

Our fundamental
objective is to drive
the company's growth.

We are building value through
global brand development,
an aggressive focus on accretive
acquisitions, and strategies
to strengthen our
leading market shares...

It's working!

Our business is

objective is to drive

the company's growth

We are building value through

global and local development

an aggressive focus on efficiency

initiatives and strategies

to strengthen our

leading market shares...

It's working!

The image features a large, stylized graphic of the letters 'JM' in a bold, black, sans-serif font. The letters are set against a white background and are partially enclosed by thick black shapes that form the left and right sides of the page. The 'J' is on the left and the 'M' is on the right, both with rounded tops and a slight shadow effect.

Johns Manville

1998 Annual Report

1998 Year in Review

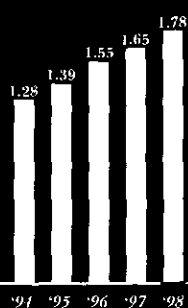
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Financial Highlights

In millions of dollars, except per share amounts

For the Years Ended December 31,	1998	1997	1996
Reported Results			
Net Sales	\$ 1,781.2	\$ 1,647.6	\$ 1,552.4
Income from Operations	\$ 279.7	\$ 215.4	\$ 187.4
Net Income Applicable to Common Stock	\$ 180.9	\$ 150.0	\$ 30.1
Underlying Results (As Adjusted for Unusual Items)			
Income from Operations	\$ 243.7	\$ 215.4	\$ 229.4
Net Income Applicable to Common Stock	\$ 162.2	\$ 130.5	\$ 115.3
Earnings Per Common Share (Diluted)			
As Reported	\$ 1.12	\$.92	\$.20
As Adjusted for Unusual Items	\$ 1.00	\$.80	\$.71
Net Cash Provided by Operating Activities	\$ 226.3	\$ 168.7	\$ 165.4

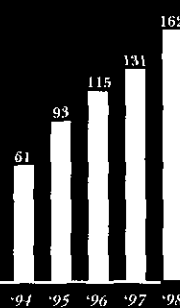
Sales
(\$ billions)



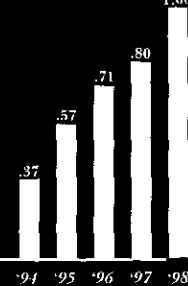
Income from Operations*
(\$ millions)



Net Income*
(\$ millions)



Earnings Per Share*
(Diluted)

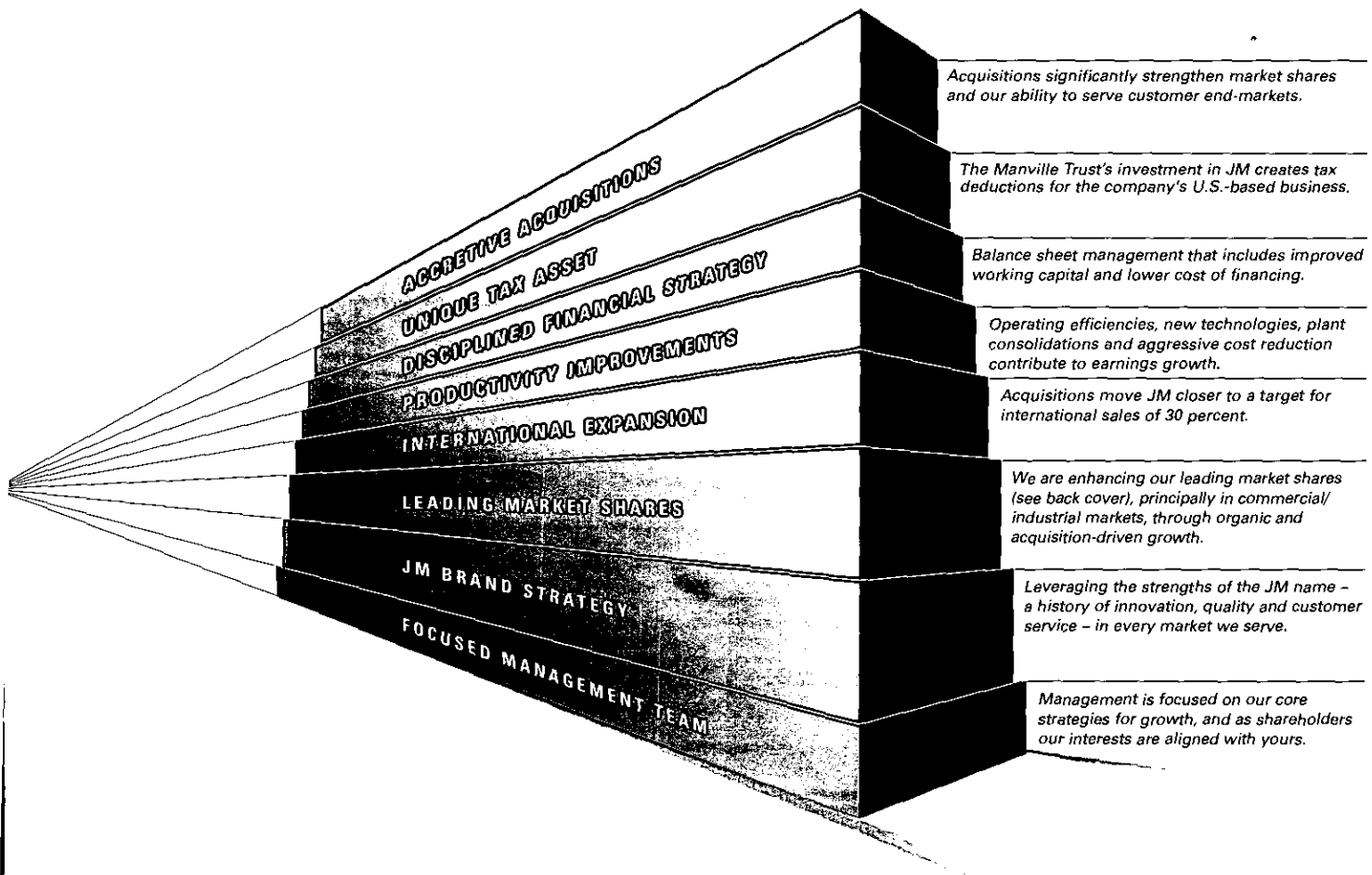


* As adjusted for unusual items

Corporate Profile

Johns Manville Corporation (NYSE: JM) is a leading manufacturer and marketer of premium quality insulation and building products. The 141-year-old Denver-based company had sales of \$1.8 billion in 1998. 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 9,200 people and operates 54 manufacturing facilities in North America, Europe and China. Additional information can be found on the world wide web at www.jm.com.

BUILDING VALUE



For JM, "building value" has a double meaning. By serving the needs of our customers, we add value to their buildings and construction projects, and thereby build value for shareholders.

The building blocks of the value-building process include strengthening JM's brand and leading market shares, particularly in commercial and industrial markets. They also include accretive acquisitions – 14 in the last three years representing approximately \$700 million in revenue – that broaden our capabilities to serve customer markets, worldwide. We continue to strengthen our management team, reduce costs and improve productivity, and seek opportunities to utilize our unique tax asset. It's working. Total shareholder return increased an average 27 percent per year over the last five years.



Dear Fellow Shareholders,



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

“Building value” is a phrase that may be over-used to describe corporate management intentions. For JM, though, it has a double meaning: by adding value to buildings through the insulation, roofing systems or engineered products we sell, we are also building value for shareholders. If we do our job well in the former case, we will excel in the latter. In 1998, JM made significant progress in increasing sales, earnings per share, cash flow, margins, market shares and total shareholder return. That’s not to say every business or every metric was improved or up to expectations or potential. But we are meeting or exceeding the goals set two years ago – to

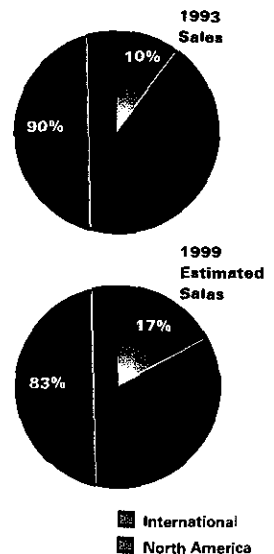
achieve a shareholder return of at least 15 percent on average through a cycle. We accomplished this while we strengthened JM’s worldwide position in the customer markets and channels we serve, invested in new technology, improved our safety record and grew the business.

In 1998 we closed or announced seven acquisitions, bringing to 14 the total number of businesses, representing approximately \$700 million in annual revenue, acquired in the past three years. The largest of these is the acquisition of the Spunbond/Monofilament business of Hoechst, completed early in 1999. This \$250 million business is a great strategic fit for JM, adding significantly to our capabilities in Engineered Products and increasing our international presence in these global markets (see charts this page). The other six acquisitions included: in Insulation, a calcium silicate pipe insulation business and a fire protection joint venture; in Roofing Systems, an additional thermoplastic membrane business and polyiso and perlite roof insulation businesses; and in Engineered Products, an additional wall coverings business. Acquisitions must meet our rigorous financial standard to be accretive in the first year, and thus far, all have met this criterion.

Strong Gains in 1998 Results

Sales increased eight percent in 1998, to \$1.8 billion, driven by higher revenues in all three business segments and volume increases in most of our businesses, but particularly in JM’s building insulation business, which is currently operating at capacity. Continuing strength in residential and commercial new construction and remodeling markets, combined with higher demand for insulation per unit, suggest that this business will remain robust in 1999. Roofing Systems also increased volumes, despite weather-related construction delays in the first half of 1998 and competitive pricing pressures on some products. Acquisitions that have broadened our already industry-leading product line contributed to these results. We expect continued stable growth and better margins in this business in 1999. Acquisitions also fueled sales gains in Engineered Products, though the largest of these – the Hoechst Spunbond business mentioned above – closed after year-end and is therefore not included in 1998 results. For other Engineered Products businesses, U.S. mats and fibers volumes increased dramatically, while international results and filtration suffered from weak Asian and Eastern European economies and competitive pricing pressures, which are expected to begin to improve gradually during 1999.

Acquisitions have allowed JM to significantly increase its global presence, bringing the company closer to its goal of being 30% international.

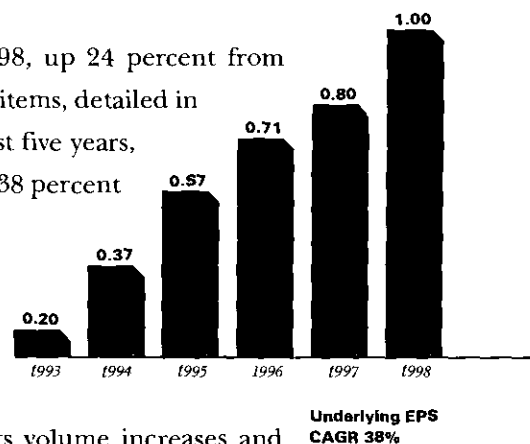


Underlying income from operations increased 13 percent to \$243.7 million in 1998, with the biggest increase also coming from improved Insulation volumes and strong productivity gains. Roofing Systems' income from operations declined modestly, with volume, productivity and acquisition benefits offset by pricing pressures. And Engineered Products' income from operations declined slightly as the economic conditions and filtration market pressures cited above more than offset strength in U.S. mats and fibers, and international wall coverings. Please refer to the operations review section of this report, beginning on page eight, for more details on business segment results.

Lower net interest expense from the company's debt refinancing and a share repurchase from the Manville Trust that held JM's tax rate to a level comparable to 1997 contributed to 1998 results. This tax advantage arises from the Manville Trust's investment in JM stock, which currently represents 79 percent of the 159 million shares outstanding. The value of 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.

The compound annual growth rate (CAGR) for Johns Manville's earnings per share has been 38% from 1993-1998.

Underlying net income was \$162.2 million, or \$1.00 per share in 1998, up 24 percent from \$130.5 million, or \$.80 per share in 1997. These results exclude unusual items, detailed in the financial section of this report, beginning on page 14. Over the past five years, the compound annual growth rate in underlying earnings per share was 38 percent (see chart on right).

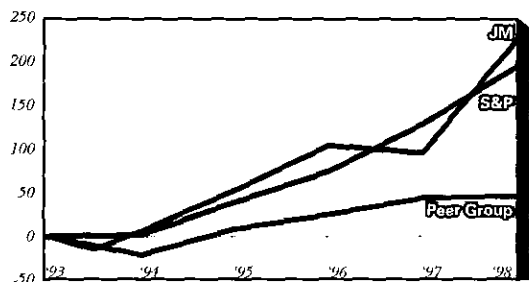


Improved Cash Flow and Total Return

JM's cash flow continued to improve in 1998, with EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increasing to \$374 million, up 26 percent from a strong gain in 1997. This reflects volume increases and significant productivity gains across our businesses, as well as a re-energized focus on investment in new products, technologies and capacity that will drive future growth. Capital expenditures totaled \$106 million in 1998, and depreciation and amortization was \$94 million (see charts on page 14). With this strong cash flow, the Board of Directors approved a dividend increase of 50 percent in 1998, to a \$.24 per share annual rate.

A more aggressive commitment to working capital improvements – with further potential for 1999 and beyond – is part of JM's effort to better utilize our balance sheet, which also included this year's refinancing of 10%% Senior Notes, a move that will save approximately \$16 million annually. This debt restructuring allowed us to increase the amount we can prudently carry, while lowering our cost significantly. Our total debt at year-end was \$592 million, which represented 43 percent of total capital and reflected the deposit for our 1999 Hoechst Spunbond acquisition. Our goal is to reduce debt leverage as we benefit from the strong cash flows of our existing businesses and integrate recent acquisitions.

Total Return 1993-1998



JM's total return has averaged 27% per year over the past five years, better than the S&P 500 and significantly better than our peer group.

(S&P) 500 and nine percent per year for our peer group (see chart on left). In 1998, our total return increased 65 percent, significantly better than our long-term goal and our peer group. JM's 1998 total return performance notwithstanding, we continue to believe that the 15 percent long-term goal is appropriate.

The drive to build value also drove the January 25, 1999 announcement by JM and the Manville Trust that we will undertake a review of strategic alternatives available to maximize JM's shareholder value. Such alternatives include the possible sale or merger of the company. The Trust is the majority shareholder in Johns Manville stock, and JM represents a significant portion of the Trust's assets. Since the Trust must eventually diversify its investments, we believe this is an opportune time to consider our options.

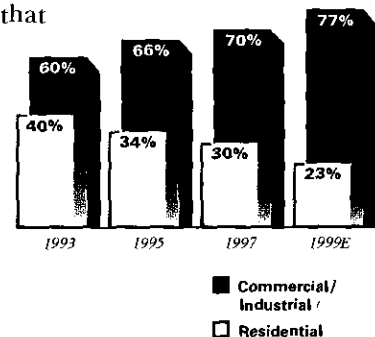
Driving a Culture of Growth and Excellence

The cover of this annual report says that our fundamental objective is to drive JM's growth. It also describes our business strategies. The first is global brand development - having and leveraging the powerful JM brand name and all it has stood for with customers and employees for more than 141 years. The second is to make accretive acquisitions focused on broadening our capabilities to serve end-markets worldwide. And the third is to strengthen our leading market shares, which ultimately drive profitability.

