Manville
Corporation

Annual Report 1981

~~Johns-Manville~~

Manville

Dear Shareholder:

Last year each of you as Johns-Manville Corporation shareholders received an Annual Report that departed from the traditional mold. This new approach was to provide a shorter form report containing only that information that is most meaningful to you as investors. This was done to reduce the costs to the Company while at the same time improving the quality of our disclosure package. To supplement the Annual Report, expanded quarterly reports have been provided to keep you abreast of important developments. Your response to this approach has been positive. Manville Corporation, the new parent of the reorganized corporate structure, is continuing this approach.

The reorganization of our corporate structure was effective on October 30, 1981. Since that time we have been conducting our businesses through five operating subsidiaries. Each subsidiary is charged with the responsibility of increasing the return on its assets, thereby providing a clearer focus for improved asset management. This corporate structure better enables us to accomplish our goal of maximizing the return on your investment.

The asbestos-health related litigation continues to be a problem. 1981 saw a continued increase in the number of lawsuits filed. We have had significant successes in jury verdicts and in other aspects of this litigation. Despite these successes, few of the uncertainties that existed at this time last year have been resolved. We are continuing to pursue solutions to this problem aggressively.

The performance last year of many companies in interest sensitive industries was disappointing. Our sales to construction and related markets were significantly reduced. But for drastic steps taken by the Company last year to reduce costs, our results would have been far below those reported in the following pages. While the results are not good, we are proud of the efforts of our employees to cope with a depressed and unpredictable economy.

JAMcKinney

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

Manville Corporation

Manville Corporation* is a diversified manufacturing, mining and forest products company which conducts its businesses through five principal operating subsidiaries. These subsidiaries, which are organized according to asset groups, are: Manville Building Materials Corporation, Manville Forest Products Corporation, Manville International Corporation, Manville Products Corporation and Johns-Manville Corporation. This corporate structure resulted from the 1981 reorganization of Johns-Manville Corporation which was accomplished to promote improved asset management and to increase public awareness of the businesses comprising Manville Corporation. Together, these affiliated corporations employ approximately 27,000 people at more than 130 plants, mines and sales offices, about one-third of which are located outside of the United States.

Through the operations of its subsidiaries, Manville is recognized as the world's largest producer of diatomite, a mineral used as an industrial filtering agent and filler, one of the world's leading manufacturers and marketers of insulation products and fiber glass-asphalt shingles, and a major national producer of beverage carrierboard and cartons, and water and sewer pipe.

Prior to the reorganization of Johns-Manville Corporation, product lines were grouped into seven major business segments. Until sufficient data exists to provide financial information on the basis of its new corporate structure, Manville will continue to report only according to the following segments:

Fiber glass products include residential and mobile home insulation; air conditioning ducts and systems; mats for roofing and industrial uses; and other fiber glass insulations, filters, and automotive and industrial products.

Forest products include clay-coated unbleached kraft and other paperboards; beverage carriers and folding cartons; kraft bags, pine lumber, plywood and particleboard. Also included is income from leasing mineral exploration rights on forest land.

Non-fiber glass insulations include refractory fiber, blankets and molded shapes for high temperature industrial uses; perlite and foam insulation boards used in built-up roofing and other commercial applications; calcium silicate insulations and accessories; and other insulation boards, bricks and sidings.

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

Pipe products and systems include polyvinyl chloride (PVC), asbestos-cement (A-C) and fiber glass reinforced water and sewer pipes; air, electrical and telephone ducts; and other pipe accessories.

Asbestos fiber consists of milled asbestos fiber which is sold to customers and transferred to other business segments for such end uses as asbestos-cement pipe and sheets, and friction and flooring applications.

Industrial and specialty products and services include diatomite filter aids and filler materials; lighting systems for interior and outdoor fixtures and accessories; asbestos-cement sheets and shingles; asbestos felts; engineering services; perlite ore; synthetic silicates and other industrial accessory products.

The principal methods of competition engaged in by the Company's operating subsidiaries include: price, service, distribution, warranty and product quality and performance.

*"Manville" or the "Company" when used in this Annual Report refers to Manville Corporation, incorporated in the State of Delaware in 1981, including where applicable, its consolidated subsidiaries or where the context requires Johns-Manville Corporation and its consolidated subsidiaries prior to October 30, 1981.

Comparative Stock Data

	1981			1980		
	High	Low	Dividend**	High	Low	Dividend
Market Prices Per Common Share*						
For the Quarters Ended						
March 31	**26½**	**21**	**$ .48**	24⅞	18¼	$ .48
June 30	**25½**	**19⅝**	**.48**	23¼	18⅜	.48
September 30	**21**	**14⅜**	**.48**	31⅜	22½	.48
December 31	**16⅛**	**13¾**	**.48**	29⅝	21⅝	.48
Market Prices Per Preferred Share*						
For the Quarters Ended						
March 31	**46½**	**42½**	**$1.35**	55	42	$1.35
June 30	**43⅜**	**39½**	**1.35**	56⅛	41¼	1.35
September 30	**40**	**32¼**	**1.35**	52½	46	1.35
December 31	**36**	**31**	**1.35**	48½	41½	1.35

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

Manville Corporation

Financial Highlights

(Thousands of dollars except per share amounts)

	Years Ended December 31				
	1981	1980	1979	1978	1977
Net Sales	**$2,186,005**	$2,266,804	$2,276,429	$1,648,599	$1,461,432
Net Earnings	**$ 60,320**	$ 80,636	$ 114,606	$ 121,602	$ 102,627
Net Earnings Available for Common Stock	**$ 35,333**	$ 55,717	$ 91,053	$ 121,602	$ 102,627
Funds Provided by Operations	**$ 127,670**	$ 181,351	$ 234,669	$ 181,743	$ 170,966
Long-Term Debt and Redeemable Preferred Stock	**$ 808,420**	$ 819,573	$ 831,828	$ 842,135	$ 203,249
Total Assets	**$2,297,814**	$2,338,159	$2,323,172	$2,216,955	$1,333,800
Per Common Share Data: Net Earnings	**$1.53**	$2.47	$4.13	$5.62	$4.78
Dividends	**$1.92**	$1.92	$1.89	$1.80	$1.55

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

Results of Operations

1981 vs. 1980

The year 1981 was the third consecutive calendar year in which the Company's operations were adversely impacted by high interest rates and the resultant recession in construction-related markets. Because of the length and depth of this recession which has now extended into all sectors of the economy worldwide, virtually all of the Company's major businesses are experiencing low levels of product demand. In contrast, most of the previous recessions were of shorter duration and the Company's diversification into different end-markets and geographic areas enabled its businesses to reach their cyclical troughs at different times. High interest rates have also reduced operating results through a combination of depressing demand for construction products; increasing the Company's borrowing costs; and strengthening the U.S. dollar against most major foreign currencies, which resulted in lower U.S. dollar earnings by overseas operations. Despite the unfavorable economic environment in which the Company has had to operate during the past few years, improved operating flexibility and efficiency and stringent controls on expenses have enabled the Company to remain profitable, unlike many of its competitors and companies in other cyclical industries.

Net sales in 1981 were $81 million (3.6%) below the level of the prior year. With the exception of relative strength in residential fiber glass insulation, lighting, industrial and specialty, and diatomite products, demand remained weak across a wide spectrum of the Company's products and markets. The volume of shipments of U.S. manufactured products was roughly 5% lower in 1981 than in 1980, while average selling price increases in the U.S. of around 5% during 1981 failed to keep pace with raw material and labor cost inflation. Net sales in Canada dropped by 3% between 1980 and 1981. Lower asbestos fiber shipments more than offset higher asbestos fiber selling prices and the improved performance of Canadian manufacturing operations. Also, net sales by overseas subsidiaries were down approximately 15%, with the major contributing factors being the recession in European economies and Brazil and the strength of the U.S. dollar relative to most major foreign currencies.

Other revenues rose by over $9 million in 1981. The increase was largely due to a payment received from the grant of exploration rights on mineral acreage owned by Manville Forest Products Corporation in Louisiana.

The ratio of cost of sales to net sales rose for the third consecutive year in 1981 to 79.2%. This continuing deterioration in the gross profit margin is principally attributable to an even lower level of capacity utilization than in the prior year and to the inability of the Company to completely offset labor and raw material cost increases with higher selling prices. During 1981 many of the Company's major businesses operated at only about 50% to 75% of their effective production capacities.

