statements for Justin Industries, Inc. and its subsidiaries are prepared by the Company in conformity with consistently applied, generally accepted accounting principles. Management selects appropriate accounting principles, makes necessary estimates, and uses its judgment to ensure the objectivity, accuracy, and integrity of the data presented. The Company has established and maintains systems of management reporting and internal controls that are designed to provide reasonable assurance that Company policies are followed and that Company assets are safeguarded. These systems are constantly monitored and revised where necessary to meet changing requirements and to strengthen controls while maintaining a cost-effective method of providing credible and timely information necessary to the operations of Justin Industries.

The Board of Directors carries out its oversight responsibility for the financial statements through its Audit Committee. This committee is composed of directors who are neither officers nor employees of the Company. The committee meets periodically with the independent auditors and representatives of management to assure that each is carrying out its responsibilities. To ensure the integrity of the Audit Committee function, the Company's outside auditors have complete access to the committee, without company representatives present. The results of their audits and their reviews of the adequacy of internal controls and the quality of financial reporting are freely discussed during these conferences.

Eleven-Year Financial Summary

Years ending on December 31,	1997	1996	1995	1994
Summary of Operations: (see note)				
(in thousands of dollars)				
Net sales:				
Building Materials	265,313	261,315	240,094	224,213
Footwear	174,474	186,457	221,354	258,796
	439,787	447,772	461,448	483,009
Operating profit:				
Building Materials	43,245	44,233	42,107	44,600
Footwear	4,795	1,591	9,234	22,871
	48,040	45,824	51,341	67,471
Selected costs and expenses:				
Cost of goods sold	278,769	292,858	300,842	314,661
Selling, general, and administrative	118,505	114,925	115,370	106,814
Interest	1,766	3,367	5,032	4,058
Depreciation	16,850	15,792	14,742	13,852
Income taxes	14,424	13,257	14,553	20,571
Income:				
From continuing operations	26,323	23,365	25,651	36,905
Net income	26,323	23,365	25,651	36,905
Basic earnings per share:				
From continuing operations	1.00	.88	.95	1.36
Net income	1.00	.88	.95	1.36
Diluted earnings per share:				
From continuing operations	.99	.87	.94	1.34
Net income	.99	.87	.94	1.34
Dividends declared per share	.18	.16	.16	.16
Capital expenditures*	21,782	24,738	26,020	18,627
Year-End Statistics: *(in thousands of dollars)*				
Working capital	166,397	165,053	181,385	185,722
Net property, plant, and equipment	110,184	105,497	96,657	85,460
Total assets	376,067	360,078	376,409	374,921
Long-term debt	23,750	32,890	57,137	65,323
Shareholders' equity	272,980	252,856	236,489	221,900
Key Financial Ratios:				
Pre-tax profit margin (%)*	9.27	8.18	8.71	11.90
Income—return on sales (%)*	5.99	5.22	5.56	7.64
Return on shareholders' equity (%)*	10.40	9.88	11.56	19.55
Return on assets (%)*	7.15	6.34	6.83	10.23
Effective income tax rate (%)*	35.4	36.2	36.2	35.8
Ratio of long-term debt to shareholders' equity	.09:1	.13:1	.24:1	.29:1
Ratio of total interest-bearing debt to shareholders' equity	.12:1	.17:1	.31:1	.36:1
Ratio of current assets to current liabilities	3.6:1	3.7:1	3.6:1	3.5:1
Other Statistics:				
Weighted average number of shares *(in thousands)****	26,668	26,836	27,235	27,592
Book value per share	10.35	9.56	8.88	8.15
Dividends as a percent of net income	18.0	18.1	16.8	11.8
Market price of common stock:				
High	15¼	13½	12⅞	16¾
Low	10¼	9¾	9½	9¾

** Continuing operations (before accounting change in 1993)   ** Before accounting change   *** Used to calculate diluted earnings per share*

Note: The earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, *Earnings Per Share.* For further discussion of earnings per share and the impact of Statement No. 128, see the notes to the consolidated financial statements. Book value per equivalent share of common stock has been computed on