Our focus continues to be on less cyclical commercial and industrial (C&I) markets, which represented 75 percent of JM's total sales in 1998, up from 60 percent in 1993, with further gains expected in 1999 (see chart on right) as we integrate recent acquisitions. Besides greater stability, C&I markets appeal to JM because the dollars per square foot of product sold are 50 percent higher than for residential markets. This C&I focus does not mean that we plan to de-emphasize our large residential insulation business. In fact, we are supporting our fast-growing ComfortTherm™ residential insulation business with television advertising for the first time in more than 15 years. Rather, the increasing percent of C&I sales reflects the fact that our acquisitions have been and likely will continue to be C&I businesses.

These strategies are all aimed at making JM the leading supplier in every category we are in by offering our customers a complete product package, along with the quality, reliability and tradition of service they expect.

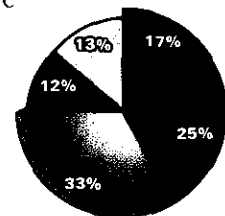
We are the #1 global commercial/ industrial building products company and in recent years have increased our participation in these more stable, higher-margin markets.



We have made significant progress in implementing these strategies and resuming JM's growth over the past few years and we still see considerable opportunity, especially in international markets, looking beyond the current economic turbulence.

These are the kinds of objectives and strategies that shareholders expect to see and hold management accountable for achieving. But I want to share with you a deeper sea change that is occurring at JM today. After a decade of internal turmoil, the likes of which has destroyed many industrial enterprises, as a team – and I mean to include every JM employee – we are totally focused on building JM's prosperity and "core" value for the long term. Bringing back the JM name has not only proved to be the right decision as measured by a significant increase in brand awareness by our customers, but it has unleashed employee pride and confidence in the future of the business. With improved growth and profitability has come the ability to invest in R&D, now focused to a much greater extent on new technology and products to drive future growth and market leadership. The Hoechst Spunbond acquisition adds to our patent and technology portfolio and brings a culture of product quality and product development that will build on our own efforts.

JM is focused on the growth areas of C&I and residential building markets.



Part of this culture of excellence is our absolute commitment to improved safety over the past two years. Our employees have significantly improved our safety record, with a 72 percent reduction in serious accidents over this period, and an employee-set goal of a further 50 percent reduction for 1999. I feel strongly that the discipline and attitude we apply to improving safety, quality and environmental standards extends to our entire business supply chain from raw materials purchase to ultimate delivery to our customers.

1998 Market Drivers
Commercial/Industrial: 75%
□ Repair/Re-roofing
■ New Construction
■ OEM
Residential: 25%
□ New Construction
■ Repair/Remodel

I hope you can see that for JM, building value has a great many building blocks, which we have tried to depict in simple visual form on page one of this report, and I have tried to convey with more depth and meaning in this letter. Ultimately, as with any organization, it comes down to what our people can accomplish with a vision, confidence in their future and with high standards by which to measure their progress and the company's progress overall. My sincere thanks go to all of JM's 9,200 employees for your accomplishments in 1998 and commitments for 1999.

Sincerely,

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

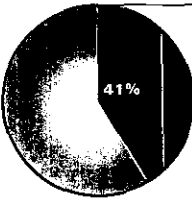
March 5, 1999

Johns Manville At a Glance

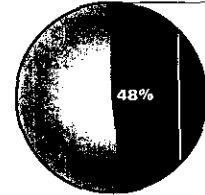
INSULATION

Description

The market for fiber glass insulation in North America totals \$2.8 billion. Johns Manville holds 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 three markets: aerospace; auto; and heating, ventilating and air conditioning (HVAC) equipment. JM is the second-largest manufacturer of fiber glass insulation for residential applications.



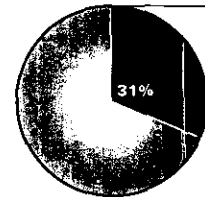
Sales



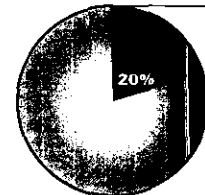
Income from Operations

ROOFING SYSTEMS

Johns Manville is the leading supplier of commercial/industrial roofing systems in North America, which is a \$3 billion market. The company's Roofing Systems business, which provides the broadest line of complete 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.



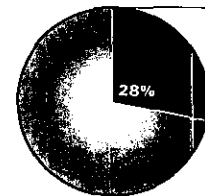
Sales



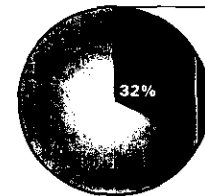
Income from Operations

ENGINEERED PRODUCTS

Johns Manville is the No. 1 global supplier of base fiber, fiber glass and polyester spunbond mat for roofing and flooring manufacturers. In addition, Johns Manville supplies fiber to reinforce gypsum wallboard and plastics. JM is also the worldwide leading provider of glass fabrics for wall coverings. In filtration, Johns Manville is a leading supplier of fiber glass media for high-efficiency air filtration systems. Ultra-fine fibers are also produced for specialty manufacturers who supply filter manufacturers producing HEPA/ULPA air filtration systems for clean rooms.



Sales

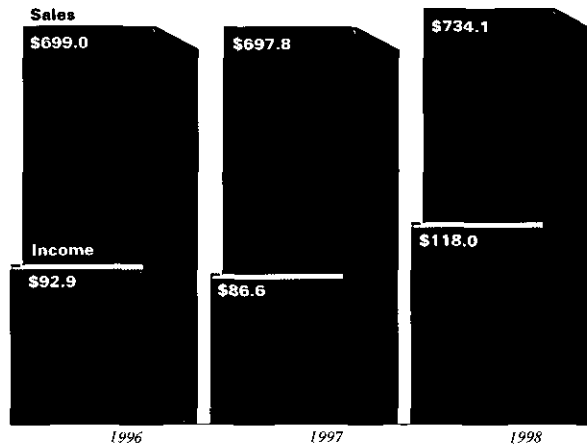


Income from Operations

1998 Highlights

- Sales up 5%; income from operations up 36%.
- Volumes up 6% for the year.
- Improving pricing, sold-out conditions across most product lines and significant productivity improvements fueled income gains.
- JM launched its first television advertising in more than 15 years for the fast-growing ComfortTherm™ line; acquired and integrated a calcium silicate and fireproof board plant; and announced a joint venture to manufacture Firetemp™ fire stopping products that stop the spread of smoke and fire.

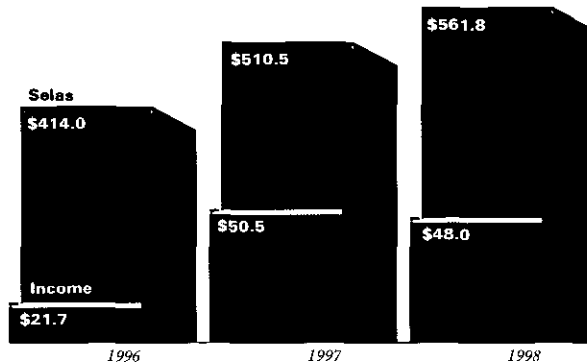
Sales & Income from Operations (\$ millions)



Outlook

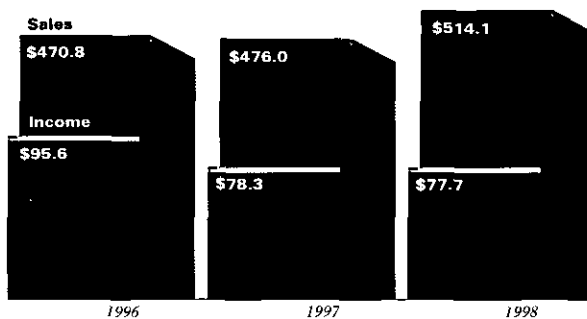
Continued strong housing and construction markets that are fueling robust demand, an improving pricing environment and a focus on efficiencies are driving profit growth in this business. A greater focus on technology and acquisitions that are complementary to JM's current offerings has broadened the company's Insulation product line.

- Sales up 10%; income from operations down 5%.
- Volumes up 6%.
- Increases driven by acquisitions.
- Increases from acquisitions offset by weather-related construction delays in the first half of the year, pricing pressures and less favorable product mix.
- Acquired an additional perlite board and polyiso roof insulation business; acquired and integrated an additional thermoplastic membrane company into JM's Roofing Systems business.



Continued strong commercial/industrial construction and re-roofing markets, combined with further contributions from recent acquisitions, are driving growth in the Roofing Systems business. JM expects to strengthen market share as the only supplier of total roofing solutions in North America.

- Sales up 8%; income from operations down 1%.
- Volumes up 9-10%.
- Strong performance in North American mats and fibers and acquisition-driven gains in Europe.
- Filtration adversely affected by economic weakness in Asian markets, and by pricing pressures.
- Announced the acquisition of Hoechst's Spunbond operations, which will add approximately \$250 million in annual revenue starting in 1999.
- Strengthened JM's leading market share in glass fabric for wall coverings through an additional acquisition.



The Hoechst Spunbond acquisition will contribute significant international growth by broadening JM's product line. Integrating acquisitions and recognizing synergies across products and technologies should improve growth and profitability. Strong construction markets will continue to fuel growth in JM's North American businesses.

"Our goal is to be the 'low-cost supplier of excellence' and to aggressively grow our business through complementary acquisitions and internal developments, with a focus on commercial and industrial markets."

THOMAS L. CALTRIDG
Senior Vice President
Insulation Group

INSULATION



Value Drivers

- Focus on commercial/industrial (C&I) growth.
- Strengthen leading market shares.
- Drive growth through new products and opportunistic acquisitions.
- Continue our focus on manufacturing productivity and focused marketing.
- Strengthen the Johns Manville brand.

Market Trends

- Continued robust residential and commercial construction markets fueled by relatively low interest rates, low inflation and strong consumer confidence.
- Trends toward larger homes and home remodeling driving higher insulation content.
- Sold-out production and improving pricing.
- New product innovations and emerging markets, such as the increased use of interior wall acoustic insulation for sound control and fire protection products, across residential and C&I applications.

1998 Results

- Insulation represented 41 percent of total JM sales and 48 percent of total income from operations.
- Volume gains of six percent across all Insulation product lines, and flat prices year-over-year, resulted in sales of \$734.1 million, up five percent compared with \$697.8 million in 1997.
- Significant productivity improvements fueled income gains in 1998. Income from operations in Insulation was \$113 million, a 36 percent increase from \$86.6 million in 1997.

Leading Market Shares

For more than a century, Johns Manville has been producing high-quality insulation products that include building insulation for residential and commercial building applications, C&I mechanical insulations, and OEM insulation products. JM markets its insulation products to retailers; contractors; manufactured housing producers; distributors; fabricators; and original equipment manufacturers.



A new housing development in Santa Barbara uses ComfortTherm™ insulation that is easier to handle and more comfortable to install than conventional fiber glass batts and rolls.

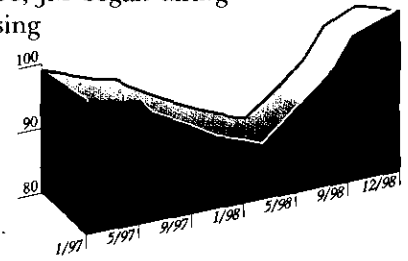
Strong Volumes in Building Insulation

Johns Manville's building insulation business includes fiber glass insulation for residential and commercial applications. Robust construction markets in both sectors and productivity gains drove increases in 1998. JM experienced sold-out capacity throughout most of the year, which increased volumes, but created challenges for the company and its ability to satisfy customers' increasing demand. Johns Manville has been adding capacity judiciously in this area to meet these needs.

JM's building insulation business generated significant gains in 1998, due to improved volumes as housing starts continued strong, and lower interest rates fueled home remodeling and renovation projects. ComfortTherm™, JM's fast-growing line of encapsulated residential insulation, as well as under-floor and sound control insulation, drove volume gains in 1998.

JM has grown ComfortTherm™ into the insulation of choice for numerous residential contractors and do-it-yourselfers (see photo this page). In fact, in 1998, JM began airing its first television advertising in more than 15 years for ComfortTherm™, focused on the benefits of ease of handling and comfortable installation.

Building Insulation Price Index 1997-98



Commercial/Industrial Focus

JM is a leader in C&I insulation markets including mechanical pipe, equipment and air handling insulations. In 1998, increased demand for these products generated improved results and strengthened selling prices in the business. Building on its leading position in C&I insulation, in January 1998, JM completed the acquisition of a calcium silicate pipe and block insulation and fireproof board plant to strengthen its industrial market position.

In 1998

JM rebounded from competitive pricing pressures that adversely affected building insulation in 1997 and early in 1998.

Also in 1998, JM announced a partnership with Firestop Systems, Inc. to market a line of fire protection products including a new line of products under the Firetemp™ brand, that can be used on new and existing buildings to stop the spread of fires. These products, used to seal holes around pipe and conduit, and seams in walls, floors and ceilings, will be sold through JM's existing distribution channels and compete in a fast-growing market estimated at \$150 million.

Strength in OEM Results

Johns Manville's OEM markets include HVAC, acoustical, appliance, flexible duct, auto and aerospace insulations. 1998 was a solid year for this business, as the company experienced increased demand and stable pricing in many OEM markets. JM has added new capabilities and capacity to better position itself in the OEM acoustical market.

Outlook for Growth

The outlook for building insulation is for expected healthy volume gains and improved selling prices in 1999. Demand in the historically less volatile C&I segment will continue to be driven by non-residential construction markets and increased product end-use specifications.

"JM competes in virtually every category of commercial and industrial roofing. Our goal is to strengthen our leadership position as the only manufacturer in North America that provides complete roofing solutions that work for our customers."

BARTLEY E. ROGENSACK, JR.,
Vice President and General Manager,
Roofing Systems Group

ROOFING SYSTEMS

Value Drivers

- Increase market share by quickly integrating acquisitions into the business and recognizing synergies across product lines.
- Focus on the high-growth segments of the market.
- Expand presence internationally.
- Improve manufacturing, sales and marketing productivity.

Market Trends

Continued stable growth (2-3%) in commercial/industrial re-roofing markets, particularly institutional (schools and government).

Continued strength in new commercial construction markets, such as educational facilities and retail centers.

1998 Results

Roofing Systems contributed 31 percent to total company sales and 20 percent to income from operations.

Sales up 10 percent to \$561.8 million compared with \$510.5 million in 1997, primarily due to acquisitions.

