



UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION



ATTESTATION

I HEREBY ATTEST

that:

*Attached is a copy of, annual report on Form 10-K, for the
fiscal year ended December 31, 1997, received in this
Commission March 13, 1998, under the name Owens Corning,
File No. 1-3660, pursuant to the provisions of the Securities
Exchange Act of 1934.*

on file in this Commission

May 21, 1998

(Date)

Suzanne L. McHugh

Suzanne L. McHugh
Records Officer

It is hereby certified that the Associate Executive Director, Office of Filings and Information Services, U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Director, Associate Directors, Special Assistant to the Director, Records Officer, and the Branch Chief of Records Management, or any one of them, are authorized to execute the above attestation.

For the Commission

Jonathan G. Katz

Jonathan G. Katz
Secretary

DISCLOSURE, INCORPORATED
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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 1997

Commission File No. 1-3660

Owens Corning
One Owens Corning Parkway
Toledo, Ohio 43659
Area Code (419) 248-8000

A Delaware Corporation

I.R.S. Employer Identification No. 34-4323452

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock - \$.10 Par Value	New York Stock Exchange
Rights to Purchase Series A Participating Preferred Stock, no par value, of the Registrant	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes / X /
No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. { X }

At February 17, 1998, the aggregate market value of Registrant's \$.10 par value common stock (Registrant's voting stock) held by non-affiliates was \$1,493,937,563, assuming for purposes of this computation only that all directors and executive officers are considered affiliates.

At February 17, 1998, there were outstanding 53,496,970 shares of Registrant's \$.10 par value common stock.

parts of Registrant's definitive 1998 proxy statement filed
or to be filed pursuant to Regulation 14A (the "1998 Proxy
Statement") are incorporated by reference into Part III of
this Form 10-K.

PART I

ITEM 1. BUSINESS

Owens Corning (formerly known as Owens-Corning Fiberglas Corporation), a global company incorporated in Delaware in 1938, serves consumers and industrial customers with building materials systems and high performance glass composites and building materials systems. These products are used in industries such as home improvement, new construction, transportation, marine, aerospace, energy, appliance, packaging and electronics. Many of these products are marketed under the trademark FIBERGLAS(R) and/or the color PINK trademark.

Approximately eighty percent of Owens Corning's sales are related to home improvement, sales of composite materials and sales outside U.S. markets. Approximately twenty percent of the Company's sales are related to new U.S. residential construction.

Owens Corning's executive offices are at One Owens Corning Parkway, Toledo, Ohio 43659; telephone (419) 248-8000. Unless the context requires otherwise, the terms "Owens Corning" and "Company" in this report refer to Owens Corning and its subsidiaries.

The Company operates in two industry segments - Building Materials and Composite Materials. In 1997, the Building Materials segment accounted for 74% of the Company's total sales while Composite Materials accounted for 26% of total sales. Owens Corning acquired Fibreboard Corporation and AmeriMark Building Products, Inc. in 1997, making Owens Corning the leader in the U.S. vinyl siding, siding accessories and cast stone markets, as well as providing the Company with a large network of company-owned specialty distribution centers. These operations are included in the Building Materials segment.

The Company also has affiliate companies in a number of countries. Affiliated companies' sales, earnings and assets are not included in either industry segment unless the Company owns more than 50% of the affiliate.

Revenue, operating profit, and identifiable assets attributable to each of Owens Corning's industry and geographic segments, as well as information concerning the dependence of the Company's industry segments on foreign operations, for each of the years 1997, 1996, and 1995, are contained in Note 1 to Owens Corning's Consolidated Financial Statements, entitled "Segment Data", on pages 37 through 42 hereof.

BUILDING MATERIALS

Principal Products And Methods Of Distribution

The Building Materials segment operates primarily in North

America and Europe. It also has a growing presence in Latin America and Asia Pacific. Building Materials sells a variety of building and home improvement products in three major categories: (i) glass fiber, foam and mineral wool insulation, (ii) roofing materials, and (iii) exterior products for home, such as vinyl and metal siding and accessories,

vinyl windows and patio doors, rainwear (consisting primarily of gutters and downspouts), cast stone building products and rebranded housewrap. The businesses responsible for these products and markets include: Insulating Systems, Roofing Systems, Exterior Systems, System Thinking Sales and Distribution and International Building Materials Systems.