The $7.3 million increase in interest expense in 1981 resulted for the most part from a higher average U.S. prime interest rate and from larger borrowings in Brazil.

The effective income tax rate on pre-tax earnings declined by 2.1 percentage points between 1981 and 1980 (46.6% versus 48.7%), principally due to the effects of relatively flat investment tax credit and timber capital gains benefit on a lower pre-tax earnings level. This lower effective income tax rate occurred despite the accrual referred to below for income taxes relating to a domestic international sales corporation (DISC).

Net earnings were $60.3 million in 1981, a 25% reduction from 1980, and included the following items that are not of a recurring nature:

—strike and strike-related expenses at four production facilities in California of approximately $4 million, net of income taxes,

—an accrual for income taxes relating to a DISC, which reduced net earnings by $4 million,

—a $3 million write-off, net of income taxes, associated with the closing of Advocate Mines, Ltd., an asbestos mine in Newfoundland, Canada in which Johns-Manville Corporation has a 30.6% interest, and

—a resolution of litigation, which increased net earnings by $2.7 million with the reversal of a portion of the litigation reserves established at the time of the Olinkraft, Inc. acquisition.

During 1981 the Company elected to implement the accounting and reporting requirements of Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation". The new standard was adopted effective January 1, 1981, and increased reported net earnings for 1981 by $9.8 million. Had the standard been applied to operating results for prior years, it would not have significantly changed net earnings in those years.

Because of the severity of the present recession, particularly in construction-related markets, and the difficulties being encountered by the Reagan administration in bringing about a meaningful decline in interest rates, the timing and extent of the long-awaited rebound in construction activity cannot be accurately predicted. However, the Company anticipates that improvement in its consolidated operating results will not be achieved until at least the second half of 1982. For a discussion of the impact of inflation on the operations of the Company, see "Supplemental Information on Inflation and Changing Prices" beginning on page 18.

1980 vs. 1979

Net sales in 1980 of $2.27 billion were $10 million lower than 1979 net sales. As in 1981, reduced demand in housing and other construction markets, brought on by high interest rates and the resultant recession in the U.S., was principally responsible for the decrease. The volume of shipments of U.S. manufactured products was 15% lower than in the previous year. Despite this weakness in most of the Company's end-markets, selling prices in the U.S. averaged 11% higher in 1980 than in 1979 and rose during 1980 at a faster rate than costs. The volume of shipments of Canadian subsidiaries also fell during 1980 by about 6% from 1979 levels, with much of the decline resulting from lower asbestos fiber shipments. In contrast, net sales by overseas subsidiaries were strong during most of the year but gradually weakened as European economies began to slip into recession. However, for all of 1980, net sales by overseas subsidiaries were 18% higher than for 1979.

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

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

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

Capital Resources and Liquidity

The Company defines liquidity as its ability to generate sufficient cash flow to meet all of its obligations and commitments. In addition, considerations of liquidity include the ability to obtain bank credit lines and other types of debt and equity financing and to convert into cash those assets which are no longer required to meet existing objectives. Therefore, liquidity cannot be considered separately from capital resources, which consist of current or potentially available funds for use in achieving long-range objectives.

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

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

Working capital is required, in part, to maintain adequate stocks of raw materials and saleable finished products and to finance sales until payment is received from customers. Because demand for many of the Company's products is seasonal and due to scheduling considerations and production lead times, inventories generally increase during the winter months and decrease during the construction season. Inventory levels during 1981 were typical in this respect, with a $30 million rise between January 1 and May 31 followed by an even greater decline from that date to the end of the year. Trade receivables are also seasonally affected. The amount of outstanding receivables increased by almost $48 million between the beginning of the year and the end of July and declined thereafter through the end of the year.

To the extent that these seasonal working capital requirements and other cash needs in 1980 and 1981 were not financed from operations, the Company issued commercial paper at competitive rates. The amount of commercial paper outstanding during 1981 rose from zero at the beginning of the year to a month-end high of $88 million in July (in contrast to a 1980 peak of $92 million in June). The amount outstanding then declined to zero at December 31. The Company is presently maintaining $152 million in lines of credit to support the issuance of commercial paper and larger credit lines would be available if needed.

During 1980 and 1981 recessions in the U.S. adversely impacted many of the Company's operations. In order to conserve working capital during this period, programs were instituted to monitor inventory levels and extensions of credit, to maintain stringent controls on discretionary spending and to identify and dispose of those assets which were no longer required to meet existing objectives. The sale during 1981 of eight container plants occurred as part of this asset management program.

In recent years the Company has undertaken several large-scale capital expenditure programs which have substantially increased production capacity in many major product lines. Most of these programs had been largely completed by the end of 1980. As a result, the Company is now positioned to participate fully in the expected growth in many of its markets during the 1980's. Significant unused production capacity currently exists in many operating areas which will permit large sales volume increases from the present production base. Over the next several years, it is anticipated that capital expenditures in real terms will be lower than the $182 million spent in the peak year of 1979. Effort will now be directed principally at improving productivity and cost efficiencies at existing operations. Consequently, the projected level of capital expenditures in 1982 is expected to be somewhat less than $100 million.

The Company also acquired substantial property, plant and equipment, as well as other assets, with the acquisition of the Manville Forest Products Corporation operations in late 1978 and early 1979. This $596 million acquisition was financed using a combination of cash, long-term debt and redeemable preferred stock. Its purpose was to add to the natural resource base and diversify the product mix of the Company. Because of its size, the purchase resulted in a more leveraged capital structure; consequently, the Company has a short-term goal to reduce the ratio of debt to equity on its balance sheet.

Because of the recessionary environment in the U.S. during most of the 1979 through 1981 period, the Company did not generate substantial cash flow in excess of operating and capital expenditure requirements in these years.

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

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

Manville Corporation

Consolidated Balance Sheets

December 31, 1981 and 1980

(Thousands of dollars)

Assets	**1981**	1980
Current Assets		
Cash *(including time deposits of $9,208 in 1981, $12,425 in 1980)*	**$ 14,081**	$ 19,699
Marketable securities, at cost *(approximates market)*	**12,013**	12,186
Receivables *(net of allowances of $7,054 in 1981, $7,708 in 1980)*		
Trade	**288,702**	314,644
Other	**37,933**	35,492
Inventories *(Notes 1b and 3)*	**211,129**	216,749
Prepaid expenses *(principally deferred income taxes)*	**18,810**	20,132
Total Current Assets	**582,668**	618,902
Property, Plant and Equipment, at cost *(Note 1c)*		
Land and land improvements	**119,174**	117,671
Buildings	**363,308**	357,102
Machinery and equipment	**1,202,490**	1,204,275
	1,684,972	1,679,048
Less, Accumulated depreciation and depletion	**524,747**	484,397
	1,160,225	1,194,651
Timber and timberlands, less cost of timber harvested	**406,205**	407,463
Property, plant and equipment, net	**1,566,430**	1,602,114
Other Assets *(principally investments and long-term receivables)*	**148,716**	117,143
	$2,297,814	$2,338,159
Liabilities		
Current Liabilities		
Short-term debt *(principally current portion of long-term debt)*	**$ 29,437**	$ 21,749
Accounts payable	**120,295**	125,722
Compensation and employee benefits	**77,477**	80,191
Income taxes	**30,335**	21,663
Other accrued liabilities	**58,031**	60,946
Total Current Liabilities	**315,575**	310,271
Long-Term Debt *(Note 4)*	**507,620**	519,144
Other Non-Current Liabilities	**86,411**	75,430
Deferred Income Taxes *(Note 1e)*	**184,924**	210,997
	1,094,530	1,115,842
Contingencies and Commitments *(Notes 5 and 6)*		
Preferred Stock		
Cumulative Preferred Stock, $1.00 par, authorized 10,000,000 shares: Redeemable $5.40 series, at stated value of $65 per share; issued and outstanding: 1981—4,627,689 shares, 1980—4,621,982 shares *(Note 7)*	**300,800**	300,429
Common Shareholders' Equity		
Common Stock, $2.50 par, authorized 50,000,000 shares; issued: 1981—23,640,675 shares, 1980—23,010,433 shares *(Note 8)*	**59,102**	57,526
Capital in Excess of Par *(Note 8)*	**173,950**	163,594
Earnings Reinvested	**695,362**	704,725
Cumulative Currency Translation Adjustments *(Notes 1g and 9)*	**(22,443)**	
	905,971	925,845
Less, Cost of treasury stock, 1981—114,020 shares, 1980—129,396 shares *(Note 8)*	**3,487**	3,957
	902,484	921,888
	$2,297,814	$2,338,159