Volume increases, acquisitions and manufacturing efficiencies were offset by weather-related construction delays in the first half of the year and pricing pressures in "polyiso" foam products, which contributed to a five percent decline in income from operations to \$48 million.

Commercial/Industrial Leader

Johns Manville's Roofing Systems business, founded as the H.W. Johns Company in 1858, has been characterized by superior quality, innovation and a complete roofing solutions approach. JM markets its products to building owners, architects, contractors and distributors. As the only company to offer a broad line of total roofing solutions, JM is included in the specifications for 13 of the 15 largest retail chains in North America.



A JM built-up roofing system with a 15-year guarantee was used to re-roof the San Francisco City Hall. In cities across the globe, JM's roofing systems are used for a variety of structures including educational facilities, retail centers, entertainment complexes and commercial office buildings.

Johns Manville roofing solutions include membranes, roof insulations, accessories and comprehensive roof guarantees.

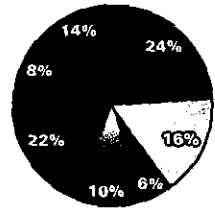
Growth Through Acquisitions

The North American C&I roofing market is stable, growing approximately two-to-three percent annually. Johns Manville's growth has exceeded the overall market growth as a result of market share strengthening acquisitions completed over the last three years. Acquisition-driven increases and volume gains were offset by slowness in the business in the first half of the year, due to weather-related construction delays, and to competitive pricing pressures in polyisocyanurate foam products.

Since 1996, Johns Manville completed and integrated seven acquisitions in its Roofing Systems business including three in 1998. Acquisitions have grown the business, both domestically and internationally; rounded out JM's product line and provided more choices to customers; and enabled synergies and product innovations across the business.

Expansion into Growth Markets

In late 1997 and early in 1998, the company completed two acquisitions of roofing businesses, which marked JM's entry into the thermoplastic membrane market. This is the fastest growth area in the C&I roofing sector. These products are attractive and functional, and are popular in a variety of applications, including retail facilities, office buildings, airport roofs and sports complexes. For example, JM is supplying the roofing system for the Seattle Mariner's new stadium, currently under construction, and provided the roofing system for Bank One Ballpark in Phoenix.



Johns Manville is North America's leading C&I roofing manufacturer and offers the full range of roofing products and materials shown here.

North American Roofing Market

- Single Ply Products
- Modified Bitumen
- BUR
- Other Membranes
- Cellular Insulation
- Fibrous Insulation
- Accessories

In 1998, JM acquired a Canadian producer of polyisocyanurate foam roof insulation products for C&I construction. Late in 1998, JM completed the acquisition of a perlite insulation board manufacturer's assets. These acquisitions will strengthen JM's leadership position in C&I roofing, and the company expects to realize significant operating and transportation efficiencies when they are fully integrated.

Outlook: Growth Through the Integration of Acquisitions

JM will focus on further integration benefits from recent roofing acquisitions to drive growth and profitability. Continued high-level activities in new C&I construction markets and demand in the re-roofing market, with particular emphasis on the institutional segment (schools and government) will drive continued growth in this business. Looking at the longer-term cycles in the roofing industry, a period of very strong activity in the mid-1980s suggests that many of these buildings will require re-roofing in the next few years. Retrofit business represents approximately 75-80 percent of the company's and the market's total demand.

"We are committed to strengthening our leadership positions in both the broad and niche Engineered Products markets we serve by offering new products, global reach, flexibility and a breadth of solutions to our customers."

HARVEY L. PERRY, JR.
Senior Vice President
Engineered Products Group

ENGINEERED PRODUCTS

Value Drivers

- Expand product lines geographically
- Leverage materials and technologies
- Strengthen leading market shares
- Drive growth through product synergies, integration of recent acquisitions and opportunities to cross-sell products
- Strengthen leading position in specialty air filtration applications

Market Trends

- Robust C&I construction markets fueling growth in U.S. mats and fibers.
- Increasing demand for specialty mat applications.
- Weakness in Asian and Russian economies expected to continue into 1999, though year-to-year comparisons improving.
- Conversion to premium roofing and flooring products in Eastern Europe and Asia.
- Filtration markets improving gradually; long-term positive fundamentals intact.

1998 Results

- Engineered Products contributed 28 percent to total company sales and 32 percent to income from operations.
- Strong mats and fibers volumes and recent acquisitions fueled an eight percent net sales increase in 1998 to \$514.1 million compared with \$476 million in 1997.
- Income from operations was \$77.7 million, down one percent compared with \$78.3 million in 1997.
- On January 1, 1999, JM completed the largest acquisition in its recent history — the Hoechst Spunbond business.

Expanding Product Lines

Engineered Products is a global business that is divided into three principal product lines: mats and fibers, glass fabrics and air filtration. Mats and fibers products are used to reinforce low-slope commercial roofs and residential roofing shingles and paper machine conveyors; to lend stability to carpet tiles and vinyl flooring; and to reinforce plastics, particularly for applications in the automotive industry, and gypsum wallboard. JM's fabrics



At the Musée des Beaux-Arts in Lyon, France, JM's Microlith® - glass fiber mat is used to reinforce the walls and ceilings and to lend stability to the building's structure.

business includes fiber glass wall fabric and reinforcement tapes used for premium wall coverings and reinforcement. JM also produces high-efficiency air filtration media for commercial buildings; and ultra-fine filtration fibers for clean rooms in the electronics and pharmaceutical industries and a variety of other specialty applications.

1998 Results

JM's mats and fibers products generated sales growth in the U.S. and gained market share worldwide, due to strong C&I construction markets and increased volumes in the U.S. Acquisition-related increases drove a slight improvement in JM's fabrics business as the Mitex and Tasso acquisitions, completed in 1997 and 1998, respectively, were integrated into the company. These acquisitions expanded JM's product line into glass fabric wall coverings, which have anti-microbial properties - meaning they will not support bacterial growth - and are flame resistant.

Asian and Russian economic turbulence adversely affected the Engineered Products business in 1998. Filtration and European mats and fibers and fabric businesses' earnings declined due to halted business in Russia and weakness in China, and to a significant slowdown in clean room builds in the semiconductor industry in Asia. JM will continue to concentrate on product development, and the company's businesses should start showing significant improvement when these markets begin their rebound.

Growth Through Acquisitions

Just after year-end, JM completed the purchase of Hoechst's Spunbond/Monofilament business. This \$250 million addition grows Engineered Products' business significantly and provides reach into new international markets. As a result of the acquisition, JM is now the leading global fiber glass and polyester-based roofing substrate supplier. The transaction also includes a strategic alliance for the long-term supply of raw materials providing JM with a broad-based petrochemical supply as well as a partner for product development.

There are numerous opportunities for synergies and new products as the acquisition is integrated. The combined business is focused on C&I markets and offers complementary products to a similar customer base. Also, JM is now the only company in the industry that produces both fiber glass and synthetic mats for roofing substrates, which creates opportunities to leverage materials and technologies to offer new products and better solutions to customers.

Outlook: Assimilation of Acquisitions in 1999

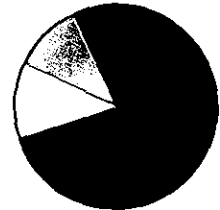
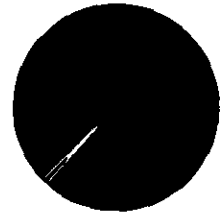
The outlook for filtration is gradual improvement through 1999. Mats and fibers will focus on integrating and leveraging the Hoechst Spunbond business, developing new products for specialty applications and improving productivity across the business. Geographic expansion is expected to be driven by increased sales of roofing, flooring and fabrics in Eastern Europe.

JM is the world's leading supplier of roofing substrates, both fiber glass and polyester-based, used for commercial and industrial roofing membranes.

Worldwide Roofing Substrate Market

By Material

- Fiber Glass 55%
- Polyester 8%
- Fabric 1%
- Other 36%



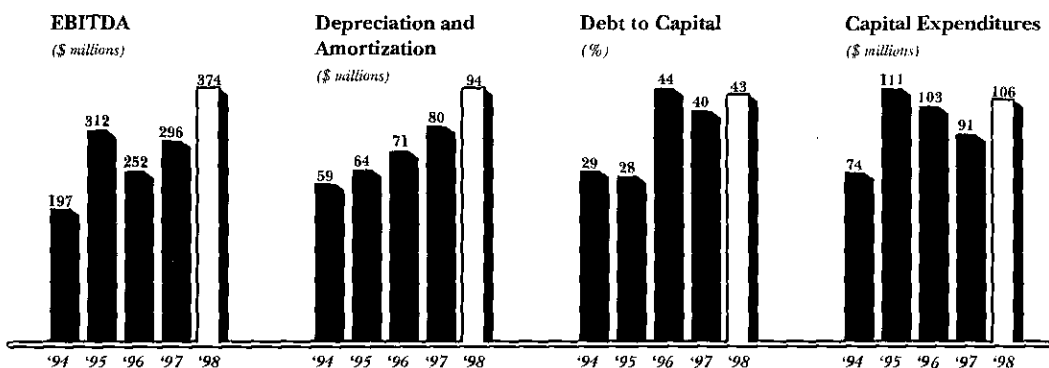
By Geography

- North America 55%
- Asia/Other 15%
- Western Europe 12%
- Eastern Europe 11%
- Russia 7%

Financial Review

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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 matters that are not historical facts (see page 29 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.

SELECTED FIVE-YEAR FINANCIAL DATA

In thousands of dollars, except per share amounts

Year Ended December 31,	1998	1997	1996	1995	1994
Income					
Net Sales (Note B)	\$ 1,781,179	\$ 1,647,645	\$ 1,552,429	\$ 1,391,522	\$ 1,277,818
Income from Operations (Notes A, B and G)	279,737	215,422	187,427	201,283	142,299
Income from Continuing Operations, net of tax (Notes A, B and G)	185,291	130,529	190,525	122,006	55,606
Income before Extraordinary Items and Cumulative Effect of Accounting Change (Note B)	185,291	150,000	406,771	115,995	65,416
Net Income (Notes B, D, E and F)	180,946	150,000	90,486	115,995	36,996
Financial Position (As of December 31)					
Total Assets (Note C)	\$ 2,207,185	\$ 1,980,534	\$ 1,946,726	\$ 2,474,059	\$ 2,317,498
Long-Term Debt, less current portion	587,276	456,294	428,160	447,007	441,798
Stockholders' Equity	790,108	693,083	580,462	1,181,307	1,080,781
Additional Data (Note B)					
Additions to Property, Plant and Equipment	\$ 130,336	\$ 125,296	\$ 153,000	\$ 111,329	\$ 82,833
Research, Development and Engineering	32,823	31,174	32,663	29,988	29,738
Per Share Data (Note H)					
Earnings Per Common Share					
Basic:					
Income from Continuing Operations, net of tax (Notes A, B and G)	\$ 1.16	\$.81	\$.86	\$.79	\$.25
Income before Extraordinary Items and Cumulative Effect of Accounting Change (Note B)	1.16	.93	2.29	.74	.33
Net Income (Notes B, D, E and F)	1.13	.93	.20	.74	.10
Diluted:					
Income from Continuing Operations, net of tax (Notes A, B and G)	1.15	.80	.85	.78	.25
Income before Extraordinary Items and Cumulative Effect of Accounting Change (Note B)	1.15	.92	2.27	.73	.33
Net Income (Notes B, D, E and F)	1.12	.92	.20	.73	.10
Common Dividends Paid	.18	.13	6.03		
Pro-Forma Data (Note I)					
Income from Operations	\$ 243,749	\$ 215,422	\$ 229,367	\$ 201,283	\$ 142,299
Net Income	162,236	130,529	115,267	93,443	60,992
Earnings Per Common Share (Diluted):					
Net Income	\$ 1.00	\$.80	\$.71	\$.57	\$.37

See notes on page 16.



SELECTED FIVE-YEAR FINANCIAL DATA

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) Total assets at December 31, 1998 include the acquisition deposit of \$227.3 million for the January 1, 1999 Spunbond/Monofilament purchase from Hoechst.

The net assets and liabilities of the discontinued operations of Riverwood have been classified as net assets held for sale at December 31, 1995 and 1994, totaling \$375.6 million and \$409.6 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 termination of 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 losses on early extinguishments of debt, net of taxes, of \$31.8 million, \$2 million and \$28.4 million in 1998, 1996 and 1994, respectively.

(F) Effective January 1, 1998, the Company changed its method of accounting for glass furnace rebuild costs. The cumulative effect of this change in accounting principle increased 1998 earnings by \$27.4 million, net of taxes of \$17.9 million.

(G) The Company sold its five percent net smelter royalty on certain metals produced by the Stillwater Mining Company for cash resulting in other income of \$36 million in April 1998.

(H) 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.

(I) 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, mining royalty sale proceeds, interest expense on the 9 percent Sinking Fund Debentures, profit sharing expense, an unusual 1996 income tax item, discontinued operations, extraordinary 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 161.9 million diluted weighted average shares for 1998 and 163.1 million pro forma diluted weighted average shares for the other 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 54 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 built-up, modified bitumen and single-ply membranes; perlite, fiber glass and polyisocyanurate insulations; roof guarantees; and accessories.

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 European fabrics businesses. 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.

Consistent with the Company's internal reporting, business segments discussed below include allocated corporate expenses. The 1998 mining royalty sale proceeds, certain nonrecurring charges and a pension settlement gain related to 1996, are reported in corporate and eliminations.



MANAGEMENT'S DISCUSSION AND ANALYSIS

1998 vs 1997

Results of Operations

The Company's net sales for 1998 increased \$133.6 million, or 8.1 percent, to \$1,781.2 million compared with \$1,647.6 million for 1997. Gross profit increased \$45.7 million to \$477.2 million from \$431.5 million. The gross profit margin for 1998 increased to 26.8 percent from 26.2 percent due to volume and productivity gains across all segments, partially offset by increased fixed costs and pricing declines in the mats and fibers and filtration businesses. Selling, general, administrative and research, development and engineering expenses, combined, increased \$17.6 million, or 8.6 percent, to \$223.4 million and were flat as a percentage of sales at 12.5 percent compared with 1997. Other income was \$25.9 million for 1998 compared with other expense of \$10.3 million for 1997. Other income for 1998 included proceeds of \$36 million from a mining royalty sale. Exclusive of the mining royalty sale proceeds, income from operations for 1998 was \$243.7 million, up 13.1 percent, compared with \$215.4 million for 1997.

Insulation Segment

The Insulation segment's net sales increased \$36.3 million, or 5.2 percent, to \$734.1 million for 1998 compared with \$697.8 million in 1997. Income from operations increased \$31.4 million, or 36.3 percent, to \$118 million compared with \$86.6 million in 1997. The 1998 results for building insulation reflect volume increases due to strong demand, improved operating efficiencies and an improved pricing environment which began in the latter half of the year. While commercial/industrial insulation businesses reflected moderately higher sales volumes and selling prices for pipe and equipment insulation, gross margins and operating income were negatively impacted by downtime for equipment upgrades during 1998. Also in 1998, the use of alternate materials resulted in significantly lower sales and margins in automotive products.