Principal Products And Methods Of Distribution (Continued)

In 1997 Owens Corning became the industry leader in the vinyl siding market with its acquisitions of Fibreboard Corporation and AmeriMark Building Products, Inc. Together, these acquisitions represent well over \$1 billion in residential exterior building product sales, including vinyl siding, vinyl windows and patio doors, aluminum products and cast stone products. The Company now has eight vinyl siding manufacturing plants, five aluminum products manufacturing plants and nearly 200 company-owned specialty distribution centers. Almost all siding is sold through distribution, mostly specialty distributors who cater to exterior contractors by providing siding, siding accessories, aluminum rainwear and often windows and patio doors. Owens Corning's network of company-owned outlets accounts for over half of the Company's siding sales. Cast stone is sold primarily through independent dealers and masonry suppliers.

The Company's System Thinking Sales and Distribution Business is a major source of sales of building insulation products to lumber yards and home centers and roofing shingles, housewrap, windows/patio doors, and vinyl siding to retailers and distributors. These products are used primarily in the home improvement and new residential construction markets. In 1997, approximately twenty percent of the Company's sales were related to new construction activities in the United States, while home improvement and remodeling accounted for approximately forty-two percent.

Other channels of distribution for the Company's building materials include sales of insulation products in North America to insulation contractors, wholesalers, specialty distributors, manufacturers and metal building insulation laminators, mechanical insulation distributors and fabricators, manufactured housing producers, and appliance, office products and automotive manufacturers. Foam insulation and related products are sold to distributors and retailers who resell to residential builders, remodelers and do-it-yourself customers; commercial and industrial markets through specialty distributors; and, in some cases, large contractors, particularly in the agricultural and cold storage markets.

In Europe, Asia and Latin America building techniques do not employ as much open-cavity construction as in North America, which represents a greater opportunity for growth in foam insulation over glass fiber. In developing markets, both foam and fiberglass are opportunities. In Europe, the Company sells building insulation to large insulation wholesalers, builder merchants, contractors, distributors, and retailers. The Company sells mechanical insulation products to distributors, fabricators, and manufacturers in the heating, ventilation, power and process, appliance and fire protection industries. The Company has foam plants in the U.K., Spain and Italy and has licensed others for the manufacture of foam products at locations in Europe, the Middle East and Asia. The Company sells foam products

through traditional agents and distributors where licensing does not exist.

In Latin America, the Company produces and sells building and mechanical insulation primarily through an affiliate joint venture in Mexico, as well as exports from U.S.

plants. In Asia Pacific, the Company sells primarily mechanical insulation through joint venture businesses, including two majority owned insulation plants and an insulation fabrication center in China, two minority owned joint ventures, one in Saudi Arabia and one in Thailand, and four licensees.

The Company sells roofing shingles to distributors and retailers, who resell them to residential roofing and remodeling contractors, as well as to do-it-yourself customers. Approximately 80% of roofing shingles sold in North America are used for reroofing, with new residential construction accounting for the remainder. Owens Corning also sells residential shingles through exports from the U.S. to East European, Latin American and Asia Pacific countries.

The Company sells non-paving asphalt products, including industrial and specialty applications, under the TrumbullT brand name. There are three principal kinds of industrial asphalt: Built-Up Roofing Asphalt (BURA), used in commercial flat roof systems to provide waterproofing and adhesion; saturants or coating asphalt, used to manufacture roofing mats, felts and residential shingles; and industrial specialty asphalt, used by manufacturers in a variety of products such as waterproofing systems, adhesives, coatings, dyes, and product extenders, as well as in various automotive applications.

There are several channels of distribution for the Company's asphalt products. The Company's asphalt products are used internally in the manufacture of the Company's residential roofing products and are also sold to other shingle manufacturers. In addition, asphalt is sold to roofing contractors and distributors for BURA systems and to manufacturers in a variety of other industries, including automotive, chemical, rubber and construction.

Seasonality

Sales in the Building Materials segment tend to follow seasonal home improvement, remodeling and renovation, and new construction industry patterns. Sales levels for the segment, therefore, are typically lower in the winter months.

Major Customers

No customer in the Building Materials segment accounted for more than four percent of the segment's sales in 1997.

COMPOSITE MATERIALS

Principal Products and Methods of Distribution

Composite Materials operates in North America, Europe and Latin America, with affiliates and licensees around the world, including a growing presence in Asia Pacific. The businesses responsible for these products include: Composites Systems and Engineered Pipe Systems.

The Company is the world's leading producer of glass fiber materials used in composites. Composites are fabricated material systems made up of two or more components (e.g.,

plastic resin and glass fiber) used in various applications to replace traditional materials, such as aluminum, wood, and steel. The global composites industry has expanded to include more than 40,000 end-use applications. Worldwide, the composites industry has relatively few raw material component suppliers (glass fiber, resin and additives)

delivering to thousands of industrial customers through various channels. Depending on the end-use application, these raw materials move through different manufacturing process chains, ultimately finding their way to consumers through myriad markets worldwide. The primary end use markets that the Company serves are transportation, building construction, electrical/electronics, consumer recreational and infrastructure and other. Overall, approximately 65 percent of production is sold directly to external customers, mostly plastics or roofing companies, approximately 20 percent is used

Internally in the roofing and pipe operations and the remainder is sold to specialized industrial distributors, most often those who cater specifically to the plastics industry.