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

Manville Corporation

Consolidated Statements of Earnings and Earnings Reinvested

for the Years Ended December 31

(Thousands of dollars except per share amounts)

Earnings	**1981**	1980	1979
Revenues			
Net sales	**$2,186,005**	$2,266,804	$2,276,429
Other income, net	**34,674**	25,547	20,933
Total	**2,220,679**	2,292,351	2,297,362
Costs and Expenses			
Cost of sales	**1,730,678**	1,771,448	1,747,031
Selling, general and administrative	**257,844**	263,487	238,964
Research, development and engineering	**33,820**	34,801	31,100
Total	**2,022,342**	2,069,736	2,017,095
Income From Operations	**198,337**	222,615	280,267
Interest Expense	**72,661**	65,379	62,441
Asbestos Health Costs *(Note 5)*	**12,756**		
Earnings Before Income Taxes	**112,920**	157,236	217,826
Income Taxes *(Notes 1e and 11)*			
Current	**56,214**	46,680	67,261
Deferred	**(3,614)**	29,920	35,959
Total	**52,600**	76,600	103,220
Net Earnings *(before preferred dividends)*	**60,320**	80,636	114,606
Dividends on Preferred Stock	**24,987**	24,919	23,553
Net Earnings Available for Common Stock	**$ 35,333**	$ 55,717	$ 91,053

Earnings Reinvested			
Earnings Reinvested at Beginning of Year	**$ 704,725**	$ 692,420	$ 643,317
Net Earnings Available for Common Stock	**35,333**	55,717	91,053
Dividends on Common Stock	**(44,472)**	(43,378)	(41,692)
Loss on Dispositions of Treasury Stock *(Note 8)*	**(224)**	(34)	(258)
Earnings Reinvested at End of Year	**$ 695,362**	$ 704,725	$ 692,420

Net Earnings Per Common Share *(Notes 1f and 8)*	**$1.53**	$2.47	$4.13

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

Manville Corporation

Consolidated Statements of Changes in Financial Position

for the Years Ended December 31
(Thousands of dollars)

	1981	1980	1979
Funds Provided By			
Operations			
Net Earnings *(before preferred dividends)*	**$ 60,320**	$ 80,636	$114,606
Items Not Requiring (Providing) Working Capital			
Depreciation and depletion	**81,890**	78,864	74,843
Deferred income taxes (*non-current portion*)	**(17,719)**	16,355	44,368
Other, net	**3,179**	5,496	852
	127,670	181,351	234,669
Dispositions of Property, Plant and Equipment	**19,673**	12,177	8,069
Issuance of Long-Term Debt	**13,764**	110,892	115,286
Issuance of Common Stock, Including Treasury Stock *(Note 8)*	**12,178**	13,128	12,303
Increase in Other Non-Current Liabilities	**11,881**	3,994	10,939
Issuance of Cumulative Preferred Stock *(Note 7)*	**371**	978	560
Net Change in Working Capital	**38,437**	12,648	(5,801)
Reduction in Long-Term Assets Resulting From Exchange Rate Changes—			
Property, plant and equipment	**18,076**		
Other assets	**1,171**		
	$243,221	$335,168	$376,025
Funds Used For			
Additions to Property, Plant and Equipment	**$ 86,201**	$129,745	$189,321
Dividends on Common Stock	**44,472**	43,378	41,692
Increase (Decrease) in Other Assets	**35,837**	13,001	(4,694)
Dividends on Preferred Stock	**24,987**	24,919	23,553
Reduction of Long-Term Debt	**22,939**	124,125	126,153
Reduction in Non-Current Liabilities and Common Shareholders' Equity Resulting From Exchange Rate Changes—			
Deferred income taxes	**4,062**		
Long-term debt	**2,349**		
Other non-current liabilities	**918**		
Cumulative currency translation adjustments *(Note 9)*	**21,456**		
	$243,221	$335,168	$376,025
Working Capital Changes			
Current Assets			
Cash	**$ (5,618)**	$ 1,007	$ (9,469)
Marketable securities	**(171)**	2,163	(27,845)
Trade receivables	**(25,942)**	(13,548)	28,774
Other receivables	**2,441**	2,049	5,240
Inventories	**(2,846)**	(12,239)	9,739
Prepaid expenses	**(1,023)**	(10,654)	(1,085)
Net (Decrease) Increase	**(33,159)**	(31,222)	5,354
Current Liabilities			
Short-term debt	**(7,688)**	10,659	(9,041)
Accounts payable	**5,427**	8,888	(33,387)
Compensation and employee benefits	**2,714**	(7,205)	(5,576)
Income taxes	**(8,646)**	13,143	35,868
Other accrued liabilities	**2,915**	(6,911)	12,583
Net (Decrease) Increase	**(5,278)**	18,574	447
Net Change in Working Capital	**$(38,437)**	$(12,648)	$ 5,801

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

Manville Corporation

Notes to Consolidated Financial Statements

Note 1—Summary of Significant Accounting Policies

(a) Principles of Consolidation
The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Investments in associated companies in which the Company's voting stock interest is 50% or less and where it is deemed that the Company's ownership gives it significant influence over operating and financial policies are recorded on the equity basis. All other investments are carried at the lower of cost or net realizable value.

(b) Inventories
Inventories are stated at the lower of cost, principally on the last-in, first-out basis (LIFO), or market.

(c) Property, Plant and Equipment, and Depreciation
Gains and losses from the normal retirement or replacement of property, plant and equipment are reflected in accumulated depreciation with no effect on current period earnings. Gains and losses arising from abnormal dispositions are included in earnings currently.

Depreciation and amortization are computed using the straight-line method based on estimated useful lives of the related assets. Depletion of mineral properties is calculated using the unit-of-production method. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged against earnings as incurred.

The Company is engaged in a reforestation program which will convert its natural forest to timber plantations over approximately thirty-one years. Cost of timber harvested is based on the unit cost rates calculated using the total estimated yield of timber to be harvested during the conversion period for the natural forest and during the growth cycle for each plantation.

(d) Pensions
The Company and its subsidiaries have pension plans covering substantially all of their employees, who are generally eligible to participate in these plans after no more than one year of service. Pension costs, as actuarially determined under aggregate and entry age normal methods, are funded as accrued. Past and prior service costs are amortized over periods of up to 30 years.

(e) Income Taxes
Income taxes are provided at rates applicable in the countries in which the income is earned.

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

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Deferred income taxes result principally from the use of accelerated methods of depreciation for tax purposes.

Deferred income taxes are also provided on such undistributed earnings of subsidiaries outside the United States as the Company anticipates it will receive as dividends, as well as on undistributed earnings of associated companies in which investments are recorded on the equity basis.

(f) Earnings Per Common Share
Earnings per common share are computed using the weighted average number of common shares outstanding during the applicable period.

(g) Foreign Currency Translation
Effective January 1, 1981, the Company conformed to the accounting standard prescribed by the Financial Accounting Standards Board (FASB) in its Statement No. 52, "Foreign Currency Translation" (see Note 9).

Note 2—Manville Reorganization

A plan of reorganization, approved by Johns-Manville Corporation shareholders at a special meeting held October 29, 1981, became effective October 30, 1981. Manville Corporation, a Delaware corporation and a holding company, is now the publicly-owned parent of Manville Building Materials Corporation, Manville Forest Products Corporation, Manville International Corporation, Manville Products Corporation and Johns-Manville Corporation. The reorganization resulted in a division of operating responsibilities, primarily by mineral, timber and manufacturing assets, and improved the Company's ability to manage its businesses.