Roofing Systems Segment

Net sales for the Roofing Systems segment increased \$51.3 million, or 10.1 percent, to \$561.8 million for 1998 compared with \$510.5 million in 1997 due primarily to incremental volume increases from the recent thermoplastic membrane acquisitions. Excluding the impact of acquisitions, net sales increased slightly for 1998 compared with 1997. Income from operations, however, decreased to \$48 million from \$50.5 million for 1998 compared with 1997. Volume gains in 1998 were partially offset by pricing pressures in polyisocyanurate foam products, a less favorable product mix and acquisition-related costs. In addition, adverse weather conditions early in the year limited roofing activity and shipments, and negatively affected 1998 operating margins.

Engineered Products Segment

The Engineered Products segment's net sales increased \$38.1 million, or 8 percent, to \$514.1 million for 1998 compared with \$476 million in 1997. Income from operations decreased slightly to \$77.7 million from \$78.3 million for the same periods. The sales increases are primarily due to the May 1997 acquisition of Mitex and the May 1998 acquisition of Tasso AB, both European manufacturers of fiber glass wall covering fabrics. However, 1998 sales and operating income were adversely affected by slower economic activity in Asia and Russia. Volume increases in the U.S. mats and fibers business were partially offset by the aforementioned weather-related declines in roofing mat shipments and lower selling prices during 1998. Results in filtration decreased for 1998 due to lower selling prices and a worldwide slowdown in clean room builds.

Other Income (Expense), net

The Company sold its five percent net smelter royalty on certain metals produced by the Stillwater Mining Company for cash resulting in other income of \$36 million in April 1998.

Interest

Compared with 1997, the Company's interest income decreased \$3.8 million due to lower average cash and marketable securities balances.

The Company's interest expense decreased \$14.3 million for 1998 compared with 1997 primarily due to the repurchase of substantially all of the Company's \$400 million of 10.875 percent Senior Notes due 2004 (the "Senior Notes") in May 1998 using revolving credit facilities with significantly lower interest rates. Also during 1998, the Company used available cash to repay borrowings under the revolving credit facilities.

Income Taxes

The Company's effective tax rate was approximately 26 percent in 1998 and 1997. The Company receives a tax deduction and a related reduction in its effective tax rate when the Manville Personal Injury Settlement Trust (the "Trust") pays claimants or makes distributions to a specific settlement fund from dividends paid on, or proceeds received from disposition of, Company stock held by the Trust. The Company benefited from such distribution of dividend and stock sale proceeds to the settlement fund and from the utilization of tax credits.

Discontinued Operations

During 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.

Extraordinary Loss on Early Extinguishment of Debt

In May 1998, the Company repurchased, through a cash tender offer, substantially all of its \$400 million of 10.875 percent Senior Notes. This transaction resulted in an extraordinary loss on the early extinguishment of debt of \$31.8 million, net of taxes of \$18.1 million.

Cumulative Effect of Accounting Change

Effective January 1, 1998, the Company changed its method of accounting for glass furnace rebuild costs to the capitalization method from the allowance method. The cumulative effect of this change in accounting principle increased 1998 earnings by \$27.4 million, net of taxes of \$17.9 million. This change resulted in an increase in depreciation expense but eliminated the provision for furnace rebuilds. The pro forma effect of this change on net income was not material.

Earnings Per Common Share

Basic and diluted net earnings per common share for 1998 were \$1.13 and \$1.12, respectively, as compared with basic and diluted net earnings per common share of \$0.93 and \$0.92, respectively, for 1997. The extraordinary loss on early extinguishment of debt decreased basic and diluted earnings per common share by \$0.20 during 1998. The cumulative effect of a change in accounting increased basic and diluted earnings per common share by \$0.17 during 1998. Gain on disposal of discontinued operations increased basic and diluted earnings per common share by \$0.12 during 1997.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Insulation Segment

The Insulation segment's net sales remained essentially unchanged at \$697.8 million for 1997. Income from operations for this segment decreased \$6.3 million, or 6.8 percent, to \$86.6 million for 1997 from \$92.9 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 insulation 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 \$28.8 million to \$50.5 million in 1997, reflecting strong margins when compared with \$21.7 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 \$78.3 million, or 18.1 percent, compared with \$95.6 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.

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. At December 31, 1998, \$12 million of the remaining liability of \$37.3 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 available cash balances and cash generated from operations. Pending federal and state regulatory agency approval, the final demolition is expected to begin in 1999 and is expected to be substantially completed by 2000, with the majority of liabilities settled during that time frame. Due in part to delays in obtaining these approvals, the Company spent minimal amounts in preparation for demolition phases of the project during 1998. 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 also recorded 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 \$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' tax credits and the tax benefit the Company receives on its quarterly dividend. 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Discontinued Operations

During 1997, the Company recognized an additional \$19.5 million net gain related to the 1996 disposal of the discontinued operations of Riverwood International Corporation.

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.

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 financial and general covenants. These include, among other things, limitations on borrowings, investments and asset dispositions and maintenance of various financial ratios. 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, 1998, the Company was in compliance with these covenants.

The Company's cash and marketable securities balances decreased \$152.6 million during 1998 to \$16.5 million at December 31, 1998, from \$169.1 million at December 31, 1997. At December 31, 1998, cash and marketable securities located outside the U.S. and Canada were \$12.8 million. In conjunction with the tender offer discussed in "1998 vs 1997 Results of Operations - Extraordinary Loss on Early Extinguishment of Debt," the Company arranged unsecured multicurrency revolving credit facilities (the "credit facilities") totaling approximately \$750 million at a floating interest rate of LIBOR plus an additional margin, with an initial termination date of May 15, 2003. The Company used \$450 million of the credit facilities to repurchase the Senior Notes. At December 31, 1998, \$550 million of borrowings under the credit facilities were outstanding. The remaining credit facilities are available for funding acquisitions and capital expenditures, and other corporate purposes. The Company also canceled its \$100 million receivables sale facility and its \$75 million revolving line of credit available to international subsidiaries. The Company's international subsidiaries had additional borrowing and working capital facilities totaling \$13.3 million, of which \$9.7 million was available at December 31, 1998. These facilities are principally secured by the Company's equity ownership in certain international subsidiaries and joint ventures.

The Company's net operating activities provided \$226.3 million of cash during 1998, compared with \$168.7 million for 1997. The Company's cash flows from operating activities are primarily influenced by sales volume and selling prices. As discussed in "Results of Operations," the effects of increased sales volumes were partially offset by lower selling prices experienced during the first half of 1998. During 1998, operating activities also included the mining royalty sale gain, offset by the loss from the early extinguishment of the Senior Notes. The Company expects operating results to continue to benefit from the integration of acquisitions. Recent price improvements are expected to continue to benefit the building insulation business. Meanwhile, slow economic activity in Asia and Russia may continue to impact results in the Engineered Products segment. In addition, 1999

results of operations will be affected by 1998 interest rate declines and equity market volatility, which will negatively impact the Company's pension expense (income). However, this is not expected to impact the Company's pension plan cash funding requirements.

The Company's investing activities used \$391.1 million in 1998 and \$213.4 million during 1997. Investing activities for 1998 used \$92.2 million for acquisitions, net of cash acquired, and \$106.4 million for capital expenditures. In addition, 1998 investing activities include the Company's \$227.3 million deposit for the Spunbond/Monofilament acquisition completed in 1999. The 1998 capital expenditures included approximately \$46 million related to capacity expansion projects. Cash used in investing activities for 1997 included acquisitions of \$136.5 million, net of cash acquired, and capital expenditures totaling \$90.5 million, of which approximately \$50 million related to capacity expansion projects. Investing activities for 1997 also included proceeds from the disposition of the Company's automotive molded parts business.

The Company's financing activities for 1998 consisted of issuances of debt totaling \$599.6 million, net, and repayments of debt totaling \$469.9 million, relating primarily to the December 1998 deposit for the Spunbond/Monofilament acquisition and the May 1998 Senior Note repurchase. In addition, the Company purchased 3.6 million shares of its common stock from the Trust at \$13 per share and, accordingly, recognized treasury stock, at cost, of \$46.8 million in 1998. The Company paid quarterly dividends totaling \$28.8 million and \$21 million during 1998 and 1997, respectively. During the third quarter of 1998, the Company increased the quarterly dividend rate from \$0.04 to \$0.06 per share, paid in the fourth quarter. During 1997, the Company repaid debt totaling \$30 million assumed in connection with 1996 acquisitions. The Company also borrowed \$55 million from international credit facilities to partially finance 1997 acquisitions, of which \$10 million was repaid in 1997. The remainder was repaid in 1998.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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.

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, tax credit carryforwards and, in 1996, net operating loss carryforwards. 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.

As of December 31, 1998, the Company will need a cumulative total of approximately \$570 million of U.S. federal taxable income to realize its net U.S. deferred tax asset of \$198.4 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.

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, 1998 closing market price of \$16.4375 per share, and assuming full realization, the deferred tax asset related to the Company's stock held by the Trust would total approximately \$720 million, which exceeds the carrying value by nearly \$570 million.

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. The Company cannot predict the amount of any such future tax obligations. However, related liabilities could become 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 or the settlement of this obligation between the Company and the Trust. During 1998, the Company incurred approximately \$3 million of these taxes, before any U.S. federal or state benefit.

Capital Spending and Capacity Expansion

The Company estimates capital spending in 1999 of approximately \$160 million excluding acquisitions, of which approximately \$59 million will be used in capacity expansion programs. As of December 31, 1998, outstanding purchase commitments relating to capital spending and capacity expansion projects totaled \$18.1 million. The Company plans to fund its capital spending from available 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 may be obligated to further monitor and reduce air emissions at its manufacturing sites. The Title III air toxics regulations applicable to the Company's fiber glass plants were issued in proposed form in 1997. Subsequent proposed amendments to those regulations in the first quarter of 1999 did not change the substantive requirements related to air toxics. The Company does not anticipate significant compliance costs as a result of these regulations. Because the other anticipated regulations have not yet been proposed, neither the costs nor timing of compliance can be reasonably anticipated at this time, however, these anticipated regulations could require capital expenditures in the years 1999-2001, with most of the expenditures occurring in the latter part of that time frame.

Acquisitions

In January 1998, the Company acquired the assets of a U.S. manufacturer of reinforced thermoplastic roofing systems and also acquired a plant associated with the Insulation segment, which manufactures calcium silicate pipe and block insulation, and fireproof board. In May 1998, the Company acquired Exeltherm, a Canadian producer of polyisocyanurate foam products for commercial/industrial roofing and residential construction. Also in May 1998, the Company acquired Skandinaviska Jute, which owns Tasso AB, a European manufacturer of fiber glass wall coverings. This acquisition is associated with businesses of the Engineered Products segment. In December 1998, the Company acquired the assets of a U.S. manufacturer of commercial/industrial roofing insulation products. Also in December 1998, the Company entered into a joint venture to develop, manufacture and market products used to stop the spread of fires in new and existing buildings. This joint venture is associated with businesses of the Insulation segment.

The combined purchase price for these acquisitions, accounted for under the purchase method, was \$92.2 million which was financed from existing cash balances and borrowings under credit facilities. The excess of the combined purchase price over the estimated fair value of net assets acquired, or goodwill, amounted to approximately \$59 million. Certain amounts of the purchase price allocation related to preacquisition contingencies and restructuring decisions were based on preliminary estimates and may be revised during 1999.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Subsequent Event

On January 1, 1999, the Company completed the acquisition of Hoechst's Spunbond/Monofilament operations. This acquisition will expand existing product lines of the Company's Engineered Products segment in North America and Europe. The cash payment for this acquisition, to be accounted for under the purchase method, will be \$227.3 million (subject to certain post-closing adjustments), financed with borrowings from the Company's credit facilities. The acquisition borrowings, drawn during December 1998, are shown as the acquisition deposit on the Company's balance sheet. The allocation of the purchase price will be finalized during 1999 upon completion of asset valuations and determination of preacquisition contingencies and restructuring decisions.

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, now consolidated, 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 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, 1998, the Company had remediation activities in progress at four sites, out of a total of 16 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 14 non-Company owned or operated sites under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state legislation. Of these 14 sites, the Company's potential liability for ten sites will be determined pursuant to the settlement agreement described in the following paragraph. Three of the sites may not be subject to the settlement agreement and, accordingly, the Company could be jointly and severally liable for costs of remediating these sites. At one of the sites, only part of the liability will be determined by the settlement agreement with the rest of the liability being the subject of a U.S. Environmental Protection Agency ("EPA") *de minimis* settlement offer.

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 a court order, 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 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, 1998 and 1997, the Company's balance sheet included undiscounted accruals for environmental remediation costs, including ongoing compliance, maintenance and monitoring costs, of \$34.8 million and \$36.5 million, respectively. The Company paid \$1.7 million and \$1.3 million for environmental cleanup in 1998 and 1997, respectively. Except for certain one-time costs (related to the nonrecurring charges as discussed in "Results of Operations - Nonrecurring Charges") expected to be incurred in 1999 and 2000 totaling \$12.9 million, the Company believes amounts paid in 1998 and 1997 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year 2000 Compliance

The Company is engaged in a comprehensive project to modify its systems for year 2000 compliance. The Company's approach to year 2000 compliance activities may be broken down into five general areas: inventory, analysis/planning, repair/modification/testing, certification, and contingency plans.

As of December 31, 1998, the Company has completed substantially all of the inventory and a majority of the analysis/planning phases of the project which involved obtaining systems inventories including embedded technology, performing on-site audits at operating locations, contacting vendors to obtain compliant releases of hardware and software, and establishing project plans and associated implementation schedules. Testing and repair/modification work and surveys of major suppliers to determine their level of compliance began during the second quarter of 1998 and will continue through the first quarter of 1999. Certifications began during the fourth quarter of 1998, with completion expected in early 1999. Business continuity and contingency plans, including, among other things, manual equipment operations and scheduling, are currently being developed to address high risk areas as they are identified with contingency plans in place by the end of 1999. To date, the phases of the project currently underway have progressed substantially as planned. Failure by the Company or its vendors and customers to achieve year 2000 compliance could result in disruption of the Company's operations, possibly impacting the Company's ability to obtain raw materials, produce products, or collect revenues. However, the Company believes that its compliance efforts will be successful and that significant disruptions of the Company's operations are unlikely to develop.

The Company spent approximately \$1.4 million in 1998 on year 2000 projects and activities. The estimated total costs for year 2000 related projects and activities, anticipated to be completed in 1999, are not expected to exceed \$5 million. However, if costs are incurred in excess

of the above estimates, such costs are not expected to have a material adverse effect on the Company's financial condition, liquidity, or results of operations. All future expenditures will be funded through operations and will directly impact the reported level of income. The above discussion regarding costs, risks and estimated completion dates for year 2000 compliance activities is based on estimates given information that is currently available, and is subject to change.