Within the construction market, the major end-use application for glass fiber is asphaltic roofing shingles, where glass fiber is used to provide fire and mildew resistance in 95% of all shingles produced in North America. The Company sells glass fiber and/or mat directly to a small number of major shingle manufacturers (including the Company's own roofing business).

Tubs, showers and other related internal building components used for both remodeling and new construction are also major applications of glass fiber materials in the construction market. These end-use products are some of the first successful material substitution conversions normally encountered in developing countries. Glass fiber for these markets is sold to direct accounts, and also to distributors around the world, who in turn service thousands of customers.

The most significant use of glass fibers within the transportation market is the automotive and trucking industry, which continues to grow as the amount of composite materials used per vehicle increases. There are hundreds of composites applications, including instrument panels; exterior and interior body panels such as fenders, doors and hoods, instrument panels, bumpers, lamp housings and headliners; valve covers; luggage racks; distributor caps; timing belts; packaging for electronics; mufflers and tanks for alternative fuel vehicles. These composite parts are either produced by original equipment manufacturers (OEMs), or are purchased by OEMs from first-tier suppliers. Glass fibers for these parts are sold mostly to first-tier and second-tier OEM suppliers. Non-automotive transportation applications include heavy trucks, railcars, shipping containers, intermodal refrigerated containers, trailers and commercial ships.

Within the electrical/electronics markets, glass fiber is used extensively in printed circuit boards made for the consumer electronics, transportation, and telecommunications industries. The Company sells glass fiber to a small number of large fabric weavers, who, in turn, supply their products to the circuit board industry. Glass fiber composites are also used to protect and reinforce fiber optic and copper cables. Through the 1997 acquisition of The Stewart Group, Inc. the Company is now a producer of the central strength member of fiber optic cables. Applications also include connectors, circuit breaker boxes, computer housings, electricians' safety ladders, and hundreds of various electro/mechanical components.

The consumer recreational markets are sporting goods and marine. The Company sells composites materials to OEMs Equipment Manufacturers and boat builders, both directly and

through distributors.

The Company manufactures large diameter glass-reinforced plastic (GRP) pipe designed for use in underground pressure and gravity fluid handling systems. The pipe is a filament-wound structural composite made with glass fiber and

polyester resins. The Company has pipe joint ventures in Thailand, Saudi Arabia, Germany, Spain, Botswana, Argentina, Egypt, Turkey and Colombia, and wholly-owned pipe plants in Norway and China. The Company, directly and with joint venture partners around the world, manufactures and sells GRP pipe directly to governments and private industry for major infrastructure projects primarily for the safe and efficient transport of water and waste.

Major Customers

No customer in the Composite Materials segment accounted for more than five percent of the segment's sales in 1997.

GENERAL

Raw Materials And Patents

Owens Corning considers the sources and availability of raw materials, supplies, equipment and energy necessary for the conduct of its business in each industry segment to be adequate.

The Company has numerous U.S. and foreign patents issued and applied for relating to its products and processes in each industry segment resulting from research and development efforts.

The Company has issued royalty-bearing patent licenses to companies in several foreign countries. The licenses cover technology (glass fiber and foam insulation and glass fiber reinforcements) relating to both industry segments.

Including registered trademarks for the Owens Corning logo, the Color Pink, and Fiberglas, the Company has approximately 225 trademarks registered in the United States and approximately 925 trademarks registered in other countries.

The Company considers its patent and trademark positions to be adequate for the present conduct of its business in each of its industry segments.

Working Capital

Owens Corning's manufacturing operations in each of its industry segments are generally continuous in nature and it warehouses much of its production prior to sale since it operates primarily with short delivery cycles.

Research And Development

During 1997, 1996 and 1995, the Company spent approximately \$69 million, \$78 million, and \$69 million, respectively, for research and development activities. Research and development costs included continuing commercial activities such as engineering and product modifications for special applications and testing in 1996 and 1995. Customer sponsored research and development was not material in any of the last three years.

Environmental Control

Owens Corning's capital expenditures relating to compliance with environmental control requirements were approximately \$16 million in 1997. The Company currently estimates that such capital expenditures will be approximately \$17 million in 1998 and \$17 million in 1999.

The Company does not consider that it has experienced a material adverse effect upon its capital expenditures or competitive position as a result of environmental control legislation and regulations. Operating costs of

environmental control equipment, however, were approximately \$54 million in 1997. Owens Corning continues to invest in equipment and process modifications to remain in compliance with applicable environmental laws and regulations.