Note 3—Inventories

The major classes of inventories were as follows:

	(Thousands of dollars)	
	1981	1980
Finished goods and goods-in-process	**$110,457**	$111,186
Raw materials	**70,823**	70,820
Supplies	**29,849**	34,743
	$211,129	$216,749

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

	(Thousands of dollars)	
	Financial Reporting Amounts	Excess of Current Values
Years ended December 31:		
1981	$211,129	$156,535
1980	216,749	131,253
1979	228,988	122,282
1978	219,249	89,439

Note 4—Long-Term Debt

Long-term debt consisted of the following:

	(Thousands of dollars)	
	1981	1980
Term loan, at LIBOR (14.44% at December 31, 1981), due 1990 *(see discussion below)*	**$100,000**	$100,000
Registered notes, 9.7%, due 1985	**100,000**	100,000
Notes payable to insurance companies, 4.65% to 9.625%, due 1982 through 1996	**88,088**	95,114
Registered sinking fund debentures, 7.85%, due 2004, $3,000,000 annual sinking fund payments commencing in 1985	**75,000**	75,000
Mortgage loan on headquarters building, 9.375%, semi-annual payments through 2011	**68,065**	68,493
Capitalized lease obligations *(principally related to industrial revenue bonds at 5.0% to 8.6%)*, maturing from 1982 through 2008	**54,030**	57,468
Mortgages and loans *(principally of foreign subsidiaries)*, 4.0% to 18.0%, due 1982 through 1994	**38,586**	39,586
	523,769	535,661
Less, Current maturities	**16,149**	16,517
	$507,620	$519,144

Long-term debt maturities and sinking fund requirements at December 31, 1981 were as follows:

	(Thousands of dollars)
1982	$ 16,149
1983	21,229
1984	26,099
1985	135,455
1986	31,789
After 1986	293,048
	$523,769

The interest rate on the term loan is based, at the periodic election of the Company, on either the Morgan Guaranty Trust Company prime rate or the London interbank offering rate (LIBOR). The rate will rise in steps from either prime or LIBOR + ½% during the next two years to either 110% of prime or LIBOR + ⅞% in the last three years. Provisions in the agreement require that the Company maintain certain working capital and debt-to-equity ratios and limit the total dollar amount of various types of borrowing and lease arrangements.

The Company maintains credit lines for $152 million individually negotiated with fifteen banks. These credit lines require either the payment of annual commitment fees or the maintenance of compensating cash balances. In 1980 and 1981 the credit lines supported the issuance of commercial paper to finance seasonal working capital requirements.

Note 5—Contingencies

Johns-Manville Corporation and certain of its subsidiaries ("J-M" or "Johns-Manville") is a defendant or co-defendant in a substantial number of lawsuits brought by present or former insulation workers, shipyard workers, factory workers and other persons alleging damage to their health from exposure to dust from asbestos fibers or asbestos-containing products manufactured or sold by J-M and, in most cases, by certain other defendants. The majority of these claims allege J-M and other defendants failed in their duty to warn of the hazards of inhalation of asbestos fiber and dust originating from asbestos-containing products. J-M believes it has substantial defenses to these legal actions, resulting in part from prompt warnings of the possible hazards of exposure to asbestos fiber emitted from asbestos-containing insulation products following the 1964 publication of scientific studies linking pulmonary disease in insulation workers to asbestos exposure.

Also included in these legal actions are a number of cases brought by some employees of J-M and certain of its subsidiaries and by employees of other manufacturing companies which used asbestos fiber in their operations. These suits typically allege that J-M, its subsidiaries, and other defendants failed to warn of the hazards associated with the use of such fiber. J-M believes it has substantial defenses to these legal actions including the fact that, with respect to employees of other manufacturing companies, it had no special knowledge not in the possession of the plaintiffs' employers which would give rise to a special duty on the part of J-M, and, with respect to the employees of J-M subsidiaries, that applicable workers' compensation statutes provide appropriate defenses to many aspects of such claims and there are substantial defenses to other aspects of such claims.

J-M believes that the claims and lawsuits pending and which may arise in the future relate to events and conditions existing in prior years. More specifically, it is J-M's belief, based on the following factors and assumptions, that since at least the beginning of 1978, no significant new potential liabilities have been created for J-M with respect to diseases known to be related to asbestos and arising from asbestos fiber and/or asbestos-containing products manufactured or sold by J-M:

- That since the mid-1970's, J-M has sold asbestos fiber in the United States only in pressure pack, block form or other similar condition and not in a loose form;
- That by 1973, J-M had ceased domestic manufacture of thermal insulation products containing asbestos which are the products principally involved in disease claims made against J-M;
- That the Occupational Safety and Health Administration (OSHA) established a maximum exposure standard for asbestos fiber of five fibers per cubic centimeter in 1972 and lowered that standard to two fibers per cubic centimeter in

1976. It is assumed that compliance with such standards in the work place was achieved within a reasonable time following such promulgation and is continuing to date; and

• With respect to any use not complying with the OSHA asbestos standards, J-M's defensive posture with respect to claims arising out of such environments will be significantly enhanced.

As of December 31, 1981, J-M was a defendant or co-defendant in approximately 9,300 asbestos-health suits brought by approximately 12,800 individual plaintiffs. This represents an increase over the December 31, 1980 level of 5,087 cases (brought by approximately 9,300 plaintiffs) and a substantial increase over the December 31, 1979 level of 2,707 cases (brought by approximately 4,100 plaintiffs) and the December 31, 1978 level of 1,181 cases (brought by approximately 1,500 plaintiffs). During 1979, J-M was named as a defendant in an average of 141 cases per month (brought by an average of 196 plaintiffs) as compared with an average of 65 cases per month (brought by an average of 83 plaintiffs) in 1978. During the first three quarters of 1980, J-M was named as a defendant in an average of 194 cases per month (brought by an average of 382 plaintiffs); this rate increased to an average of 304 cases per month (brought by an average of 403 plaintiffs) in the fourth quarter of 1980 and to an average of 400 cases per month (brought by an average of 525 plaintiffs) during 1981. During 1980, J-M disposed of 401 claims at an average disposition cost of $22,600, and during 1981, a total of 802 claims were disposed of, with J-M's share of disposition costs being an average of $15,430 per claim. All disposition cost references exclude legal expenses, and the verdicts in approximately 20 cases which are presently on appeal (where the average judgment against J-M is approximately $223,360). Substantially all of these disposition costs have been charged to applicable insurance. The 1980 and 1981 level of disposition costs represents a significant growth from the pre-1980 level of approximately $13,000 per claim and results in an increase in the overall disposition cost per plaintiff through December 31, 1981 to approximately $15,640. The growth in these two areas (volume and costs) has significantly increased the uncertainties as to the future number of similar claims which J-M may receive, and the future disposition costs of the pending and future claims. During 1980, to resolve uncertainties as to the correct interpretation of a number of provisions in the various policies of insurance maintained by J-M and applicable to these claims, it was necessary for J-M to bring a declaratory judgment action to have such issues resolved by a court of law. While it continues to be J-M's opinion that its position with respect to these issues is sound and in accord with the weight of judicial precedent, any litigation involves uncertainties to some degree.

Because of the uncertainties associated with the asbestos-health litigation, and in spite of the substantial defenses J-M believes it has with respect to these claims, the eventual outcome of the asbestos-health litigation cannot be predicted at this time and the ultimate liability of J-M after application of available insurance cannot be reasonably determined in accordance with Financial Accounting Standards Board Statement No. 5, "Accounting for Contingencies". No reasonable determination of loss can be made and no liability has been recorded in the financial statements. Liabilities relating to asbestos-health litigation will be recorded in accordance with generally accepted accounting principles when such amounts can be determined. Depending on how and when these uncertainties with respect to J-M are resolved, the cost to J-M and thus to Manville Corporation could be substantial.

Costs associated with asbestos-health claims are presented separately in the 1981 financial statements because of the increased activity related to such claims. The 1980 financial statements, which have not been reclassified to conform to the 1981 presentation, include approximately $8.5 million of similar costs that is reflected in cost of sales and selling, general and administrative expenses. Amounts relating to 1979 were not material.

Note 6—Leases

Total rental expense was $22,458,000 in 1981, $24,580,000 in 1980, and $24,692,000 in 1979.

At December 31, 1981, minimum rental commitments of the Company and its subsidiaries under long-term noncancelable operating leases were as follows:

	(Thousands of dollars)
1982	$ 9,375
1983	7,459
1984	5,461
1985	3,844
1986	3,599
After 1986	12,176
	$41,914

Note 7—Cumulative Preferred Stock

On January 19, 1979, the Company issued 4,598,327 shares of cumulative preferred stock, redeemable $5.40 series ($5.40 series), to consummate the acquisition of Olinkraft, Inc. (subsequently renamed Manville Forest Products Corporation). Also, at the time of the Olinkraft merger, stock options were granted to purchase 39,162 shares of $5.40 series stock in substitution for previously granted Olinkraft stock options. All changes in the number of preferred shares outstanding have been due to the exercise of stock options assumed in the merger. No additional grants of stock options on $5.40 series shares are anticipated.