Introduction of the Euro

On January 1, 1999, eleven countries of the European Union established a new single European currency (the "Euro"). The Euro will become a currency in its own right and will completely replace the currencies of the participating countries by 2002. This conversion may affect, among other things, cross-border competition among member countries, product pricing, exchange rate risk and derivatives exposure, and information technology and systems. The Company's European businesses, primarily in the Engineered Products segment, accounted for approximately 12 percent of total sales during 1998. The Company is addressing issues related to the conversion and, at this time, is not expecting material adverse effects on its financial condition, liquidity or results of operations.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, effective for all fiscal quarters of fiscal years beginning after June 15, 1999, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that the Company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. At this time, the Company cannot determine the effects, if any, adopting this statement will have on its financial condition, liquidity or results of operations. However, the Company does not expect a significant impact on its results of operations.

Market Risk

The Company is exposed to, among other things, the impact of interest rate changes, foreign currency fluctuations, and changes in commodity prices related to energy. The Company employs established policies and procedures to manage its exposure and minimize volatility in earnings and cash flows, lower costs and protect the value of certain foreign currency denominated assets, liabilities and anticipated transactions. To achieve these objectives the Company enters into interest rate swaps to manage net exposure to interest rate changes related to its debt obligations, foreign currency contracts that change in value as foreign exchange rates fluctuate and contracts to purchase certain quantities of goods at fixed prices. It is the Company's policy to enter into these derivative transactions only to the extent necessary to meet the objectives stated above. Consequently, the Company does not enter into these transactions for speculative purposes.

Based on a one percentage point increase in applicable interest rates, the hypothetical pretax loss in earnings on an annual basis related to the Company's debt and derivative financial instruments subject to interest rate risk at December 31, 1998 would be approximately \$3 million. As of December 31, 1998 the Company did not have any significant outstanding foreign currency contracts or commodity contracts.

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 taxes, phenolic roofing insulation and environmental liabilities, (iv) the effect on the building insulation business resulting from the current pricing environment, (v) the Company's estimates of capital spending, (vi) the expected benefits from the continuing integration of acquisitions and capacity expansions, (vii) the possible earnings decline from the economic slow down in Asia and Russia in the Engineered Products segment, (viii) the Company's expectations concerning interest rates and equity markets and their effect on 1999 pension expense (income) and cash flows, (ix) the Company's estimates on the ability of the Company and its vendors and customers to replace, modify or upgrade computer systems in ways that adequately address the year 2000 issue, (x) the Company's expectations concerning the Euro conversion, (xi) the projected impact of the ultimate adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and (xii) the Company's ability to satisfy its debt service requirements, its ongoing capital expansion program and its other ongoing operating costs, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 1998.

Specific factors that might affect the ability of the Company and its vendors and customers to replace, modify or upgrade systems in ways that adequately address the year 2000 issue include the ability to identify and correct all relevant systems, unanticipated difficulties or delays in the implementation of the Company's remediation plans and the ability of third parties to adequately address their own year 2000 issues, as well as those issues discussed in "Liquidity and Capital Resources—Year 2000 Compliance and Introduction of the Euro."

Factors relating to the Company's estimates concerning nonrecurring charges are discussed in "1997 vs 1996 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 taxes, phenolic roofing insulation, environmental matters and the introduction of the Euro, see "Results of Operations—Income Taxes" and "Liquidity and Capital Resources—Contingent Product Liability, Environmental Contingencies, and Introduction of the Euro."

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, 1998.

CONSOLIDATED BALANCE SHEET

In thousands of dollars

December 31,	1998	1997
Assets		
Current Assets		
Cash and equivalents	\$ 12,350	\$ 132,137
Marketable securities, at cost, which approximates market	4,168	36,929
Receivables	264,407	221,943
Inventories	131,709	127,061
Prepaid expenses	12,560	11,409
Deferred tax assets	36,648	42,006
Total Current Assets	461,842	571,485
Property, Plant and Equipment, at cost		
Land and improvements	55,747	50,189
Buildings	256,153	246,175
Machinery and equipment	1,243,593	1,141,106
	1,555,493	1,437,470
Less accumulated depreciation and depletion	691,335	639,711
Property, Plant and Equipment, net	864,158	797,759
Deferred Tax Assets	164,024	194,836
Goodwill	248,692	202,844
Acquisition Deposit (Note 25)	227,300	
Other Assets	241,169	213,610
Total Assets	\$ 2,207,185	\$ 1,980,534
Liabilities		
Current Liabilities		
Short-term debt	\$ 4,641	\$ 1,767
Accounts payable	128,688	114,638
Compensation and employee benefits	99,320	84,221
Income taxes	16,539	8,703
Other accrued liabilities	68,781	86,785
Total Current Liabilities	317,969	296,114
Long-Term Debt, less current portion	587,276	456,294
Deferred Income Taxes	43,927	42,175
Postretirement Benefits Other Than Pensions	186,949	197,419
Other Noncurrent Liabilities	280,956	295,449
Total Liabilities	1,417,077	1,287,451
Commitments and Contingencies (Notes 2, 8, 15 and 18)		
Stockholders' Equity		
Cumulative Preference Stock, Series B, redeemed 1996		
Common Stock, \$.01 par value, authorized 300,000,000 shares;		
issued and outstanding 163,814,572 shares and 158,997,817 shares,		
respectively, in 1998; and issued and outstanding 162,822,540 shares		
and 161,580,589 shares, respectively, in 1997		
	1,638	1,628
Treasury Stock, at cost, 4,816,755 shares in 1998 and 1,241,951 shares in 1997	(63,067)	(16,522)
Capital in Excess of Par Value	544,667	540,422
Unearned Stock Compensation	(4,836)	(7,224)
Retained Earnings	314,605	165,492
Accumulated Other Comprehensive Income (Note 22)	(2,899)	9,287
Total Stockholders' Equity	790,108	693,083
Total Liabilities and Stockholders' Equity	\$ 2,207,185	\$ 1,980,534



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

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	In thousands of dollars, except per share amounts		
For the Years Ended December 31,	1998	1997	1996
Net Sales	\$1,781,179	\$1,647,645	\$1,552,429
Cost of Sales	1,303,958	1,216,135	1,111,811
Selling, General and Administrative	190,562	174,573	171,027
Research, Development and Engineering	32,823	31,174	32,663
Nonrecurring Charges			49,156
Other Income (Expense), net	25,901	(10,341)	(345)
Income from Operations	279,737	215,422	187,427
Interest Income	6,433	10,263	18,897
Interest Expense	35,912	50,205	48,242
Profit Sharing Expense (Note 17)			6,648
Income from Continuing Operations before Income Taxes	250,258	175,480	151,434
Income Tax Expense (Benefit)	64,967	44,951	(39,091)
Income from Continuing Operations	185,291	130,529	190,525
Gain on Disposal of Discontinued Operations, net of tax (Note 19)		19,471	216,246
Income before Extraordinary Items and Cumulative Effect of Accounting Change	185,291	150,000	406,771
Extraordinary Losses, net of tax (Notes 17 and 20)	(31,754)		(316,285)
Cumulative Effect of a Change in Accounting for Furnace Rebuilds, net of tax (Note 21)	27,409		
Net Income	180,946	150,000	90,486
Preference Stock Redemption Premium/Dividends			(60,341)
Net Income Applicable to Common Stock	180,946	150,000	30,145
Foreign Currency Translation Adjustments, net of tax	(12,186)	(17,384)	(6,013)
Comprehensive Income	\$ 168,760	\$ 132,616	\$ 24,132
Earnings Per Common Share (Note 11)			
Basic:			
Income from Continuing Operations	\$ 1.16	\$.81	\$.86
Gain on Disposal of Discontinued Operations, net of tax (Note 19)		.12	1.43
Income before Extraordinary Items and Cumulative Effect of Accounting Change	1.16	.93	2.29
Extraordinary Losses, net of tax (Notes 17 and 20)	(.20)		(2.09)
Cumulative Effect of a Change in Accounting for Furnace Rebuilds, net of tax (Note 21)	.17		
Net Income Applicable to Common Stock	\$ 1.13	\$.93	\$.20
Diluted:			
Income from Continuing Operations	\$ 1.15	\$.80	\$.85
Gain on Disposal of Discontinued Operations, net of tax (Note 19)		.12	1.42
Income before Extraordinary Items and Cumulative Effect of Accounting Change	1.15	.92	2.27
Extraordinary Losses, net of tax (Notes 17 and 20)	(.20)		
Cumulative Effect of a Change in Accounting for Furnace Rebuilds, net of tax (Note 21)	.17		(2.07)
Net Income Applicable to Common Stock	\$ 1.12	\$.92	\$.20

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,	1998	1997	1996
Cash Flows from Operating Activities			
Net income	\$ 180,946	\$ 150,000	\$ 90,486
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	93,811	80,163	71,175
Deferred taxes	17,099	11,571	(67,178)
Product guarantee income	2,283	4,961	8,651
Provision for furnace rebuilds		11,264	8,270
Pension and postretirement benefits, net	(1,036)	6,607	12,251
Nonrecurring charges			49,870
Interest expense	2,626	2,318	2,047
Profit sharing expense			6,648
Gain on disposal of discontinued operations		(19,471)	(216,246)
Extraordinary losses			314,296
Cumulative effect of accounting change	(27,409)		
Other, net	10,638	9,721	20,534
(Increase) decrease in current assets:			
Receivables	(30,984)	22,985	11,411
Inventories	7,931	(18,423)	(2,680)
Prepaid expenses	965	(4,165)	(1,732)
Increase (decrease) in current liabilities:			
Accounts payable	7,171	(5,217)	(7,681)
Compensation and employee benefits	12,617	(11,373)	(13,022)
Income taxes	11,314	(24,701)	(14,186)
Other accrued liabilities	(19,431)	23,264	(40,412)
Decrease in postretirement benefits other than pensions	(23,822)	(16,363)	(16,347)
Decrease in other noncurrent liabilities	(18,381)	(54,420)	(16,450)
Profit sharing paid			(34,309)
Net cash provided by operating activities	226,338	168,721	165,396
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	(106,372)	(90,528)	(103,041)
Acquisition deposit	(227,300)		
Acquisitions	(92,205)	(136,521)	(153,113)
Proceeds from sales of assets	6,314	9,351	15,386
Proceeds from disposition of Riverwood			1,081,341
Purchases of available-for-sale marketable securities	(8,388)	(27,664)	(31,332)
Purchases of held-to-maturity marketable securities	(2,033)	(14,042)	(33,458)
Proceeds from sales of available-for-sale marketable securities	30,154	45,712	55,035
Proceeds from maturities of held-to-maturity marketable securities	15,018	2,538	84,446
(Increase) decrease in other assets	(6,322)	(2,233)	20,177
Net cash provided by (used in) investing activities	(391,134)	(213,387)	935,441
Cash Flows from Financing Activities			
Issuance of debt	599,587	56,637	63
Payments on debt	(469,873)	(61,170)	(42,786)
Preference stock redemption/dividends			(241,056)
Dividends on common stock	(28,775)	(20,995)	(972,988)
Stock warrants exercised			64,794
Treasury stock transactions	(46,545)	(281)	(14,242)
Other stock transactions	5,226	330	2,514
Net cash provided by (used in) financing activities	59,620	(25,479)	(1,203,701)
Effect of Exchange Rate Changes on Cash	(14,611)	(4,323)	(1,340)
Net Decrease in Cash and Equivalents	(119,787)	(74,468)	(104,204)
Cash and Equivalents at Beginning of Year	132,137	206,605	310,809
Cash and Equivalents at End of Year	\$ 12,350	\$ 132,137	\$ 206,605



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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Cumulative Preference Stock, Series B	Common Stock	Treasury Stock
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)
Net income for the year			
Currency translation			
Stock compensation plan transactions		10	
Common stock dividends			
Purchase of treasury stock			(46,545)
Balances at December 31, 1998		\$1,638	\$ (63,067)

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 Other Comprehensive Income	Total Stockholders' Equity
\$ 1,013,505	\$ (3,427)	\$ (39,322)	\$ 32,684	\$ 1,181,307
		90,486		90,486
64,725			(6,013)	(6,013)
14,989	(5,697)			64,794
(972,988)		(4,843)		9,297
		(8,215)		(977,831)
(52,126)				(8,215)
				(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
		180,946		180,946
			(12,186)	(12,186)
4,245	2,388			6,643
		(31,833)		(31,833)
				(46,545)
\$ 544,667	\$ (4,836)	\$ 314,605	\$ (2,899)	\$ 790,108



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 79 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.

Gains and losses on foreign currency transactions and related 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.

Amounts related to interest swap transactions qualifying for hedge accounting, payable or receivable, are accrued on a current basis as adjustments to interest expense. Any gains (losses) on the termination of the interest rate swaps are deferred and recognized over periods corresponding to the related obligation being hedged.

(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. The Company evaluates the recoverability of property, plant and equipment through its ongoing strategic planning process.

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) 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.

(I) 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.

(J) 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.

(K) 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. In order to fix a portion of the Company's variable interest rate debt and reduce the aggregate risk to movements in interest rates, the Company entered into interest rate swap transactions with notional values totaling approximately \$240 million. In addition to reducing risk, the interest rate swaps have a correlation to the underlying debt obligation, and therefore, qualify for hedge accounting. At December 31, 1998, the fair market value of these instruments reflected unrecognized losses of \$7.8 million. (For additional information on fair market value disclosures, see Note 7.)

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 significant forward contracts outstanding at December 31, 1998 or 1997.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company had outstanding letters of credit totaling \$16.5 million and \$15.4 million as of December 31, 1998 and 1997, 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 does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of counterparties. 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, 1998, the Company held investments in debt securities that were classified as held-to-maturity with an amortized cost basis of \$12.9 million, which approximated fair value. The Company's investments in held-to-maturity debt securities at December 31, 1998 were classified on the balance sheet as cash equivalents of \$2 million, marketable securities of \$4.2 million and other assets of \$6.7 million, depending upon the nature and maturity of the investments. Of these securities, \$6.2 million had contractual maturities within one year; the remainder mature in one to five years. Additionally, at December 31, 1998, the Company had investments in available-for-sale debt securities, principally escrowed funds, that were classified on the balance sheet as other assets of \$5.2 million. The amortized cost basis of these securities approximated fair value. Of these securities, \$5.1 million had contractual maturities within one year.

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.

During 1998, 1997 and 1996, the Company sold securities that had been classified as available-for-sale, resulting in proceeds of \$30.2 million, \$45.7 million and \$55 million, respectively, which approximated carrying value each year.