	1993	1992	1991	1990	1989	1988	1987
	179,740	158,808	123,004	118,943	113,662	108,864	113,204
	295,191	294,459	245,346	181,370	142,707	123,455	109,662
	474,931	453,267	368,350	300,313	256,369	232,319	222,866
	31,445	16,423	4,979	3,698	604	4,369	6,685
	34,168	36,054	22,934	17,748	15,650	12,223	10,184
	65,613	52,477	27,913	21,446	16,254	16,592	16,869
	314,431	313,961	260,968	211,559	182,365	164,596	154,600
	100,465	91,695	84,167	70,666	60,251	54,590	53,590
	4,005	5,214	9,482	6,815	6,402	4,574	4,369
	13,473	13,837	12,338	10,164	10,003	10,263	10,152
	19,995	15,304	5,280	3,697	2,432	2,696	3,121
	36,035**	27,093	8,453	7,576	5,281	5,954	7,382
	37,141	27,093	19,233	7,293	7,198	7,469	752
	1.33**	1.02	.33	.29	.21	.24	.29
	1.37	1.02	.74	.28	.29	.30	.03
	1.30**	.99	.32	.29	.21	.24	.29
	1.34	.99	.73	.28	.28	.30	.03
	.16	.14	.135	.135	.10	.09	.09
	17,278	12,006	10,666	12,646	7,405	8,681	4,540
	185,193	164,822	151,588	147,307	97,983	105,114	90,206
	80,270	76,544	78,750	84,653	64,261	67,682	75,205
	346,680	316,368	295,947	292,923	211,308	214,403	219,013
	88,504	100,362	116,040	124,724	56,238	69,590	70,509
	188,803	155,270	127,549	111,135	106,431	98,687	92,938
	11.80	9.35	3.73	3.75	3.01	3.72	4.71
	7.59	5.98	2.29	2.52	2.06	2.56	3.31
	23.21	21.24	7.61	7.12	5.35	6.41	7.66
	10.87	8.85	2.87	3.00	2.48	2.75	3.33
	35.7	36.1	38.4	32.8	31.5	31.2	29.7
	.47:1	.65:1	.91:1	1.12:1	.53:1	.71:1	.76:1
	.49:1	.70:1	.93:1	1.14:1	.56:1	.73:1	.79:1
	4.4:1	4.0:1	4.4:1	4.1:1	3.5:1	3.9:1	2.9:1
	27,653	27,318	26,201	26,171	25,475	25,022	25,297
	6.95	5.75	4.92	4.31	4.15	3.98	3.76
	11.7	13.7	17.9	47.1	35.1	29.5	296.7
	25⅜	19	6	5⅞	5⅝	3⅝	3⅞
	11¾	5⅜	3⅜	3⅝	3⅜	2⅝	2¼

the number of common shares outstanding at December 31. All per share information has been adjusted for the 3-for-2 stock splits in 1989 and 1992, and a 2-for-1 stock split in 1993. Operating profit for the business segments is income before interest, allocation of parent-company overhead expenses, and income taxes.

STANDING, LEFT TO RIGHT: *Marvin Gearhart, Joseph R. Musolino, Dee J. Kelly, Robert E. Glaze, and Bayard H. Friedman.*
SEATED, LEFT TO RIGHT: *Dr. William E. Tucker, J. T. Dickenson, John Justin, and John V. Roach.*

Directors

John Justin
Chairman and Chief Executive Officer of Justin Industries

J. T. Dickenson
President and Chief Operating Officer of Justin Industries

Bayard H. Friedman
Investment Advisor

Marvin Gearhart
Chairman of the Board of Rock Bit International, Inc.

Robert E. Glaze
Personal Investments

Dee J. Kelly
Shareholder and Director of the law firm of Kelly, Hart & Hallman

Joseph R. Musolino
Vice Chairman of NationsBank of Texas

John V. Roach
Chairman and Chief Executive Officer of Tandy Corporation

Dr. William E. Tucker
Chancellor of Texas Christian University

Committees

Audit Committee

Bayard H. Friedman
Marvin Gearhart
Robert E. Glaze

Compensation Committee

John V. Roach
Dr. William E. Tucker

LEFT TO RIGHT: *J. T. Dickenson, Richard J. Savitz, John Justin, Judy B. Hunter, and Edward L. Stout, Jr.*

Officers

JOHN JUSTIN
Chairman of the Board and Chief Executive Officer

J. T. DICKENSON
President and Chief Operating Officer

RICHARD J. SAVITZ
Vice President Finance, Treasurer and Secretary

EDWARD L. STOUT, JR.
Vice President Brick Operations

JUDY B. HUNTER
Vice President-Controller

W. O. BURROUGH
Assistant Treasurer

Shareholder Information

Annual Meeting

The annual meeting of shareholders will be held on Friday, April 10, 1998, at the Fort Worth Club Building, twelfth floor, 306 West Seventh Street, Fort Worth, Texas, at 10:30 a.m. All shareholders are cordially invited to attend and are urged to be represented by proxy if unable to attend.