Under a mandatory sinking fund provision, the Company is required to redeem the $5.40 series shares between 1987 and 2009 at $65 per share plus accrued dividends. The annual redemption requirements will consist of varying percentages applied to the number of outstanding shares on October 20, 1986, as follows: 5% annually from 1987 through 1996, 4% annually from 1997 through 2007, and 3% in 2008. All remaining outstanding shares are required to be redeemed in 2009.

On any sinking fund redemption date, the Company has the option to redeem, at $65 per share plus accrued dividends, an additional number of shares not in excess of the number of shares required to be redeemed on the sinking fund redemption date. In addition, the Company has the option to redeem any or all of the $5.40 series shares at $67.70 per share plus accrued dividends beginning on January 19, 1984, and at annual declining redemption prices thereafter until January 19, 1989 when all subsequent redemptions will be at $65 per share plus accrued dividends.

No dividends may be paid on common stock if the Company is in default on the payment of preferred dividends or the required sinking fund redemptions on the $5.40 series shares. Upon involuntary liquidation, all $5.40 series shares are entitled to $65 per share plus accrued dividends before any distributions can be made to common shareholders.

Note 8—Common Stock

Activity relating to common stock was as follows:

	(Thousands of dollars)				
	Common Stock		Capital in Excess of Par	Treasury Stock	
	Shares	Amount	Amount	Shares	Amount
Balance at January 1, 1979	22,008,466	$55,021	$142,392	195,329	$ 5,973
Common stock issued in connection with:					
Employee stock purchase plan	436,561	1,092	9,552		
Exercise of common stock options	11,666	29	284		
Treasury stock issued in connection with:					
Employee stock ownership plan				(42,205)	(1,290)
Deferred compensation plans				(2,825)	(87)
Exercise of common stock options				(7,420)	(227)
Balance at December 31, 1979	22,456,693	56,142	152,228	142,879	4,369
Common stock issued in connection with:					
Employee stock purchase plan	513,687	1,284	10,390		
Exercise of common stock options	40,053	100	976		
Treasury stock issued in connection with:					
Employee stock ownership plan				(8,844)	(270)
Deferred compensation plans				(2,091)	(64)
Exercise of stock appreciation rights				(2,548)	(78)
Balance at December 31, 1980	23,010,433	57,526	163,594	129,396	3,957
Common stock issued in connection with:					
Employee stock purchase plan	621,009	1,553	10,131		
Exercise of common stock options	9,233	23	225		
Treasury stock issued in connection with:					
Employee stock ownership plan				(11,349)	(347)
Deferred compensation plans				(1,662)	(51)
Exercise of common stock options				(2,365)	(72)
Balance at December 31, 1981	23,640,675	$59,102	$173,950	114,020	$ 3,487

Under the Company's incentive programs, non-qualified stock options have been granted to certain key employees to purchase shares of the Company's common stock. These options expire ten years, and are exercisable one year, after the date of grant. There are no significant charges to earnings relating to the programs.

At December 31, 1981, 171,478 non-qualified options were outstanding at prices ranging from $19.94 to $34.50 per common share, of which 118,266 were exercisable. Total proceeds for options exercised amounted to $187,000 in 1981, $592,000 in 1980 and $257,000 in 1979. During 1981 26,400 non-qualified options were granted and 235,972 non-qualified options were cancelled. The cancellations were principally due to the participation requirements of the Long-Term Incentive Unit Plan.

There would be no material dilution of earnings per common share with respect to shares issuable under the above plans. Weighted average common shares outstanding used to compute earnings per common share were 23,166,000 in 1981, 22,586,000 in 1980 and 22,044,000 in 1979.

Note 9—Foreign Currency Exchange and Translation

Effective January 1, 1981, the Company adopted the new foreign currency translation standard prescribed by FASB Statement No. 52. Adoption of the new standard increased net earnings in 1981 by $9.8 million, or $.42 per common share. Earlier adoption of this standard would not have materially affected consolidated earnings for prior years; consequently, no restatement was made.

An analysis of changes in the Cumulative Currency Translation Adjustments included in Common Shareholders' Equity at December 31, 1981 is as follows:

	(Thousands of dollars)
Cumulative currency translation adjustments as of January 1, 1981	$ (987)
For the year ended December 31, 1981:	
Currency translation adjustments	(22,040)
Income taxes related to currency translation adjustments	124
Amounts related to dispositions of investments	460
Cumulative currency translation adjustments as of December 31, 1981	$(22,443)

The effect of realized foreign currency transactional gains and losses included in the determination of 1981, 1980 and 1979 net earnings was not material.

Note 10—Pensions

Total pension expense was $27,657,000 in 1981, $32,847,000 in 1980 and $27,662,000 in 1979. During 1981, the Company changed actuarial assumptions for computing pension costs for certain U.S. plans, principally revising interest assumptions to more properly reflect expected economic conditions, which reduced pension expense by $8,375,000 and increased net earnings by $4,355,000, or $.18 per common share.

Accumulated plan benefits and plan net assets of the Company's defined benefit plans covering U.S. employees were as follows:

	(Thousands of dollars) January 1	
	1981	1980
Actuarial present values of accumulated plan benefits:		
Vested	**$368,088**	$313,864
Nonvested	**20,038**	19,085
	$388,126	$332,949
Market value of net assets available for benefits	**$476,221**	$372,427

The actuarial present values of accumulated plan benefits were calculated using an 8% assumed rate of return. Pension plans covering the Company's employees located outside of the U.S. are not subject to reporting requirements similar to those of ERISA and, accordingly, the asset and benefit information as calculated and presented above is not available. For such plans, the net assets and balance sheet accruals exceeded the actuarially computed values of vested benefits.

Note 11—Income Taxes

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

	(Thousands of dollars)		
	1981	1980	1979
Earnings before income taxes			
Domestic	**$ 22,763**	$ 53,222	$109,748
Foreign	**90,157**	104,014	108,078
	$112,920	$157,236	$217,826
Income tax expense			
Current:			
U.S. federal	**$ 13,155**	$ (754)	$ 14,915
U.S. state and local	**2,696**	4,776	5,844
Foreign			
Canadian federal and provincial	**21,929**	11,723	19,164
Canadian provincial mines	**7,172**	5,307	9,903
Other	**11,262**	25,628	17,435
	56,214	46,680	67,261
Deferred:			
U.S.	**(9,990)**	22,402	27,363
Foreign			
Canadian federal and provincial	**1,450**	1,222	2,967
Canadian provincial mines	**1,328**	2,641	2,531
Other	**3,598**	3,655	3,098
	(3,614)	29,920	35,959
	$ 52,600	$ 76,600	$103,220

The U.S. investment tax credit amounted to $6,692,000 in 1981, $6,347,000 in 1980 and $11,468,000 in 1979.

The cumulative undistributed earnings of subsidiaries outside the United States on which the Company had not provided deferred income taxes at December 31, 1981 were approximately $200,000,000.

The effective income tax rate on consolidated pre-tax earnings differs from the U.S. federal income tax statutory rate for the following reasons:

	% of Pre-Tax Earnings		
	1981	1980	1979
U.S. federal income tax statutory rate	**46.00%**	46.00%	46.00%
Increase (decrease) resulting from:			
Tax on U.S. foreign source income	**5.95**	6.16	2.95
U.S. investment tax credit	**(5.93)**	(4.04)	(5.26)
Capital gains on timber	**(6.11)**	(3.87)	(2.03)
Difference between U.S. federal statutory rate and foreign effective rates	**4.89**	1.86	2.96
Accrual for income taxes relating to DISC	**3.54**		
Other, net	**(1.76)**	2.61	2.77
	46.58%	48.72%	47.39%

Because of uncertainties regarding the future tax status of domestic international sales corporations (DISC's) and due to changes in the corporate structure resulting from the Company's reorganization, income taxes of approximately $4 million were accrued during 1981 for the Company's principal DISC.