The 1990 Clean Air Act Amendments (Act) provide that the

United States Environmental Protection Agency (EPA) will issue regulations on a number of air pollutants over a period of years. Until these regulations are developed, the Company cannot determine the extent to which the Act will affect it. The Company anticipates that its sources to be regulated will include wool fiberglass, mineral wool, asphalt roofing and processing, and metal coil coating. The EPA's currently announced schedule is to issue regulations covering wool fiberglass and mineral wool in

1998 and asphalt roofing and processing in 1999, and metal coil coating in 2000, with implementation as to existing sources up to three years thereafter. Based on information now known to the Company, including the nature and limited number of regulated materials it emits, the Company does not expect the Act to have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

Number Of Employees

Owens Corning averaged approximately 22,000 employees during 1997 and had approximately 24,000 employees at December 31, 1997.

Competition

Owens Corning's products compete with a broad range of products made from numerous basic, as well as high-performance, materials.

The Company competes with a number of manufacturers in the United States of glass fibers in primary forms, not all of which produce a broad line of glass fiber products. Approximately one-half of these producers compete with the Company's Building Materials industry segment in the sale of glass fibers in primary form. A similar number compete with the Company's Composite Materials industry segment. Companies in other countries, primarily Japan, export glass fiber products to the United States. The Company also competes outside the United States against a number of manufacturers of glass fibers in primary forms.

Owens Corning also competes with many manufacturers, fabricators and distributors in the sale of products made from glass fibers. In addition, the Company competes with many other manufacturers in the sale of industrial asphalts, vinyl siding, windows and patio doors and other products.

Methods of competition include product performance, price, terms, service and warranty.

ITEM 2. PROPERTIES

PLANTS

Owens Corning's plants as of February 1, 1998 are listed below by industry segment and primary products, and are owned except as noted. The Company considers that these properties are in good condition and well maintained, and are suitable and adequate to carry on the Company's business. The capacity of each plant varies depending upon product mix.

Thermal And Acoustical Insulation

Delmar, New York
Eloy, Arizona
Fairburn, Georgia
Kansas City, Kansas
Mount Vernon, Ohio
Newark, Ohio

Palestine, Texas
Phenix City, Alabama (1)
Salt Lake City, Utah
Santa Clara, California
Waxahachie, Texas

Babelegi, South Africa
Candiac, Canada
Edmonton, Canada
Guangzhou, China
Pontyfelin, United Kingdom

Queensferry, United Kingdom
Ravenhead, United Kingdom
Scarborough, Canada
Shanghai, China
Springs, South Africa
Vise, Belgium

- (1) Facility is leased.

Foam Insulation

Byron Center, Michigan
Carson, California
Los Angeles, California (1)

Rockford, Illinois
Tallmadge, Ohio

Barcelona, Spain
Grande-Lle, Quebec
Hartlepool, United Kingdom
Nanjing, China (2)

Santa Perpetua, Spain
Turin, Italy
Valleyfield, Canada

- (1) Facility is leased.
(2) Under construction.

Roofing And Asphalt Processing (one of each at every location, except as noted).

Atlanta, Georgia (1)
Brookville, Indiana (1)
Channelview, Texas (2)
Compton, California
Denver, Colorado
Detroit, Michigan (2)
Houston, Texas
Irving, Texas
Jacksonville, Florida
Jessup, Maryland

Kearney, New Jersey
Medina, Ohio
Memphis, Tennessee
Minneapolis, Minnesota
Morehead City, North Carolina (2) (4)
Oklahoma City, Oklahoma (2)
Portland, Oregon (5)
Savannah, Georgia (1)
Summit, Illinois (3)

- (1) Roofing plant only.
(2) Asphalt processing plant only.
(3) Facility is partially leased.
(4) Facility is leased.
(5) Two asphalt processing plants, as well as one roofing plant.

Fabrication Centers

Angola, Indiana
Athens, Alabama
Atlanta, Georgia (1)
Cleveland, Tennessee (1)
Columbus, Ohio (1)
Coopersville, Michigan (1)
Dallas, Texas (1)
Grand Rapids, Michigan (1)
Hazelton, Pennsylvania (1)

Hebron, Ohio
Indianapolis, Indiana (1)
Johnson City, Tennessee (1)
Los Angeles, California (1)
Montgomery, Alabama (1)
Shelbyville, Kentucky (1)
Springfield, Tennessee (1)
Tiffin, Ohio (1)
Van Buren, Arkansas (1)

Brantford, Canada

(1) Facility is leased.