Stock Transfer, Dividend Disbursement, Shareholder Savings, and Dividend Reinvestment

The Bank of New York is the Company's transfer agent responsible for stock transfer and dividend payment transactions. In addition, The Bank of New York manages the company's Shareholder Savings and Dividend Reinvestment activities through its Buy Direct Plan. Information and questions regarding any of these programs can be answered by contacting Bank of New York at (800) 524-4458 or by e-mail at Shareowner-svcs@bankofny.com.

Address shareholder inquiries to:
Shareholder Relations Department—11E
P.O. Box 11258
Church Street Station
New York, New York 10286

Send certificates for transfer and address changes to:
Receive and Deliver Department—11W
P.O. Box 11002
Church Street Station
New York, New York 10286

Answers to many of your shareholder questions and requests for forms are available by visiting the Company's web site at www.justinind.com or The Bank of New York's web site at stock.bankofny.com

Form 10-K/10-Q

Investors who wish to receive a copy of the Company's annual report on Form 10-K or quarterly 10-Q reports filed with the Securities and Exchange Commission, or other shareholder mailings, may obtain them upon request to Investor Relations, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101 (817) 336-5125, or by accessing the Company's web site at www.justinind.com.

Stock Listing

Justin Industries, Inc., common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol "JSTN."

Independent Auditors

Ernst & Young LLP, 500 Throckmorton Street, Suite 2200, Fort Worth, Texas 76102.

Executive Offices

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

Quarterly Financial Data

The following table presents summarized quarterly operating results for the two-year period ending December 31, 1997.

Unaudited—In thousands, except per share data

	1997				1996			
Quarter ended	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31
Net sales	$97,606	$110,886	$114,157	$117,138	$104,339	$110,672	$110,379	$122,382
Gross profit	33,371	41,752	42,307	43,588	34,636	38,771	37,926	43,581
Net income	3,049	7,527	7,103	8,644	3,794	5,659	5,940	7,972
Per share:								
Basic earnings	.12	.29	.27	.33	.14	.21	.22	.30
Diluted earnings	.11	.28	.27	.32	.14	.21	.22	.30
Dividends paid	.04	.04	.04	.05	.04	.04	.04	.04

The 1996 and first three quarters of 1997 earnings per share amounts have been restated to comply with Statement of Financial Accounting Standards No. 128, *Earnings per Share.*

Market Makers

as of January 28, 1998

First Southwest Company
Gruntal & Co. Incorporated
Herzog, Heine, Geduld, Inc.
Jefferies & Company, Inc.
Knight Securities L.P.
Mayer & Schweitzer Inc.
Merrill Lynch, Pierce, Fenner and Smith, Inc.
PaineWebber Inc.
Parker/Hunter Inc.
Principal Financial Securities
Sherwood Securities Corp.
Southwest Securities Inc.
Troster Singer Corp.

Market Price of Common Stock

Year Quarter	Price High	Low	Close
1995			
1	12 1/8	9 1/2	9 5/8
2	12	9 5/8	11
3	11 5/8	10 1/2	11
4	11 3/8	9 7/8	11
1996			
1	11 7/8	10 11/16	11 5/8
2	13 1/2	11 1/4	13 1/8
3	13 3/8	10 1/2	10 7/8
4	12 1/8	9 3/4	11 1/2
1997			
1	12 3/8	10 1/4	11 1/8
2	13 7/8	10 7/8	12 3/4
3	15 1/4	12 1/2	13 7/16
4	15	12 5/8	13 5/8

Manufacturing and Distribution Locations

Acme Brick Company

Manufacturing—Brick

- Bennett, Texas (2)
- Bridgeport, Texas
- Denton, Texas
- Elgin, Texas
- Garrison, Texas
- McQueeney, Texas
- San Felipe (Houston), Texas
- Fort Smith, Arkansas
- Malvern, Arkansas
- Perla, Arkansas (2)
- Kanopolis, Kansas
- Weir, Kansas
- Jamestown, Louisiana
- Oklahoma City, Oklahoma
- Tulsa, Oklahoma