Deferred income tax expense consisted of the following:

	(Thousands of dollars)		
	1981	1980	1979
Excess of tax over financial statement depreciation	**$ 25,042**	$31,188	$33,864
Foreign tax credit carryforward	**(24,660)**		
Undistributed earnings of foreign subsidiaries	**(9,456)**	(4,931)	986
Other, net	**5,460**	3,663	1,109
	$ (3,614)	$29,920	$35,959

The Internal Revenue Service has examined the consolidated U.S. federal income tax returns for years prior to 1976 and various Canadian taxing authorities have examined substantially all Canadian federal and provincial income and mines tax returns for years prior to 1978. As a result of these examinations, certain tax issues and proposed tax adjustments relating to years since 1969 are currently being negotiated, administratively appealed or litigated.

Note 12—Business Segment Information

See "Consolidated Major Business Segments and Geographic Areas Information" on pages 16 and 17 for summarized financial information relating to the Company's operations in different businesses and geographic areas.

Note 13—Unaudited Supplemental Information on Inflation and Changing Prices

Pronouncements of the Financial Accounting Standards Board require disclosure of selected financial information concerning the effects of general inflation and specific price changes on a business enterprise. For the required disclosure, see "Supplemental Information on Inflation and Changing Prices" beginning on page 18.

Management's Report

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

The financial statements necessarily include some amounts that are based on Management's best estimates and judgments. Management believes that the financial statements reflect in all material respects the substance of transactions which should be included and appropriately account for or disclose all material uncertainties. Uncertainties exist concerning the eventual outcome of Johns-Manville Corporation's asbestos-health litigation. Management is presently unable to predict the ultimate cost to Johns-Manville Corporation and thus to the Company resulting from this litigation. Any liabilities relating to asbestos-health litigation will be recorded in accordance with generally accepted accounting principles when such amounts can be reasonably determined.

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

Manville maintains internal accounting control systems to provide reliable financial information for the preparation of financial statements, to safeguard assets against loss or unauthorized use and to ensure proper authorization and accounting for all transactions. Management is responsible for maintenance of these systems, which is accomplished through communication of established written codes of conduct, systems, policies and procedures; employee training; and appropriate delegation of authority and segregation of responsibilities. To further ensure compliance with established standards and procedures, the Company maintains a substantial program of internal audits.

In establishing and maintaining its internal accounting control systems, Management considers the inherent limitations of the various control procedures and weighs their cost against the benefits derived. Management believes that existing internal accounting control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of the financial statements.

Oversight of Management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an Audit Committee which consists solely of outside directors (see page 22). The Audit Committee meets periodically with financial management, internal auditors and the independent accountants to ensure that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent accountants and the Company's internal audit department have free access to meet with the Audit Committee without Management's presence.

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

Leo J. Bartolanzo
Senior Vice President, Finance

Accountants' Report

To the Shareholders and Directors
of Manville Corporation:

We have examined the consolidated balance sheets of Manville Corporation as of December 31, 1981 and 1980, and the related consolidated statements of earnings and earnings reinvested and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Canadian subsidiaries, which reflect total assets and net sales constituting approximately 10% of the related consolidated totals, were examined by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to amounts included for Canadian subsidiaries examined by other auditors, is based solely upon their report.

As discussed in Note 5 to the consolidated financial statements, Johns-Manville Corporation (a wholly-owned subsidiary of Manville Corporation) is a defendant in a substantial number of asbestos-health legal actions. The ultimate liability resulting from these matters cannot presently be reasonably estimated.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned financial statements present fairly the consolidated results of operations and changes in financial position of Manville Corporation for each of the three years in the period ended December 31, 1981 and, subject to the effects of adjustments that might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial position of Manville Corporation at December 31, 1981 and 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

February 5, 1982
Denver, Colorado

Manville Corporation

Consolidated Major Business Segments and Geographic Areas Information

(Thousands of dollars)

Revenues	Years Ended December 31 1981	1980	1979
Fiber Glass Products	**$ 625,300**	$ 610,071	$ 573,198
Forest Products	**554,612**	508,199	497,398
Non-Fiber Glass Insulations	**257,508**	279,449	267,862
Roofing Products	**208,890**	249,996	272,677
Pipe Products and Systems	**199,322**	220,084	304,856
Asbestos Fiber	**138,340**	158,946	168,199
Industrial and Specialty Products and Services	**320,124**	340,935	308,390
Corporate revenues, net	**11,898**	9,024	11,020
Elimination of intersegment sales (a)	**(95,315)**	(84,353)	(106,238)
	$2,220,679	$2,292,351	$2,297,362

Income From Operations (c)	1981	1980	1979
Fiber Glass Products	**$ 89,760**	$ 91,060	$ 95,650
Forest Products	**39,434**	37,001	50,320
Non-Fiber Glass Insulations	**19,964**	26,606	27,190
Roofing Products	**(17,455)**	9,417	14,360
Pipe Products and Systems	**(355)**	(4,773)	17,983
Asbestos Fiber	**36,821**	35,048	56,477
Industrial and Specialty Products and Services	**50,321**	54,634	43,474
Corporate expense, net	**(23,335)**	(37,756)	(23,436)
Eliminations and adjustments (d)	**3,182**	11,378	(1,751)
	$ 198,337	$ 222,615	$ 280,267

Depreciation and Depletion	1981	1980	1979
Fiber Glass Products	**$ 23,770**	$ 23,419	$ 21,474
Forest Products	**27,831**	26,037	26,921
Non-Fiber Glass Insulations	**6,818**	6,548	5,548
Roofing Products	**3,558**	2,897	2,343
Pipe Products and Systems	**5,666**	5,740	5,996
Asbestos Fiber	**5,996**	6,377	5,891
Industrial and Specialty Products and Services	**5,523**	5,244	4,872
Corporate	**2,728**	2,602	1,798
	$ 81,890	$ 78,864	$ 74,843

Additions to Property, Plant and Equipment	1981	1980	1979
Fiber Glass Products	**$ 25,002**	$ 32,403	$ 84,740
Forest Products	**31,874**	43,442	35,793
Non-Fiber Glass Insulations	**6,295**	16,465	23,313
Roofing Products	**7,217**	10,300	11,497
Pipe Products and Systems	**2,706**	4,312	14,280
Asbestos Fiber	**1,604**	6,177	5,440
Industrial and Specialty Products and Services	**8,867**	12,360	9,264
Corporate	**2,636**	4,286	4,994
	$ 86,201	$ 129,745	$ 189,321

Assets	December 31 1981	1980	1979
Fiber Glass Products	**$ 566,905**	$ 575,416	$ 561,625
Forest Products	**822,900**	846,488	825,239
Non-Fiber Glass Insulations	**187,966**	201,394	190,612
Roofing Products	**123,945**	116,938	112,111
Pipe Products and Systems	**158,330**	165,538	193,303
Asbestos Fiber	**142,543**	147,394	146,045
Industrial and Specialty Products and Services	**194,364**	200,200	190,419
Corporate (e)	**246,962**	202,592	208,688
Eliminations and adjustments (d)	**(146,101)**	(117,801)	(104,870)
	$2,297,814	$2,338,159	$2,323,172

Revenues	1981	Years Ended December 31 1980	1979
United States	**$1,704,247**	$1,726,733	$1,802,860
Canada	**273,190**	279,624	289,117
Overseas	**312,165**	368,590	308,751
Corporate revenues, net	**11,898**	9,024	11,020
Elimination of intergeographic sales (b)	**(80,821)**	(91,620)	(114,386)
	$2,220,679	$2,292,351	$2,297,362

Income From Operations (c)			
United States	**$ 116,534**	$ 138,350	$ 192,540
Canada	**57,453**	34,908	57,366
Overseas	**44,768**	75,190	55,845
Corporate expense, net	**(23,335)**	(37,756)	(23,436)
Eliminations and adjustments (d)	**2,917**	11,923	(2,048)
	$ 198,337	$ 222,615	$ 280,267

Assets	1981	December 31 1980	1979
United States	**$1,639,104**	$1,681,685	$1,660,541
Canada	**221,655**	227,034	229,598
Overseas	**336,164**	344,774	328,998
Corporate (e)	**246,962**	202,592	208,688
Eliminations and adjustments (d)	**(146,071)**	(117,926)	(104,653)
	$2,297,814	$2,338,159	$2,323,172

Notes:

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

	1981	Years Ended December 31 1980	1979
Fiber Glass Products	**$51,993**	$48,571	$ 46,725
Forest Products	**12,698**		
Roofing Products		223	539
Asbestos Fiber	**15,833**	20,124	36,565
Industrial and Specialty Products and Services	**14,791**	15,435	22,409
	$95,315	$84,353	$106,238