Manufactured Housing/Recreational Vehicles Specialty Parts

Douglas, Georgia
Elkhart, Indiana (1) (2)
Goshen, Indiana
-- Miami, Florida (1)

Nappanee, Indiana
Plant City, Florida (1)
Waco, Texas (1)

(1) Facility is leased.
(2) Two facilities.

Metal Rainwear

Ashville, Ohio
Beloit, Wisconsin (1)
Lincoln Park, Michigan

Richmond, Virginia
Roxboro, North Carolina

(1) Facility is leased.

Cast Stone Products

Napa, California (1)
Navarre, Ohio

(1) Facility is leased.

Vinyl Siding

Atlanta, Georgia (1)
Claremont, North Carolina
Fair Bluff, North Carolina

Joplin, Missouri
Lynchburg, Virginia
Olive Branch, Mississippi

London, Ontario

Mission, British Columbia

(1) Facility is leased.

Windows/Patio Doors

Hazelton, Pennsylvania
Martinsville, Virginia (1)
St. Louis, Missouri (1)

(1) Facility is leased

In addition, Owens Corning has 198 Specialty Distribution Centers in 36 states in the U.S.

COMPOSITE MATERIALS SEGMENT

Textiles And Reinforcements

Aiken, South Carolina
Amarillo, Texas
Anderson, South Carolina
-- Fort Smith, Arkansas
Duncan, South Carolina (1)

Apeldoorn, The Netherlands
Battice, Belgium
Birkeland, Norway
Guelph, Canada
L'Ardoise, France
Liversedge, United Kingdom

(1) Facility is leased.
(2) Under construction.

Huntingdon, Pennsylvania
Jackson, Tennessee (1)
New Braunfels, Texas (1)
South Hill, Virginia (2)

Markham, Canada (1)
Rio Claro, Brazil
San Vicente deCastellet/
Barcelona, Spain
Springs, South Africa
Wrexham, United Kingdom

Engineered Pipe Systems

Changchun, China
Sandefjord, Norway

OTHER PROPERTIES

Owens Corning's general offices of approximately 400,000 square feet are located in the Owens Corning World Headquarters, Toledo, Ohio. The lease for this facility terminates May 31, 2015, with options to extend through May 31, 2030.

The Company's research and development function is conducted at its Science and Technology Center, located on approximately 500 acres of land outside Granville, Ohio. It consists of twenty-three structures totaling approximately 635,000 square feet. The Company also has Application Development Centers in Battice, Belgium and Bangalore, India.

ITEM 3. LEGAL PROCEEDINGS

The paragraphs in Note 22 to the Company's Consolidated Financial Statements, entitled "Contingent Liabilities", on pages 67 through 73 hereof, are incorporated here by reference.

Securities and Exchange Commission rules require the Company to describe certain governmental proceedings arising under federal, state or local environmental provisions unless the Company reasonably believes that the proceeding will result in monetary sanctions of less than \$100,000. The following proceedings are reported in response to this requirement. Based on the information presently available to it, however, the Company believes that the costs which may be associated with these matters will not have a materially adverse effect on the Company's financial position or results of operations.

As previously reported, during the first quarter of 1995 the Company signed a consent order with the Tennessee Department of Environment and Conservation, providing for a remedial investigation and feasibility study for two state Superfund sites at which the Company was the primary generator. Based upon the completed remedial investigation, the Tennessee Division of Superfund has delisted the two sites as state Superfund sites.

Also as previously reported, in August 1996 the Company voluntarily reported to the United States Environmental Protection Agency (EPA) that, pursuant to a change in assumptions regarding the formation of a reportable pollutant, the Company had concluded that reporting deficiencies for such pollutant had occurred at three plants. The Company has since filed all required reports with the EPA, which has determined it will not seek penalties in this matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Owens Corning has nothing to report under this Item.

Executive Officers of the Company
(as of March 1, 1998)

The term of office for elected officers is one year from the annual election of officers by the Board of Directors following the Annual Meeting of Stockholders on the third Thursday of April. All those listed have been employees of Owens Corning during the past five years except as indicated.

Name and Age	Position*
Glen H. Hiner (63)	Chairman of the Board and Chief Executive Officer since January 1992. Director since 1992.
Maura J. Abeln (42)	Senior Vice President, General Counsel and Secretary since February 1998; formerly Vice President and General Counsel of GE Plastics (1991).
Rhonda L. Brooks (46)	Vice President and President, Roofing System Business since January 1998; formerly Vice President, Investor Relations (1997); Vice President, Marketing, Composites (1995), and Senior Vice President and General Manager of Ply Gem Industries (1994), and various Vice President positions at Warner-Lambert (1990).
David T. Brown (49)	Vice President and President, Insulating System Business since January 1998; formerly Vice President and President, Building Materials Sales and Distribution-North America (1996) Vice President and President, Roofing/Asphalt (1994), and Vice President, Roofing/Asphalt Division (1993).
Domenico Cecere (48)	Senior Vice President and Chief Financial Officer since January 1998; formerly Vice President and President, Roofing/Asphalt (1996), and Vice President and Controller (1993).
Charles H. Dana (58)	Executive Vice President since January 1994; formerly Senior Vice President and President - Industrial Materials Group (1989).
Carl B. Hedlund (50)	Vice President and President, International Building Materials Systems Business since January 1998; formerly Vice President and

President, Asia Pacific (1995), Vice
President and President,
Retail/Distribution (1994), and Vice
President, Retail and Distribution,
Construction Products Group (1993).