**Note 3:
Receivables**

	<i>In thousands of dollars</i>	
	1998	1997
Trade	\$ 281,389	\$ 237,743
Less allowances	41,528	36,780
	239,861	200,963
Other	24,546	20,980
	\$ 264,407	\$ 221,943

Included in allowances are doubtful accounts of \$5 million and \$6 million at December 31, 1998 and 1997, 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 \$0.4 million for 1998, \$(0.2) million for 1997, and \$1.1 million for 1996.

**Note 4:
Inventories**

	<i>In thousands of dollars</i>	
	1998	1997
Finished goods	\$ 84,393	\$ 82,082
Work-in-process	13,945	10,869
Raw materials	23,813	25,410
Supplies	9,558	8,700
	\$ 131,709	\$ 127,061

Inventories in the amounts of \$31.1 million and \$23.4 million at December 31, 1998 and 1997, 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 \$49.8 million and \$53.8 million at December 31, 1998 and 1997, respectively.

**Note 5:
Short-Term Debt and Credit Facilities**

	<i>In thousands of dollars</i>	
	1998	1997
Short-term borrowings	\$ 4,074	\$ 1,330
Current portion of long-term debt	567	437
	\$ 4,641	\$ 1,767

The Company's international subsidiaries had borrowing and working capital facilities totaling \$13.3 million, of which \$9.7 million was available at December 31, 1998. These facilities are, principally collateralized by the Company's equity ownership in certain international subsidiaries and joint ventures.

**Note 6:
Compensation and Employee Benefits**

	<i>In thousands of dollars</i>	
	1998	1997
Vacation, compensation and payroll deductions	\$ 63,089	\$ 47,937
Self-insured medical and group life coverage	30,678	32,879
Other	5,553	3,405
	\$ 99,320	\$ 84,221



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7:

Long-Term Debt

	<i>In thousands of dollars</i>	
	1998	1997
Unsecured		
Revolving credit facilities	\$ 550,007	
Bonds payable to the Trust	22,446	\$ 19,820
10.875 percent Johns Manville International Senior Notes	2,525	400,000
Collateralized		
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	9,488	9,557
Notes payable with interest from 5.98 percent to 8.13 percent, payable through 2007	3,377	2,354
Revolving credit facility with interest at LIBOR plus 1 percent		25,000
	587,843	456,731
Less current portion	567	437
	\$ 587,276	\$ 456,294

Revolving Credit Facilities

In May 1998, the Company repurchased, through a cash tender offer, substantially all of its \$400 million of 10.875 percent Johns Manville International Senior Notes due 2004 (the "Senior Notes") (see Note 20). In conjunction with the tender offer, the Company arranged unsecured multicurrency revolving credit facilities (the "credit facilities") totaling approximately \$750 million at a floating interest rate of LIBOR plus a margin with an initial termination date of May 15, 2003. The Company used \$450 million of the credit facilities to repurchase the Senior Notes. At December 31, 1998, \$550 million of borrowings under the credit facilities were outstanding at interest rates ranging from 3.845 percent to 7.75 percent (see Note 25).

The remaining credit facilities are available for funding acquisitions and capital expenditures, and other corporate purposes. The Company also canceled its \$100 million receivables sale facility and its \$75 million revolving line of credit available to international subsidiaries.

Bonds Payable to the Trust

At December 31, 1998, the bonds payable to the Trust (the "Trust Bonds") of \$22.4 million consist of a series of fixed payments totaling \$75 million per year in 2013 and 2014, discounted at 13 percent.

Senior Notes

The Johns Manville International 10.875 percent Senior Notes, with interest payable semiannually, are due 2004. These notes, substantially all of which were repurchased as described above, 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.

Long-term debt maturities at December 31, 1998 are as follows:

	<i>In thousands of dollars</i>
1999	\$ 567
2000	506
2001	1,262
2002	2,592
2003	550,458
Thereafter	136,735
Total	692,120
Less interest accruing to principal	(104,277)
	\$ 587,843

The Company's agreements with its lenders contain financial and general covenants. These include, among other things, limitations on borrowings, investments, and asset dispositions, and maintenance of various financial ratios. 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, 1998, the Company was in compliance with these covenants.

At December 31, 1998, the Company's long-term debt totaled \$587.8 million and had an estimated fair value of \$603.3 million. At December 31, 1997, the Company's long-term debt totaled \$456.7 million and had an estimated fair value of \$515.5 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:

Commitments and Contingencies

Total rental expense related to continuing operations was \$14 million in 1998, \$12.5 million in 1997 and \$11.9 million in 1996.

At December 31, 1998, minimum rental commitments of the Company under long-term, noncancelable operating leases are as follows:

	<i>In thousands of dollars</i>
1999	\$ 4,374
2000	3,906
2001	3,505
2002	3,774
2003	2,927
Thereafter	1,050
	\$ 19,536

The Company has various commitments for sales and purchases in the ordinary conduct of business. In the aggregate, such commitments do not differ significantly from 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, now consolidated, 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 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, 1998, the Company had remediation activities in progress at four sites, out of a total of 16 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 14 non-Company owned or operated sites under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state legislation. Of these 14 sites, the Company's potential liability for ten sites will be determined pursuant to the settlement agreement described in the following paragraph. Three of the sites may not be subject to the settlement agreement and, accordingly, the Company could be jointly and severally liable for costs of remediating these sites. At one of the sites, only part of the liability will be determined by the settlement agreement with the rest of the liability being the subject of a U.S. Environmental Protection Agency ("EPA") *de minimis* settlement offer.

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 a court order, 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 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, 1998 and 1997, the Company's balance sheet included undiscounted accruals for environmental remediation costs, including ongoing compliance, maintenance and monitoring costs, of \$34.8 million and \$36.5 million, respectively. The Company paid \$1.7 million and \$1.3 million for environmental cleanup in 1998 and 1997, respectively. Except for certain one-time costs (related to the nonrecurring charges discussed in Note 15) expected to be incurred in 1999 and 2000 totaling \$12.9 million, the Company believes that amounts paid in 1998 and 1997 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.

Note 9:

Stockholders' Equity

During 1998, the Company purchased 3.6 million shares of its common stock from the Trust at \$13 per share, and accordingly, recognized treasury stock, at cost, of \$46.8 million.

During 1996, approximately 32.5 million shares of the Company's common stock were issued under the profit sharing exchange (see Note 17). 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") (see Note 19).

The Company redeemed its 9.2 million shares of 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 totaled \$10.3 million.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of shares outstanding:

	Common Stock
Balance at December 31, 1995	122,785,753
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
Issuance of common stock in connection with compensation plans	1,022,242
Treasury stock acquired	(3,605,014)
Balance at December 31, 1998	158,997,817

Note 10:

Stock Compensation Plans

The Company's stock compensation plans grant eligible employees deferred stock rights 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, 1998, approximately 6 million shares were available for issuance under stock compensation and noncompensatory plans.

The amount of compensation expense recognized for stock-based compensation was \$6.2 million, \$2.7 million and \$2.8 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Deferred 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 1998, 1997 and 1996, 50,046 deferred stock rights were issued at a weighted average market value at grant date of \$13.28 per share; 128,000 deferred stock rights were issued at a weighted average market value at grant date of \$11.36 per share; and 1.1 million deferred stock rights were issued at a weighted average market value at grant date of \$10.48 per share, respectively. At December 31, 1998, 432,042 deferred stock rights were outstanding, with vesting through December 31, 2000.

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 during 1997 under the noncompensatory plan, vested by December 31, 1997 with the remainder vesting through December 10, 2001. These options expire between December 31, 2005 and December 10, 2008.

The weighted average fair values of options granted is as follows:

	Exercise price equal to market on grant date	Exercise price exceeds market on grant date
1998	\$4.41	\$3.35
1997	\$3.84	\$2.81
1996	\$3.02	\$2.71

A summary of the status of the Company's stock option plans as of December 31, 1998, 1997 and 1996 is presented below:

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	6,981,862	\$11.76	5,235,225	\$11.51	548,900	\$ 9.00
Granted	1,051,861	\$15.01	2,234,295	\$12.29	5,260,440	\$11.69
Exercised	(811,958)	\$10.61	(44,242)	\$ 8.62	(252,800)	\$ 7.14
Forfeited	(170,849)	\$12.18	(443,416)	\$11.70	(321,315)	\$ 7.56
Outstanding at End of Year	7,050,916	\$12.37	6,981,862	\$11.76	5,235,225	\$11.51
Options Exercisable at End of Year	4,327,708		4,685,108		2,075,515	



The following table summarizes information about stock options outstanding at December 31, 1998:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 4.00	35,000	6.3 years	\$ 4.00	35,000	\$ 4.00	
\$ 9.88-\$14.69	6,046,149	6.3 years	\$11.92	4,265,235	\$11.81	
\$14.70-\$20.39	969,767	9.4 years	\$15.46	27,473	\$15.31	
	7,050,916	6.8 years	\$12.37	4,327,708	\$11.77	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recognition of compensation expense under SFAS No. 123 is optional. However, 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, 1998, 1997 and 1996 would have been reduced to the following pro forma amounts:

In thousands of dollars, except per share amounts

	1998	1997	1996
Net income applicable to common stock:			
As reported	\$180,946	\$150,000	\$30,145
Pro forma	\$179,406	\$144,476	\$25,926
Basic earnings per share:			
As reported	\$1.13	\$.93	\$.20
Pro forma	\$1.12	\$.89	\$.17
Diluted earnings per share:			
As reported	\$1.12	\$.92	\$.20
Pro forma	\$1.11	\$.89	\$.17

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts and additional awards in future years are possible.

	1998		1997		1996	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Common stock	163,822,000	163,822,000	162,768,000	162,768,000	152,201,000	152,201,000
Dilutive potential common shares:						
Stock options, deferred stock rights and warrants.		1,895,000		1,594,000		1,228,000
Treasury stock	(3,799,000)	(3,799,000)	(1,226,000)	(1,226,000)	(871,000)	(871,000)
	160,023,000	161,918,000	161,542,000	163,136,000	151,330,000	152,558,000

Stock options to purchase 1 million, 2.3 million and 2 million common shares in 1998, 1997 and 1996, respectively, were not included in the computation of

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 are as follows:

	1998	1997	1996
Dividend yield per share	\$0.24	\$0.16	\$0.12
Expected volatility	36.1%	31.4%	32.0%
Risk free rate of return	4.5%	6.3%	6.6%
Expected life of options in years	3.9	4.5	4.0

Note 11: Earnings per Common Share

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:

diluted earnings per common share because the stock options' exercise prices were greater than the average market price of the common shares.

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

	<i>In thousands of dollars</i>		
	1998	1997	1996
Income from Continuing Operations	\$185,291	\$ 130,529	\$ 190,525
Preference Stock Redemption Premium/Dividends			(60,341)
	185,291	130,529	130,184
Gain on Disposal of Discontinued Operations, net of tax		19,471	216,246
Income before Extraordinary Losses and Cumulative Effect of Accounting Change	185,291	150,000	346,430
Extraordinary Losses	(31,754)		(316,285)
Cumulative Effect of Accounting Change	27,409		
Net Income Applicable to Common Stock	\$180,946	\$ 150,000	\$ 30,145

**Note 12:
Pensions**

U.S. Pension Plans

The Company's pension 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:

	<i>In thousands of dollars</i>		
	1998	1997	1996
Service cost	\$ 7,985	\$ 7,399	\$ 8,227
Interest cost	46,158	45,254	44,480
Expected return on plan assets	(64,330)	(54,903)	(52,946)
Amortization of prior service cost	1,632	1,545	1,441
Amortization of transition amount	(8,165)	(8,161)	(8,053)
Recognized actuarial loss		126	3,315
Total pension income	\$ (16,720)	\$ (8,740)	\$ (3,536)

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

	1998	1997	1996
Discount rates	7.50%	7.50%	7.00%
Rates of increase in future compensation levels	5.50%	5.50%	5.50%
Expected long-term rates of return on assets	9.00%	8.25%	8.00%

Pursuant to SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," the status of the Company's defined benefit plans as of December 31 are as follows:

	<i>In thousands of dollars</i>	
	1998	1997
Change in Projected Benefit Obligation		
Benefit obligation at beginning of year	\$ 641,560	\$ 631,941
Service cost	7,985	7,399
Interest cost	46,158	45,254
Amendments	1,993	870
Actuarial (gains) losses	27,644	(5,437)
Benefits paid	(51,343)	(38,467)
Benefit obligation at end of year	\$ 673,997	\$ 641,560
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ 741,007	\$ 691,592
Actual return on plan assets	(22,303)	87,480
Employer contributions	16	402
Benefits paid	(51,343)	(38,467)
Fair value of plan assets at end of year	\$ 667,377	\$ 741,007
Reconciliation of Funded Status		
Funded status	\$ (6,620)	\$ 99,447
Unrecognized net actuarial loss	144,490	30,213
Unrecognized prior service cost	11,870	11,509
Unrecognized transition amount	(3,848)	(12,013)
Prepaid pension asset	\$ 145,892	\$ 129,156



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The projected benefit obligations for the U.S. plans were determined in 1998 and 1997 using discount rates of 7 percent and 7.5 percent, respectively, and rates of increase in future compensation levels for salary-related plans of 4.5 percent and 5.5 percent, respectively.

German Pension Plan

The pension expense, determined using a discount rate of 7 percent for each year and a rate of increase in future compensation of 4 percent for 1998 and 5 percent for 1997 and 1996, for the years ended December 31 consists of the following:

	<i>In thousands of dollars</i>		
	1998	1997	1996
Service cost	\$ 665	\$ 567	\$ 881
Interest cost	1,727	1,529	1,861
Amortization of transition amount	114	106	126
Recognized actuarial gain	(134)	(140)	(21)
Total pension expense	\$ 2,372	\$ 2,062	\$ 2,847

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

	<i>In thousands of dollars</i>	
	1998	1997
Change in Projected Benefit Obligation		
Benefit obligation at beginning of year	\$ 23,421	\$ 28,204
Service cost	665	567
Interest cost	1,727	1,529
Actuarial gains	(16)	(1,790)
Foreign currency exchange rate changes	1,857	(4,063)
Benefits paid	(1,170)	(1,026)
Benefit obligation at end of year	\$ 26,484	\$ 23,421
Reconciliation of Funded Status		
Funded status	\$ (26,484)	\$ (23,421)
Unrecognized net actuarial loss	(4,363)	(4,183)
Unrecognized transition amount	570	633
Pension obligation	\$ (30,277)	\$ (26,971)

Projected benefit obligations were determined using a discount rate of 7 percent for both 1998 and 1997.

The rate of increase in future compensation levels for salary-related plans was 4 percent in 1998 and 1997.

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.

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 \$8.8 million in 1998, \$7.1 million in 1997 and \$7.5 million in 1996.