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

United States	**$37,308**	$38,131	$ 34,649
Canada	**42,190**	50,902	77,459
Overseas	**1,323**	2,587	2,278
	$80,821	$91,620	$114,386

(c) Income From Operations for 1981 by Major Business Segments and Geographic Areas was favorably impacted by the adoption of FASB Statement No. 52 (see Note 9) and by changes in certain actuarial assumptions in computing pension expense (see Note 10). The following table summarizes increases (decreases) in reported Income From Operations by Major Business Segments for these items (millions of dollars):

	Adoption of FASB Statement No. 52	Pension Costs	Total
Fiber Glass Products	$2.9	$2.7	$ 5.6
Non-Fiber Glass Insulations	1.7	1.2	2.9
Roofing Products		1.0	1.0
Pipe Products and Systems	.1	1.0	1.1
Asbestos Fiber	.8		.8
Industrial and Specialty Products and Services	4.5	1.2	5.7
Corporate expense, net	(.5)	1.3	.8
	$9.5	$8.4	$17.9

For Geographic Areas, the full effect of reduced pension expense was attributable to the United States while the effect of adoption of FASB Statement No. 52 favorably impacted Income From Operations in Canada by $1.2 million and Overseas by $8.8 million, and increased Corporate expense by $0.5 million.

In addition, 1981 Income From Operations for the Forest Products segment was favorably impacted by $8.7 million from the grant of exploration rights on its mineral acreage in Louisiana.

(d) Includes the elimination of intersegment and intergeographic inventory profits and the adjustment of business segment and geographic inventories, which are carried at standard costs, to the historical inventory bases used in consolidation.

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

Supplemental Information on Inflation and Changing Prices (Unaudited)

The following summarized financial information attempts to indicate the effects of changing prices on the Company utilizing the two different computational methods prescribed by the Financial Accounting Standards Board (FASB). The standards require a 'constant dollar' restatement of the historical cost of selected financial statement elements into dollars having the same general purchasing power as measured by the Consumer Price Index for All Urban Consumers (CPI-U). In addition to the constant dollar disclosures, the FASB requires presentation of certain financial statement items on a 'current cost' basis, which considers changes in specific prices that may vary from the rate of change in the general purchasing power of the dollar. Also reported is a gain in purchasing power from maintaining a net monetary liability position which reflects that a portion of the burden of inflation is shifted from the Company's common shareholders to creditors.

The restated amounts presented represent adjustments to reflect constant dollar or current cost depreciation; current year liquidations of last-in, first-out (LIFO) inventories; and the restatement of that portion of cost of sales using first-in, first-out (FIFO) inventory valuations to the appropriate bases. The constant dollar depreciation and depletion expense is simply a restatement of the historical dollar expense calculated by applying a CPI-U factor (based upon the year of acquisition of the asset) to the related expense. The current cost depreciation and depletion expense represents an approximation of the annual amortization that would have been incurred had Manville replaced its total service potential in property, plant and equipment during the year 1981. These restated amounts reflect the higher rate of inflation in recent years, which has increased the nominal dollar profit which assets must earn over their useful lives to maintain and recover the present-day value of the original investment. However, the computations do not reflect technological and other differences arising in the replacement of assets or the revised pricing strategies that would be in effect had the Company and its competitors begun business during the current year. Because the Company's product mix is continually changing through normal product evolution and technological advances, it may be that in the future the Company may replace some assets with technologically improved assets affording operating savings, some with like kind assets, or some not at all. Since these management decisions can only be made at the point in time of actual replacement, such replacement plans cannot be adequately considered in the calculations presented.

As indicated by the financial information presented, the capital recovery allowances for depreciable assets included in the conventional financial statements do not recover a dollar amount sufficient to equal the current cost of that portion of the assets consumed during the period. Investments in capital assets must earn sufficient returns not only to compensate for the assets consumed at current prices but must also allow for funds to be reinvested for the growth of businesses and, at the same time, provide returns to the Company's common shareholders. During 1981, the Company continued to operate in severely depressed markets in many of its businesses and the reported results of operations on a historical cost basis reflect this environment. In addition, these results, adjusted for general inflation and specific prices along with the inflationary impact of income taxes, further reflect the present business environment. It must be kept in mind, however, that many of the Company's businesses are cyclical in nature and any one-year view of the effects of changing prices may not be appropriate. The Company believes that over a business cycle and under conditions of moderate inflation, adequate returns will continue to be realized.

The standards do not permit any adjustment to income tax expense in the determination of net earnings on the restated bases. Consequently, the effective income tax rate increases from the 46.6% in the conventional financial statements to over 88% on a constant dollar basis and 87% on a current cost basis. The existing tax structure fails to adequately compensate for the higher nominal dollar profits a company must earn to maintain the real purchasing power of its capital. As companies have tried to increase their nominal dollar profits to keep up with inflation and the longer lead times for investment recovery in today's regulatory environment, existing laws have required income taxes to be paid on these profits. This situation reflects the need to continue the recent legislative trend toward liberalizing tax incentives on long-term investments if adequate capital expenditures are to be made in the current inflationary environment.

All information presented has been prepared in accordance with the standards prescribed by the FASB; however, due to the experimental nature of the methods involved in accounting for inflation and changing prices and because of the number of assumptions and approximations used in its calculations, the Company cautions against simplistic use of this data. Because of inconsistent methods of calculation, comparability with other companies, although improved by the existence of accounting standards, will not be realized until the experimental nature of these disclosures has been eliminated.

Manville Corporation

Consolidated Statements of Earnings Adjusted for Changing Prices

for the Year Ended December 31, 1981
(Thousands of dollars)

	As Reported in the Conventional Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)		Adjusted for Changes in Specific Prices (Current Cost)
Revenues	$2,220,679	$2,220,679		$2,220,679
Cost of Sales	1,730,678	1,779,032		1,778,746
Other Operating Expenses	291,664	296,841		296,245
Interest Expense	72,661	72,661		72,661
Asbestos Health Costs	12,756	12,756		12,756
Total	2,107,759	2,161,290		2,160,408
Earnings Before Income Taxes	112,920	59,389		60,271
Income Taxes	52,600	52,600		52,600
Net Earnings *(before preferred dividends)*	60,320	6,789		7,671
Dividends on Preferred Stock	24,987	24,987		24,987
Net Earnings Available for (Loss Applicable to) Common Stock	$ 35,333	$ (18,198)		$ (17,316)
Gain from Decline in Purchasing Power of Net Amounts Owed		$ 82,206		$ 82,206
Increase in General Price Level of Inventories and Property, Plant and Equipment Held During the Year			$235,302	
Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year			190,224	
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year			$ 45,078	
Historical Cost versus Current Cost at December 31, 1981:				
Inventories	$ 211,129			$ 374,881
Property, plant and equipment, net of accumulated depreciation and depletion	$1,566,430			$2,442,782

Manville Corporation

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

for the Years Ended December 31
(All dollar figures are in average 1981 dollars)
(Thousands of dollars except per share amounts)

	1981	1980	1979
Historical Cost Information Adjusted for General Inflation			
Net Earnings Available for (Loss Applicable to) Common Stock	**$ (18,198)**	$ 7,618	$ 75,361
Net Earnings (Loss) Per Common Share	**$(.79)**	$.34	$3.42
Net Assets at Year-End	**$1,779,942**	$1,765,273	$1,782,787
Current Cost Information			
Net Earnings Available for (Loss Applicable to) Common Stock	**$ (17,316)**	$ 13,412	$ 76,191
Net Earnings (Loss) Per Common Share	**$(.75)**	$.60	$3.46
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	**$ 45,078**	$ 75,828	$ 32,777
Net Assets at Year-End	**$1,879,791**	$1,930,559	$1,991,337

	1981	1980	1979	1978	1977
Revenues	**$2,220,679**	$2,530,131	$2,878,571	$2,337,271	$2,220,915
Other Information					
Gain from Decline in Purchasing Power of Net Amounts Owed	**$ 82,206**	$ 129,298	$ 141,406		
Dividends Per Common Share	**$1.92**	$2.12	$2.37	$2.51	$2.33
Market Price Per Common Share at Year-End	**$14⅜**	$26⅛	$28⅝	$30⅜	$47⅝
Average Consumer Price Index (CPI-U)	**272.4**	246.8	217.4	195.4	181.5

Notes:

(a) Current cost information was estimated as follows:

Inventories—standard manufacturing costs that reflect current cost depreciation or lower recoverable amount.