Manufacturing—Concrete Block

- Baton Rouge, Louisiana

Manufacturing—IBP Grids

- Fort Worth, Texas

Distribution

- Abilene, Texas
- Amarillo, Texas
- Austin, Texas
- Beaumont, Texas
- Corpus Christi, Texas
- Dallas, Texas
- Denton, Texas
- Fort Worth, Texas
- Houston, Texas
- Longview, Texas
- Lubbock, Texas
- Midland, Texas
- San Antonio, Texas
- Texarkana, Texas
- Wichita Falls, Texas
- Alexandria, Louisiana
- Baton Rouge, Louisiana
- Lafayette, Louisiana
- Lake Charles, Louisiana
- Monroe, Louisiana
- New Orleans, Louisiana
- Shreveport, Louisiana
- Fort Smith, Arkansas
- Jonesboro, Arkansas
- Little Rock, Arkansas
- Russellville, Arkansas
- Springdale, Arkansas
- Joplin, Missouri
- Springfield, Missouri
- St. Louis, Missouri
- Oklahoma City, Oklahoma
- Tulsa, Oklahoma
- Kansas City, Kansas
- Wichita, Kansas
- Memphis, Tennessee (2)

American Tile Supply Company

Distribution

- Austin, Texas
- Dallas, Texas, area (8)
- Fort Worth, Texas, area (2)
- Houston, Texas, area (2)
- Longview, Texas
- San Antonio, Texas

Featherlite Building Products Corporation

Manufacturing—Concrete Block

- Abilene, Texas
- Austin, Texas, area
- Beaumont/Port Arthur, Texas
- Dallas, Texas
- El Paso, Texas
- Lubbock, Texas
- San Antonio, Texas

Manufacturing—Architectural Stone

- Cedar Park, Texas
- (d/b/a Texas Quarries)

Distribution

- Amarillo, Texas
- Corpus Christi, Texas
- Las Cruces, New Mexico

Tradewinds Technologies, Inc.

- Phoenix, Arizona

Justin Boot Company

Manufacturing

- Fort Worth, Texas
- Carthage, Missouri
- Cassville, Missouri

Nocona Boot Company

Manufacturing

- Nocona, Texas

Tony Lama Company

Manufacturing

- El Paso, Texas

Chippewa Shoe Company

Manufacturing

- El Paso, Texas

Northland Publishing Company, Inc.

- Flagstaff, Arizona

JUSTIN INDUSTRIES EMPLOYEES PICTURED IN THIS ANNUAL REPORT:

PAGE 1 *Latasha Jones, Justin Boot Company*
PAGE 2, LEFT TO RIGHT *J. T. Dickenson and John Justin, Justin Industries*
PAGE 6 *Stephen Satterwhite, Acme Brick Company*
PAGE 8, TOP TO BOTTOM *Alma Jones, Acme Brick Company; Mike McIntosh, Acme Brick Company; and Jessica Burns, American Tile Supply Company*
PAGE 9 *Tony Pearce, Featherlite Building Products Corporation*
PAGE 10, TOP TO BOTTOM *Billy Weeks, Acme Brick Company; Alfredo Gomez, Featherlite Building Products Corporation; and Efren Rangel, Featherlite Building Products Corporation*
PAGE 11, TOP TO BOTTOM *Francisco Benavides, Acme Brick Company; and Marlin Hughey, Acme Brick Company*
PAGE 12 *Doris Jimenez, Justin Boot Company*
PAGES 14–15 *Ernesto Delgadillo, Justin Boot Company*
PAGE 16, TOP TO BOTTOM *Greg Reyes, Justin Boot Company; Simona Landaverde, Nocona Boot Company; and Carolyn Henson, Nocona Boot Company*
PAGE 17, TOP TO BOTTOM *Larry Glidewell, Nocona Boot Company; and Sue Kaiser, Nocona Boot Company*
PAGE 18 *Edward L. Stout, Jr., Acme Brick Company*
PAGE 21 *Billy D. Richardson, American Tile Supply Company*

This report was produced by Northland Publishing, a Justin Company. Photography by John Running. Cover photograph by Britt Stokes.

2821 West Seventh Street • Box 425
Fort Worth, Texas 76101 • 817-336-5125