Note 13:**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:

	<i>In thousands of dollars</i>		
	1998	1997	1996
Service cost	\$ 1,530	\$ 1,390	\$ 1,373
Interest cost	13,488	13,210	12,955
Amortization of prior service cost	(1,838)	(1,838)	(1,838)
Amortization of actuarial loss	185	198	234
Total postretirement benefit expense	\$ 13,365	\$ 12,960	\$ 12,724

The postretirement benefit expense was calculated using a discount rate of 7.5 percent in 1998 and 1997, and 7 percent in 1996.

The Company's unfunded postretirement benefit obligation reconciled with the amounts shown in the Company's consolidated balance sheet, pursuant to SFAS No. 132, as of December 31, is as follows:

	<i>In thousands of dollars</i>	
	1998	1997
Change in Postretirement Obligation		
Beginning benefit obligation	\$ 188,831	\$ 184,981
Service cost	1,530	1,390
Interest cost	13,488	13,210
Actuarial losses	16,173	2,988
Foreign currency exchange rate changes	(435)	(260)
Benefits paid	(15,387)	(13,478)
Ending benefit obligation	\$ 204,200	\$ 188,831
Reconciliation of Funded Status		
Funded status	\$ (204,200)	\$ (188,831)
Unrecognized net actuarial gain (loss)	9,172	(6,381)
Unrecognized prior service cost	(22,700)	(24,538)
Fourth quarter benefits paid	10,057	4,492
Postretirement benefit obligation	\$ (207,671)	\$ (215,258)

The current portions of \$20.7 million and \$17.8 million of the postretirement benefit obligation are reflected in compensation and employee benefits as of December 31, 1998 and 1997, respectively. The accumulated postretirement benefit obligations were determined in 1998 and 1997 using discount rates of 7 percent and 7.5 percent, respectively. 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 1999; the rate was assumed to decrease gradually to 5.5 percent in 2002 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. 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, 1998 by \$8.3 million, and the aggregate of the service and interest cost components of the periodic cost for the year then ended by \$0.6 million. Meanwhile, decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated benefit obligation as of December 31, 1998 by \$7.8 million, and the aggregate of the service and interest cost components of the periodic cost for the year then ended by \$0.6 million.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14:

Workers' Compensation

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

	<i>In thousands of dollars</i>	
	1998	1997
Workers' Compensation Liability:		
Gross	\$ 112,069	\$ 117,917
Present Value	64,709	66,658
Insurance Receivable:		
Gross	\$ 7,740	\$ 7,572
Present Value	4,652	4,798

The liability and receivable were measured using risk-free discount rates of 5 percent and 6 percent at December 31, 1998 and 1997, 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 percent, 6.4 percent and 6.2 percent were used to measure expense for the years ended December 31, 1998, 1997 and 1996, respectively.

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

	<i>In thousands of dollars</i>
1999	\$ 7,200
2000	7,200
2001	7,100
2002	7,000
2003	6,800
Thereafter	76,769
	\$ 112,069

Note 15:

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. At December 31, 1998, \$12 million of the remaining liability of \$37.3 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 available cash balances and cash generated from operations. Pending federal and state regulatory agency approval, the final demolition is expected to begin in 1999 and is expected to be substantially completed by 2000, with the majority of liabilities settled during that time frame. Due in part to delays in obtaining these approvals, the Company spent minimal amounts in preparation for demolition phases of the project during 1998. 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 also recorded 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 16:

Other Income (Expense), net

	<i>In thousands of dollars</i>		
	1998	1997	1996
Sale of mining royalty	\$ 35,988		
Amortization of intangible assets	(13,425)	\$ (10,516)	\$ (4,528)
Interest accretion on workers' compensation liabilities	(2,910)	(3,072)	(3,567)
Pension and postretirement benefits	59	(2,068)	(3,513)
Settlement of pension plans			7,216
Other	6,189	5,315	4,047
	\$ 25,901	\$ (10,341)	\$ (345)

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 17:

Profit Sharing Obligation

During 1996, the Company exchanged approximately 32.5 million shares of its common stock for the termination of 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 represented the final profit sharing payment to the Trust.

Note 18:

Income Taxes

Income taxes payable consists of the following:

	<i>In thousands of dollars</i>	
	1998	1997
U.S. federal and foreign income taxes	\$ 15,961	\$ 8,300
State and local taxes	578	403
	\$ 16,539	\$ 8,703

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

	<i>In thousands of dollars</i>	
	1998	1997
U.S. Deferred Tax Assets:		
Trust deductions	\$ 208,822	\$ 216,412
Employee benefit accruals	103,665	102,379
Other accrued liabilities	50,775	52,370
Credit for prior year minimum tax carryforward	21,391	20,871
Deferred compensation	9,106	5,839
Capitalized research, development and engineering	6,334	7,239
Deferred state and local taxes	1,960	6,552
General business credit carryforward	1,142	3,523
Provision for furnace rebuilds		9,625
Other	12,020	13,599
	415,415	438,409
Foreign Deferred Tax Assets	2,252	2,547
Total Deferred Tax Assets	417,667	440,956
U.S. Deferred Tax Liabilities:		
Property, plant and equipment	109,440	100,695
Prepaid pension asset	51,138	44,658
Other	5,874	6,761
Total Deferred Tax Liabilities	166,452	152,114
Net Deferred Tax Asset, before valuation allowances	251,215	288,842
Valuation Allowances	(50,543)	(52,000)
Net Deferred Tax Asset	\$ 200,672	\$ 236,842



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The deferred tax asset related to Trust deductions primarily represents common stock and Trust Bonds held by 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 \$200.9 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. 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.

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. The Company cannot predict the amount of any such future tax obligations. However, related liabilities could become 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 or the settlement of this obligation between the Company and the Trust. During 1998, the Company incurred approximately \$3 million of these taxes, before any U.S. federal or state benefit.

The Trust transferred approximately \$69.2 million and \$17.2 million in 1998 and 1997, respectively, to the specific settlement fund within the Trust or to claimants generating corresponding current tax deductions for the Company. 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, tax credit carryforwards and, in 1996, net operating loss carryforwards.

At December 31, 1998, the Company had a \$50.5 million valuation allowance on its U.S. deferred tax asset primarily related to future deductible amounts that may not be realized. The 1997 valuation allowance reflected an \$18.2 million decrease primarily due to the utilization of general business credit carryforwards that the Company previously believed would expire unused. 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:

	<i>In thousands of dollars</i>	
	1998	1997
Foreign Deferred Tax Assets	\$ 2,376	\$ 1,942
Foreign Deferred Tax Liabilities:		
Property, plant and equipment	43,327	41,772
Other	2,976	2,345
Total Deferred Tax Liabilities	46,303	44,117
Net Deferred Tax Liability	\$ 43,927	\$ 42,175

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

	<i>In thousands of dollars</i>		
	1998	1997	1996
U.S.	\$ 215,427	\$ 136,277	\$ 103,491
Foreign	34,831	39,203	47,943
	\$ 250,258	\$ 175,480	\$ 151,434

The reported amount of income tax expense on consolidated pretax income from continuing operations differs from the amount of income tax expense that would

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

	<i>In thousands of dollars</i>		
	1998	1997	1996
Current:			
U.S. federal	\$ 25,422	\$ 12,875	
U.S. state and local	4,530	2,887	\$ 3,595
Foreign	17,916	17,618	24,492
	47,868	33,380	28,087
Deferred:			
U.S.	16,849	13,044	(61,203)
Foreign	250	(1,473)	(5,975)
	17,099	11,571	(67,178)
	\$ 64,967	\$ 44,951	\$ (39,091)

result from applying the U.S. federal statutory tax rate to consolidated pretax income from continuing operations for the following reasons:

	<i>In thousands of dollars</i>		
	1998	1997	1996
U.S. federal statutory expense	\$ 87,588	\$ 61,420	\$ 53,002
Increase (decrease) resulting from:			
Deduction for shares of stock repurchased from the Trust	(12,045)		
Deduction for dividends to the Trust	(8,795)	(6,298)	(107,213)
U.S. state and local taxes, net of federal benefit	3,600	1,913	1,293
Adjustment of estimated income tax expense for prior years	(3,352)	825	
Foreign income taxes, net of credits	(451)	3,924	11,246
Utilization of general business credits		(18,188)	
Other, net	(1,578)	1,355	2,581
	\$ 64,967	\$ 44,951	\$ (39,091)

As of December 31, 1998, the Company had \$1.1 million of general business credit carryforwards and \$21.4 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 \$81.8 million at December 31, 1998. The determination of the deferred tax liability related to these undistributed earnings is not practicable.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19:

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.

Note 20:

Early Extinguishment of Debt

In May 1998, the Company repurchased through a cash tender offer substantially all of its Senior Notes and recognized an extraordinary loss on the early extinguishment of debt of \$31.8 million, net of taxes of \$18.1 million, in the second quarter of 1998.

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 21:

Cumulative Effect of Accounting Change

Effective January 1, 1998, the Company changed its method of accounting for glass furnace rebuild costs to the capitalization method from the allowance method. Under the capitalization method, costs to periodically rebuild the refractory components of the glass furnaces are capitalized when incurred and depreciated on a straight-line basis over the estimated useful life of the rebuild. The capitalization method provides an improved measure of the Company's capital investment and is consistent with industry practice. Previously, estimated costs to rebuild furnaces were credited to an allowance and charged to operations over the estimated period to the next rebuild date. The cumulative effect of this change in accounting principle increased 1998 earnings by \$27.4 million, net of taxes of \$17.9 million. This change resulted in an increase in depreciation expense but eliminated the provision for furnace rebuilds. The pro forma effect of this change on net income was not material.

Note 22:

Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." Comprehensive income generally includes changes in separately reported components of equity along with net income.

Components of equity included in comprehensive income were as follows:

	<i>In thousands of dollars</i>		
	1998	1997	1996
Foreign currency translation adjustments	\$ (22,156)	\$ (28,973)	\$ (9,395)
Income tax benefit	9,970	11,589	3,382
Foreign currency translation adjustments, net of tax	\$ (12,186)	\$ (17,384)	\$ (6,013)

Note 23:

Supplemental Cash Flow Information

In connection with the consolidated statement of cash flows, cash paid for interest related to continuing operations during 1998, 1997 and 1996 was \$33.9 million, \$48.1 million and \$45.9 million, respectively. Cash paid for income taxes related to continuing operations during 1998, 1997 and 1996 was \$23.5 million, \$48.7 million and \$29.9 million, respectively.

Note 24:

Acquisitions

In January 1998, the Company acquired the assets of a U.S. manufacturer of reinforced thermoplastic roofing systems and also acquired a plant associated with the Insulation segment, which manufactures calcium silicate pipe and block insulation, and fireproof board. In May 1998, the Company acquired Exeltherm, a Canadian producer of polyisocyanurate foam products for commercial/industrial roofing and residential construction. Also in May 1998, the Company acquired Skandinaviska Jute, which owns Tasso AB, a European manufacturer of fiber glass wall coverings. This acquisition is associated with businesses of the Engineered Products segment. In December 1998, the Company acquired the assets of a U.S. manufacturer of commercial/industrial roofing insulation products. Also in December 1998, the Company entered into a joint venture to develop, manufacture and market products used to stop the spread of fires in new and existing buildings. This joint venture is associated with businesses of the Insulation segment.

The combined purchase price for these acquisitions, accounted for under the purchase method, was \$92.2 million which was financed from existing cash balances and borrowing under revolving credit facilities. The excess of the combined purchase price over the estimated fair value of net assets acquired, or goodwill, amounted to approximately \$59 million. Certain amounts of the purchase price allocation related to preacquisition contingencies and restructuring decisions were based on preliminary estimates and may be revised during 1999.

Note 25:

Subsequent Event (Unaudited).

On January 1, 1999, the Company completed the acquisition of Hoechst's Spunbond/Monofilament operations. This acquisition will expand existing product lines of the Company's Engineered Products segment in North America and Europe. The cash payment for this acquisition, to be accounted for under the purchase method, will be \$227.3 million (subject to certain post-closing adjustments), financed with borrowings from the Company's credit facilities. The acquisition borrowings, drawn during December 1998, are shown as the acquisition deposit on the Company's balance sheet. The allocation of the purchase price will be finalized during 1999 upon completion of asset valuations and determination of preacquisition contingencies and restructuring decisions.

Based on preliminary estimates, the cash payment has been allocated as follows:

	<i>In millions of dollars</i>
Current Assets	\$ 80
Noncurrent Assets (including Goodwill)	174
Liabilities Assumed	(27)
Cash Payment	\$ 227



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The preliminary consolidated results of operations on a pro forma basis as if the operations had been acquired as of the beginning of 1998 and 1997 are as follows:

	<i>In millions of dollars, except per share amounts</i>	
	1998	1997
Net Sales	\$ 2,013	\$ 1,898
Net Income	191	162
Earnings per Share - Diluted	1.18	1.00

The estimated pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have occurred had the acquisition been completed as of the above dates, nor are they necessarily indicative of future results of operations.

Note 26:

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, effective for all fiscal quarters of fiscal years beginning after June 15, 1999, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that the Company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. At this time, the Company cannot determine the effects, if any, adopting this statement will have on its financial condition, liquidity or results of operations. However, the Company does not expect a significant impact on its results of operations.

Note 27:

Business Segments and Geographic Area Information

The Company reports separately its operating results in the following three principal business segments: Insulation, Roofing Systems and Engineered Products. The Company's reportable business segments are strategic business units organized by product. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company evaluates segment performance based on income from operations. Consistent with the Company's internal reporting, business segments now include allocated corporate expenses. The 1998 mining royalty sale proceeds, certain nonrecurring charges and a pension settlement gain related to 1996, are reported in corporate and eliminations. The 1997 and 1996 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 built-up, modified bitumen and single-ply membranes; perlite, fiber glass and polyisocyanurate insulations; roof guarantees; and accessories.

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 European fabrics businesses. 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.