Property, Plant and Equipment—land at regional market quotations; precious metals used in manufacturing at current producers' market prices; and buildings and machinery and equipment at construction cost or other indices specific to the type of asset or lower recoverable amount. Timber and timberlands have been measured at their historical cost/constant dollar values.

Cost of Sales—for inventories accounted for using the LIFO method, cost of sales for financial reporting purposes adjusted for current cost depreciation and LIFO liquidations; for inventories accounted for using the FIFO method, cost of sales for financial reporting purposes adjusted for current cost depreciation and time lag between incurring inventory costs and their subsequent conversion into sales revenue.

Depreciation and Depletion—estimated on a straight-line basis using the same useful lives and salvage values as for historical financial reporting purposes; average current cost of plant and equipment at the beginning and end of the year was used as a basis for depreciation expense.

Foreign assets included in these estimates were translated at exchange rates prevailing at the balance sheet date.

(b) Depreciation and depletion expense has been allocated between cost of sales and other operating expenses. The aggregate amount of 1981 depreciation and depletion expense calculated under the constant dollar basis is $129.0 million, and under the current cost basis is $127.6 million.

(c) The amount of income tax expense in the computations of earnings adjusted for general inflation and earnings adjusted for changes in specific prices is the same as that charged against earnings in the conventional financial statements. No adjustments have been made for any timing differences that might be deemed to arise as a result of the use of different bases.

(d) The gain from decline in purchasing power of net amounts owed is the net amount of gains and losses of purchasing power resulting from holding more monetary liabilities (those obligations determinable in amount without reference to future prices) than cash or claims to cash in an inflationary period.

Manville Corporation

Summary Operating Statistics for Mining Operations

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

Asbestos Fiber:
During 1981, the Company processed 7,165,000 tons of ore reserves which yielded 453,000 tons of asbestos fiber. For 1980, 8,523,000 tons of ore were processed which yielded 512,000 tons of asbestos fiber. The proven ore reserves amounted to 84,400,000 tons and 91,522,000 tons at December 31, 1981 and 1980, respectively. The average market price per ton of asbestos fiber was approximately $329 at the end of 1981 and $310 at the end of 1980.

On February 12, 1982, the Company announced a suspension of several expansion programs involving the removal of overburden in new sections of the mine. In the six-month period following the announcement, the Company will continue its mining operations and review all possible alternatives for improving the profitability of the mine in view of future expectations concerning such factors as demand, prices, mining techniques and taxation. If resumed, the expansion programs will permit continued processing of proven ore reserves at 1981 production levels through at least 1990. If the expansion programs are not resumed, the commercial recoverability of proven ore reserves will be significantly adversely affected.

Diatomite:
Production of processed diatomite amounted to 278,000 tons during 1981 and 308,000 tons during 1980. Proven reserves were estimated to be 7,855,000 tons at December 31, 1981 and 8,435,000 tons at December 31, 1980, which would be sufficient to produce processed diatomite at these levels for a period of 20 to 25 years. The average market price per ton for this mineral was approximately $165 at the end of 1981 and $155 at the end of 1980.

Perlite:
Proven ore reserves were 3,100,000 tons at December 31, 1981 and 3,136,000 tons at December 31, 1980. Production amounted to 205,000 tons and 253,000 tons during 1981 and 1980, respectively. At these production levels, ore reserves are estimated to be sufficient for an additional eight years. The average market price of processed perlite at the end of the year was $34 per ton for 1981 and $32 per ton for 1980.

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

Selected Quarterly Financial Data (Unaudited)

(Thousands of dollars except per share amounts)

Results for the four quarters of 1981 and 1980 are shown below:

	1981 for the Three Months Ended				1980 for the Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Net Sales	**$527,369**	**$564,934**	**$568,867**	**$524,835**	$590,119	$576,633	$556,723	$543,329
Gross Profit	**$119,963**	**$108,493**	**$113,757**	**$113,114**	$139,691	$113,463	$120,001	$122,201
Net Earnings *(before preferred dividends)*	**$19,435**	**$12,587**	**$11,382**	**$16,916**	$25,329	$15,986	$20,223	$19,098
Net Earnings Per Common Share	**$.56**	**$.27**	**$.22**	**$.47**	$.84	$.43	$.62	$.58

Notes:

(1) During the fourth quarter of 1981, the Company elected to implement the accounting and reporting requirements of Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation". The new standard was adopted effective January 1, 1981, by restating earnings for the first three quarters of 1981.

The restatement had the effect of adding the following to previously reported figures:

	1981 for the Three Months Ended		
	Sept. 30	June 30	Mar. 31
Gross Profit	**$3,337**	**$2,854**	**$2,146**
Net Earnings *(before preferred dividends)*	**$3,307**	**$2,672**	**$2,689**
Net Earnings Per Common Share	**$.14**	**$.11**	**$.12**

(2) Included in operating results for the fourth quarter of 1981 were the following unusual items: a change in assumptions for certain of the Company's pension plans, which added $4.4 million to net earnings ($0.18 per common share); a resolution of litigation, which increased net earnings by $2.7 million ($0.11 per common share) with the reversal of a portion of the litigation reserves established at the time of the Olinkraft, Inc. acquisition; and an accrual for income taxes relating to a domestic international sales corporation (DISC), which reduced net earnings by $4.0 million ($0.17 per common share).

(3) During the fourth quarter of 1980, a reduction in inventory levels in the U.S. and Canada resulted in the liquidation of LIFO inventory quantities which were being carried on the Company's financial records at costs lower than the 1980 standard production costs. This difference between the standard production costs and historical carrying costs of the inventory sold increased net earnings during the fourth quarter by $6.4 million ($0.28 per common share).

Board of Directors

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President and Chief Operating Officer, Manville Corporation

John P. Schroeder
Retired, Former Vice Chairman, Morgan Guaranty Trust Company of New York, New York City, New York

Charles J. Zwick
President and Chief Executive Officer, Southeast Banking Corporation, Miami, Florida

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William F. May
John A. McKinney
Fred L. Pundsack
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Senior Vice President, Administrative Services

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Senior Vice President, Production and Technology

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Vice President, Corporate Marketing

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Vice President, Labor Relations

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Vice President, Production and Engineering

Richard B. Von Wald
Corporate Counsel

Harold J. White
Vice President, Administrative Services

Robert A. Boardman
Assistant Secretary

Alcester McCoy
Assistant Secretary

William S. Bullock
Assistant Treasurer

Richard M. Davis
Assistant Treasurer

Shareholder Information

About Manville Stock	Manville had approximately 27,000 common and 24,200 preferred shareholders of record at December 31, 1981. Manville is registered on the New York Stock Exchange (symbol Man), and its stock is traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia exchanges. The Company's common stock is one of the 30 included in the Dow Jones Industrial Average.
Annual Meeting	Shareholders are cordially invited to attend the 1982 Annual Meeting of Shareholders to be held at The Harley of New York, 212 East 42nd Street, New York City, New York on May 7, 1982 at 10:00 a.m., local time.
Dividend Reinvestment	Manville offers common shareholders the opportunity to participate, at no charge, in an automatic common stock dividend reinvestment program. Participating shareholders may use dividend income to buy additional shares of Manville common stock and may make voluntary cash payments to buy added shares. Manville pays brokerage commissions and service charges on shares purchased through this plan. Inquiries should be directed to the Transfer Agent.
Additional Information	Shareholders and other individuals interested in receiving additional information about the Company, may call (303) 978-2000 or write to: Manville Corporation Ken-Caryl Ranch Denver, CO 80217 Attention: Corporate Relations
Form 10-K	Shareholders and members of the financial community interested in receiving a copy of Manville Corporation's Annual Report on Form 10-K for the year ended December 31, 1981, as filed with the Securities and Exchange Commission, may write to: Secretary Manville Corporation Box 5723 Denver, CO 80217
Transfer Agent and Registrar	Morgan Guaranty Trust Company of New York 30 West Broadway New York, NY 10015
Counsel	Davis Polk & Wardwell 1 Chase Manhattan Plaza New York, NY 10005
Auditors	Coopers & Lybrand 2500 Anaconda Tower Denver, CO 80202 Campbell Sharp 500 Place D'Armes Montreal H2Y 2J1 Quebec

Manville
Corporation

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