Richard D. Lantz (46)

Vice President and President, System Thinking Sales and Distribution Business since January 1998; formerly Vice President - Marketing, Insulation Business (1997), Vice President, Marketing and Sales Support, Building Materials Sales and Distribution (1996), Vice President, Marketing, Roofing and Asphalt (1995), and Business Development Manager, Roofing and Asphalt (1992).

Name and Age	Position*
Robert C. Lonergan (54)	Senior Vice President, Strategic Resources since January 1998; formerly Vice President, Science and Technology (1995), and President, Windows (1993).
Heinz-J. Otto (48)	Vice President and President, Composites System Business since January 1998; formerly Vice President and President, Composites (1996), and Head of Region Europe and Executive Board Member, Landis & Gyr Corp. (1992).
Bradford C. Oelman (60)	Senior Vice President, Governmental Affairs since April 1996; formerly Vice President-Corporate Relations (1986).
J. Thurston Roach (56)	Senior Vice President and President, North American Building Materials Systems Business since March 1998; formerly Vice Chairman of Simpson Investment Company (1997), and President of Simpson Timber Company (1996).
Steven J. Strobel (40)	Vice President and Controller since September 1996; formerly Chief Financial Officer of Kraft Canada, Inc. (1994) and Vice President and Controller of Kraft USA Operations (1991).
Jerry L. Weinstein (62)	Vice President and President, Exterior System Business since May 1994; formerly President of UC Industries (1979).

*Information in parentheses indicates year in which service in position began.

Part II

ITEM 5. MARKET FOR OWENS CORNING'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market on which Owens Corning's common stock is traded is the New York Stock Exchange. The high and low sales prices in dollars per share for Owens Corning's common stock as reported in the consolidated transaction reporting system for each quarter during 1997 and 1996 are set forth in the following tables.

1997	High	Low	1996	High	Low
First Quarter	49-7/8	40	First Quarter	46	39-3/4
Second Quarter	45	36-7/8	Second Quarter	43-1/8	37-5/8
Third Quarter	44-3/16	34-11/16	Third Quarter	43	36
Fourth Quarter	37-13/16	31-7/8	Fourth Quarter	43-1/2	36-1/4

The number of stockholders of record of the Company's common stock on February 17, 1998 was 7,012.

In June 1996, the Board of Directors of the Company approved an annual dividend policy of \$.25 per share of common stock and declared a dividend of \$.0625 per share of common stock to stockholders of record on September 30, 1996, paid on October 15, 1996. The company had not previously declared any dividends since 1986. In December 1996, February 1997 and April 1997 the Board of Directors of the Company declared a dividend of \$.0625 per share of common stock. In June 1997 and December 1997 the Board of Directors declared a dividend of \$.075 per share of common stock. In connection with certain of its current bank credit facilities, the Company has agreed to restrictions affecting the payment of cash dividends. As of January 1, 1998, these restrictions limited funds available for the payment of cash dividends by the Company to approximately \$95 million.

On August 30, 1996, the Company issued 472,250 shares of its common stock, par value \$.10 per share (Common Stock), to Celfort Construction Materials Inc. (the "Seller") in connection with the acquisition of substantially all of the assets of the extruded polystyrene insulation products business of Seller. On January 15, 1997, the Company issued 49,999 shares of Common Stock to the sellers of the Western Fiberglass entities, acquired in January of 1995, in settlement of amounts due under the acquisition agreements. On March 28, 1997, the Company issued 340,000 shares of Common Stock to Falcon Mfg. Of Calif., Inc. and related companies in connection with the acquisition of substantially all of the assets of the expanded polystyrene foam business of the sellers. On December 19, 1997, the

Company issued 178,219 shares of Common Stock to the sellers of the Fiber-Lite Corporation, acquired in 1995, in settlement of amounts due under the acquisition agreement. All of such shares were issued without registration under the Securities Act of 1933 in reliance upon Regulation D promulgated under the Securities Act or the exemption

provided by Section 4(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of certain financial information of the Company.