In thousands of dollars

December 31,	1998	1997	1996
Operating Assets (Note B)			
Insulation	\$ 512,428	\$ 467,828	\$ 506,934
Roofing Systems	429,342	368,051	327,518
Engineered Products	591,839	551,517	449,482
Corporate	(39,216)	(46,756)	(57,219)
Total	\$ 1,494,393	\$ 1,340,640	\$ 1,226,715
Years Ended December 31,			
Depreciation, Depletion and Amortization			
Insulation	\$ 36,146	\$ 34,031	\$ 31,761
Roofing Systems	17,624	16,197	12,320
Engineered Products	40,041	29,935	27,094
Total	\$ 93,811	\$ 80,163	\$ 71,175
Additions to Long-lived Assets (Note E)			
Insulation	\$ 65,216	\$ 34,687	\$ 32,531
Roofing Systems	25,154	7,945	51,650
Engineered Products	37,803	81,715	68,462
Corporate	2,163	949	357
Total	\$ 130,336	\$ 125,296	\$ 153,000

See notes on page 60.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<i>In thousands of dollars</i>		
Years Ended December 31,	1998	1997	1996
Insulation			
Net Sales	\$ 731,087	\$ 694,606	\$ 697,325
Intersegment Net Sales	3,004	3,239	-1,629
Costs and Expenses	619,973	611,195	589,632
Nonrecurring Charges			17,550
Other Income (Expense), net	3,864	(77)	1,096
Income from Operations	\$ 117,982	\$ 86,573	\$ 92,868
Roofing Systems			
Net Sales	\$ 561,787	\$ 510,460	\$ 414,013
Costs and Expenses	506,127	457,108	383,983
Nonrecurring Charges			5,644
Other Income (Expense), net	(7,618)	(2,841)	(2,649)
Income from Operations	\$ 48,042	\$ 50,511	\$ 21,737
Engineered Products			
Net Sales	\$ 488,305	\$ 442,579	\$ 441,091
Intersegment Net Sales	25,843	33,375	29,670
Costs and Expenses	432,648	393,589	380,499
Nonrecurring Charges (Income)			(4,018)
Other Income (Expense), net	(3,775)	(4,027)	1,331
Income from Operations	\$ 77,725	\$ 78,338	\$ 95,611
Corporate and Eliminations			
Intersegment Net Sales (Note A)	\$ (28,847)	\$ (36,614)	\$ (31,299)
Costs and Expenses	(31,405)	(40,010)	(38,613)
Nonrecurring Charges			29,980
Other Income (Expense), net (Note D)	33,430	(3,396)	(123)
Income from Operations	\$ 35,988	\$ —	\$ (22,789)
Consolidated Total Company			
Net Sales	\$ 1,781,179	\$ 1,647,645	\$ 1,552,429
Costs and Expenses	1,527,343	1,421,882	1,315,501
Nonrecurring Charges			49,156
Other Income (Expense), net	25,901	(10,341)	(345)
Income from Operations	\$ 279,737	\$ 215,422	\$ 187,427

See notes on page 60.

In thousands of dollars

Years Ended December 31,	1998	1997	1996
United States			
Net Sales	\$ 1,508,096	\$ 1,426,609	\$ 1,341,216
Costs and Expenses	1,302,890	1,206,560	1,109,647
Nonrecurring Charges			19,176
Other Income (Expense), net	25,161	(4,120)	9,863
Income from Operations	\$ 230,367	\$ 215,929	\$ 222,256
Foreign			
Net Sales	\$ 278,419	\$ 231,758	\$ 224,232
Costs and Expenses	232,010	192,511	188,770
Other Income (Expense), net	(4,406)	(1,140)	1,737
Income from Operations	\$ 42,003	\$ 38,107	\$ 37,199
Corporate and Eliminations			
Net Sales (Note A)	\$ (5,336)	\$ (10,722)	\$ (13,019)
Costs and Expenses	(7,557)	22,811	17,084
Nonrecurring Charges			29,980
Other Income (Expense), net (Note C)	5,146	(5,081)	(11,945)
Income from Operations	\$ 7,367	\$ (38,614)	\$ (72,028)
Consolidated Total Company			
Net Sales	\$ 1,781,179	\$ 1,647,645	\$ 1,552,429
Costs and Expenses	1,527,343	1,421,882	1,315,501
Nonrecurring Charges			49,156
Other Income (Expense), net	25,901	(10,341)	(345)
Income from Operations	\$ 279,737	\$ 215,422	\$ 187,427
December 31,			
Long-lived Assets			
United States	\$ 679,817	\$ 637,638	\$ 637,284
Foreign	168,669	155,097	127,874
Corporate	15,672	5,024	5,262
Total	\$ 864,158	\$ 797,759	\$ 770,420

See notes on page 60.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. Intergeographic sales principally relate to insulation shipments from the U.S.

(B) Operating assets primarily include amounts directly assignable to each segment. These include trade receivables; inventory (at standard cost); goodwill; property, plant and equipment; and capitalized software. Capitalized software included in operating assets was \$10 million, \$12 million and \$14.7 million in 1998, 1997 and 1996, respectively. Corporate operating assets relate principally to the adjustment of business segment inventories to a LIFO basis.

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

(D) Other income (expense), net, included in corporate and eliminations consists of the mining royalty sale proceeds in 1998, and certain nonrecurring charges and a pension settlement gain in 1996.

(E) Includes property, plant and equipment purchases and additions to property, plant and equipment from acquisitions. Additions to property, plant and equipment from acquisitions were \$24 million, \$34.8 million and \$50 million in 1998, 1997 and 1996, respectively.

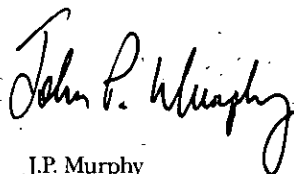
MANAGEMENT'S REPORT

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



REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Directors of Johns Manville Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income and stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Johns Manville Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Denver, Colorado
January 29, 1999

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, 1998					
Net Sales	\$ 389,336	\$ 445,224	\$ 488,232	\$ 458,387	\$ 1,781,179
Gross Profit	95,748	119,848	130,164	131,461	477,221
Income from Operations	45,130	100,988	72,361	61,258	279,737
Income before Extraordinary Losses and Cumulative Effect of Accounting Change (Note A)	26,030	64,968	50,671	43,622	185,291
Net Income (Notes A and B)	53,439	33,214	50,671	43,622	180,946
Basic Earnings Per Common Share					
Income before Extraordinary Losses and Cumulative Effect of Accounting Change (Note A)	\$.16	\$.41	\$.32	\$.27	\$ 1.16
Net Income (Notes A and B)	.33	.21	.32	.27	1.13
Diluted Earnings Per Common Share					
Income before Extraordinary Losses and Cumulative Effect of Accounting Change (Note A)	\$.16	\$.40	\$.31	\$.27	\$ 1.15
Net Income (Notes A and B)	.33	.20	.31	.27	1.12
Year Ended December 31, 1997					
Net Sales	\$ 379,010	\$ 428,036	\$ 438,122	\$ 402,477	\$ 1,647,645
Gross Profit	100,656	117,989	112,871	100,044	431,510
Income from Operations	49,698	63,032	57,906	44,786	215,422
Income before Extraordinary Losses (Note C)	27,492	37,175	58,329	27,004	150,000
Net Income (Note C)	27,492	37,175	58,329	27,004	150,000
Basic Earnings Per Common Share					
Income before Extraordinary Losses (Note C)	\$.17	\$.23	\$.36	\$.17	\$.93
Net Income (Note C)	.17	.23	.36	.17	.93
Diluted Earnings Per Common Share					
Income before Extraordinary Losses (Note C)	\$.17	\$.23	\$.36	\$.17	\$.92
Net Income (Note C)	.17	.23	.36	.17	.92



(A) In May 1998, the Company refinanced its \$400 million of 10.875 percent Senior Notes due 2004 (the "Senior Notes"). The refinancing, consisting of a tender offer for cash, resulted in an extraordinary loss on the early extinguishment of debt of \$31.8 million, net of taxes of \$18.1 million, in the second quarter of 1998.

(B) Effective January 1, 1998, the Company changed its method of accounting for glass furnace rebuild costs to the capitalization method from the allowance method. The cumulative effect of this change in accounting principle increased 1998 net income by \$27.4 million, net of taxes of \$17.9 million.

(C) 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 1996 disposition, which were finalized with the completion of the Company's 1996 income tax returns.

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.

Ernest H. Drew

Former Chief Executive Officer of the Industries and Technology Group Westinghouse Electric Corporation
Director since 1998

Dr. Drew is a member of the Board Organization & Operation, Compensation and Health, Safety & Environment 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 serves as Chairman of the Compensation Committee and is a member of the Board Organization & Operation, Executive and Finance Committees.

Michael N. Hammes

Chairman and Chief Executive Officer
Guide Corporation
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.

Christian E. Markey, Jr.

Trustee
Manville Personal Injury Settlement Trust
Director since 1992

Judge Markey serves as 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

Vice President
Research & Development

Paul F. Hahmann

Vice President and General Manager
Johns Manville Europe

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

Kennath L. Jensen

Senior Vice President
Corporate Development and
Investor Relations

John J. Klocko, III

Senior Vice President and
General Counsel

Marvin Mitchell

Vice President and General Manager
Engineered Products Division

John P. Murphy

Senior Vice President and
Chief Financial Officer

Harvey L. Perry, Jr.

Senior Vice President
Engineered Products Group

Dion Persson

Vice President, Assistant
General Counsel and Secretary

Mary K. Rhinehart

Vice President
Corporate Human Resources

Bartley E. Roggensack, Jr.

Vice President and General Manager
Roofing Systems Group

John M. Rosebery

Controller



CORPORATE INFORMATION

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	
1998	High	Low
For the Quarters Ended:		
March 31	13 $\frac{3}{8}$	9 $\frac{13}{16}$
June 30	16 $\frac{7}{8}$	12 $\frac{3}{4}$
September 30	17 $\frac{13}{16}$	11 $\frac{3}{8}$
December 31	16 $\frac{7}{16}$	10 $\frac{15}{16}$
1997	High	Low
For the Quarters Ended:		
March 31	12 $\frac{5}{8}$	10 $\frac{1}{2}$
June 30	12 $\frac{3}{8}$	9 $\frac{3}{8}$
September 30	13 $\frac{7}{16}$	10 $\frac{15}{16}$
December 31	12 $\frac{9}{16}$	9 $\frac{1}{4}$

Johns Manville Corporation

Corporate Headquarters
P.O. Box 5108
Denver, Colorado 80217-5108
(303) 978-2000

Street Address:
717 17th Street
Denver, Colorado 80202

Internet Address:
<http://www.jm.com>

Investor Relations Contact

Investor Relations
P.O. Box 5108
Denver, Colorado 80217-5108
(877) JNS-MNVL
(877) 567-6685
or (303) 978-3117

Product Information Center

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

Transfer Agent and Registrar

EquiServe Limited Partnership
First Chicago Division
P.O. Box 2500
Jersey City, New Jersey 07303
(201) 324-1644

Hearing Impaired:
TDD: (201) 222-4955

Internet Address:
e-mail: fctc@em.fcncd.com
<http://www.fctc.com>

Send shareholder address
changes to the above address for
EquiServe Limited Partnership

Johns Manville Annual Meeting

April 23, 1999 8:00 a.m.
Denver, Colorado

Annual Report and 10-K

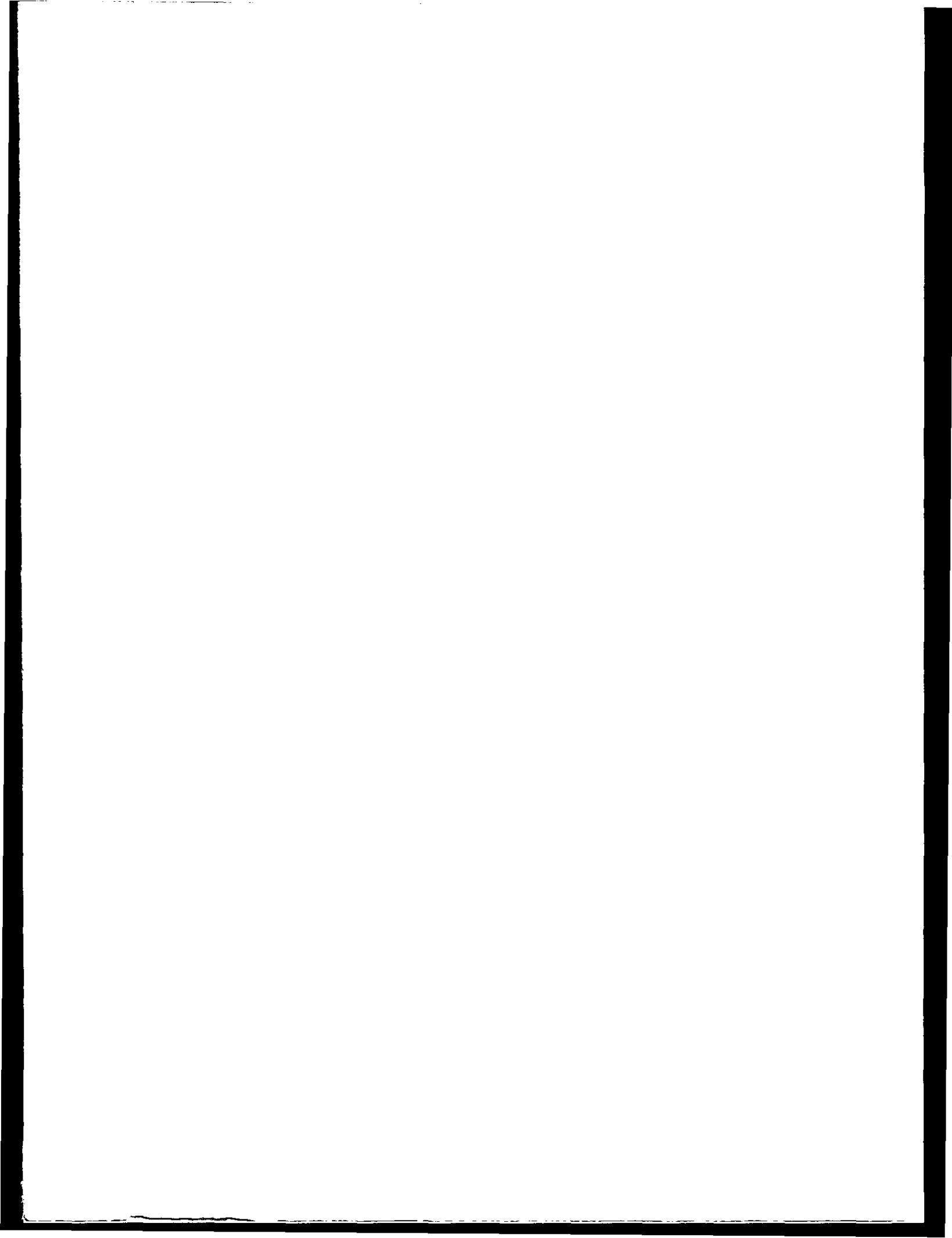
To obtain a copy of Johns Manville's Annual Report, Form 10-K or Quarterly Reports on Form 10-Q, please call (877) JNS-MNVL or (877) 567-6685.

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

This annual report contains forward-looking statements. Please see page 29 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 (877) JNS-MNVL or (877) 567-6685.



**Johns Manville
Market Positions**

*Commercial/industrial insulation** # **1**

*Commercial/industrial roofing systems** # **1**

*Nonwoven glass and polyester mats*** # **1**

*Building insulation** # **2**

*Aerospace insulation*** # **1**

*HVAC equipment insulation** # **1**

*Auto fiber glass insulation** # **1**

*Glass fabric for wall covering*** # **1**

*Ultra-fine fibers for air filtration*** # **1**

* North America

** Worldwide