	1997(a)	1996(b)	1995(c)	1994(d)	1993(e)
(In millions of dollars, except per share data and where noted)					
Net sales	\$4,373	\$3,832	\$3,612	\$3,351	\$2,944
Cost of sales	3,446	2,840	2,670	2,536	2,266
Marketing, administrative and other expenses	608	1,361	444	429	350
Science and technology expenses	69	84	78	71	69
Restructure costs	68	38	-	89	23
Income (loss) from operations	182	(491)	420	226	236
Cost of borrowed funds	111	77	87	94	89
Income (loss) before provision for income taxes	71	(568)	333	132	147
Provision (credit) for income taxes	9	(283)	109	58	47
Net income (loss)	47	(284)	231	159	131
Net income (loss) per share					
Basic	.89	(5.54)	4.73	3.65	3.06
Diluted	.88	(5.54)	4.41	3.35	2.81
Dividends per share on common stock					
Declared	.2750	.1250	-	-	-
Paid	.2625	.0625	-	-	-
Weighted average number of shares outstanding (in thousands)					
Basic	52,860	51,349	48,744	43,647	42,734
Diluted	53,546	51,349	53,918	50,007	49,391
Net cash flow from operations	131	335	285	233	253
Capital spending	227	325	276	258	178
Total assets	4,996	3,913	3,261	3,274	3,013
Long-term debt	1,595	818	794	1,037	898
Average number of employees (in thousands)	22	19	17	17	17

- (a) During 1997, the Company recorded a pre-tax charge of \$143 million (\$104 million after-tax) for restructuring and other actions as well as a \$15 million after-tax charge for the cumulative effect of the change in method of accounting for business process reengineering costs. The incremental sales from 1997 acquisitions were \$534 million.
- (b) During 1996, the Company recorded a net pre-tax charge of \$875 million (\$542 million after-tax) for asbestos litigation claims that may be received after 1999 and probable additional insurance recovery; special charges totaling \$42 million (\$27 million after-tax) including valuation adjustments associated with prior divestitures, major product line productivity initiatives and a contribution to the Owens-Corning Foundation; a pre-tax charge of \$43 million (\$26

million after-tax) for restructuring and other actions;
a \$27 million reduction of tax reserves due to
favorable legislation; and a pre-tax gain of \$37
million (\$27 million after-tax) from the sale of the
Company's ownership interest in its former Japanese
affiliate, Asahi Fiber Glass Co. Ltd.

(c) During 1995, the Company recorded a one time \$8 million tax credit as a result of a tax loss carryback.

ITEM 6. SELECTED FINANCIAL DATA (Continued)

- (d) During 1994, the Company recorded a \$117 million charge (\$85 million after-tax) for productivity initiatives and other actions. The Company also recorded a \$10 million after-tax charge for the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions for its non-U.S. plans, a \$28 million after-tax charge for the adoption of SFAS No. 112, Employers' Accounting for Postemployment Benefits, and a \$123 million after-tax credit for the change in accounting method for rebuilding furnaces.
- (e) During 1993, the Company recorded a \$23 million charge for the restructuring of its European operations, an \$8 million charge (\$5 million after-tax) for the writedown of its hydrocarbon ventures to their net realizable value, a \$26 million credit for the adoption of SFAS No. 109, Accounting for Income Taxes, and a \$14 million credit for the revaluation of deferred taxes.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

(All per share information in Item 7 is on a diluted basis.)

RESULTS OF OPERATIONS

Net sales were \$4.373 billion for the year ended December 31, 1997, reflecting a 14% increase from the 1996 level of \$3.832 billion. Net sales in 1995 were \$3.612 billion. Growth in 1997 is mostly attributable to the acquisition of Fibreboard Corporation ("Fibreboard") that was completed at the end of the second quarter and the acquisition of AmeriMark Building Products, Inc. ("AmeriMark") that was completed early in the fourth quarter of 1997. Volume increases in composites were partially offset by declines in worldwide composites pricing. The decline in composites pricing was most notable in Europe and primarily reflects an overall weak economic climate. The sales results also reflect a decline in insulation prices worldwide. Additionally, sales were adversely affected by the translation impact of a stronger U.S. dollar on sales in foreign currencies. Please see Notes 1 and 5 to the Consolidated Financial Statements. Sales outside the U.S. represented 24% of total sales for the year ended December 31, 1997, compared to 25% and 27% for the years 1996 and 1995, respectively. Gross margin for the year ended December 31, 1997 was 21%, down from 26% in 1996 and 1995. The decline in the 1997 gross margin primarily reflects lower prices in insulation and composites worldwide.

For the year ended December 31, 1997, the Company reported net income of \$47 million, or \$.88 per diluted share, compared to a net loss of \$284 million, or \$5.54 per share, for the year ended December 31, 1996, and net income of \$231 million, or \$4.41 per share, for the year ended December 31, 1995. Net income for 1997 includes a pretax charge of \$143 million (\$104 million after-tax) for restructuring and other actions. Net income for 1997 also reflects increased cost of borrowed funds and minority interest expense, due primarily to the financing of the Fibreboard and AmeriMark acquisitions; a \$10 million after-tax credit resulting from the modification of certain employee benefits in the second quarter; as well as a \$15 million after-tax charge for the cumulative effect of the change in method of accounting for business process reengineering costs. Please see Notes 4, 5, 6 and 8 to the Consolidated Financial Statements.

The 1996 net loss reflects a net after-tax charge of \$542 million for asbestos litigation claims that may be received after 1999; after-tax special charges totaling \$27 million including valuation adjustments associated with prior divestitures, major product line productivity initiatives and a contribution to the Owens-Corning Foundation; an after-tax charge of \$26 million for restructuring and other actions; a \$27 million reduction of tax reserves due to favorable legislation; and an after-tax gain of \$27 million from the sale of the Company's ownership interest in its

former Japanese affiliate, Asahi Fiber Glass Co. Ltd.
Please see Notes 4, 15 and 22 to the Consolidated Financial
Statements. Net income for the year ended December 31, 1995
includes a one-time gain of \$8 million resulting from a tax
loss carryback.

Marketing and administrative expenses were \$580 million in 1997 compared to \$500 million in 1996. The increase in marketing and administrative expenses is due to the incremental costs from acquisitions.

The Company's cost of borrowed funds for the year ended December 31, 1997 was \$111 million, \$34 million higher than 1996. This increase is primarily related to the Company's borrowings to finance the acquisition of Fibreboard. The remainder of the increase is due to borrowings related to the Company's working capital requirements. Please see Notes 2, 3 and 5 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

At December 31, 1997, the Company has \$488 million in net deferred tax assets, all of which management expects will be realized through future income from operations. Please see Note 11 to the Consolidated Financial Statements.

The \$143 million pretax charge referred to above for restructuring and other actions was the first phase of the Company's strategic program to reduce overhead, enhance manufacturing productivity and close manufacturing facilities. The Company estimates that the total cost of this program and other costs will approximate \$250 million, with the remainder of the actions to be taken in the first quarter of 1998. Based upon expected economic conditions over the next few years, including labor, material and other costs, the Company expects to be able to decrease operating costs by approximately \$100 million in 1998, and by an additional \$75 million when fully implemented in 1999, resulting in ongoing savings of \$175 million per year.

Building Materials

In the Building Materials segment, sales increased 20% in 1997 compared to 1996. This growth reflects the incremental sales from acquisitions as well as volume increases worldwide, resulting from the integration of the Company's expanded product line. The benefits of acquisitions and volume growth were reduced by a decline in prices and the adverse impact of a stronger dollar. Income from operations for Building Materials was \$123 million in 1997, a 44% decrease from the 1996 level of \$219 million. This decrease is due to insulation pricing pressures as well as a portion of the special charges described above. Please see Notes 1 and 4 to the Consolidated Financial Statements.

During 1997, the Company made several acquisitions in the Building Materials segment in the United States and Europe which were consummated through the exchange of various combinations of common stock, cash, and trust preferred hybrid securities. The largest of these were the acquisitions of Fibreboard and AmeriMark, which were completed at the end of the second quarter and early in the fourth quarter, respectively. With these acquisitions, the Company has obtained the leading North American sales position in vinyl siding as well as broad distribution capabilities. Please see Note 5 to the Consolidated Financial Statements.

The consolidated results of the Company include the results of operations of Fibreboard and AmeriMark beginning with the third and fourth quarters of 1997, respectively. To enhance comparability, certain information below is presented on a "pro forma" basis and reflects the acquisitions of Fibreboard (excluding Pabco and operations that were discontinued by Fibreboard prior to the acquisition) and AmeriMark as though they had occurred at the beginning of

the periods presented. (The pro forma impact of all other acquisitions during 1997, excluding Fibreboard and AmeriMark, was not material to the Company's results of operations for the year ended December 31, 1997 or 1996.) The pro forma results include certain adjustments, primarily for depreciation and amortization, interest and other

expenses directly attributable to the acquisitions, and are not necessarily indicative of the combined results that would have occurred had the acquisitions occurred at the beginning of those periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

	PRO FORMA Year Ended December 31, 1997 1996		AS REPORTED Year Ended December 31, 1997 1996	
	(In millions of dollars, except share data)			
Net sales	\$5,041	\$4,932	\$4,373	\$3,832
Income (loss) from continuing operations	46	(301)	62	(284)
Diluted earnings per share from continuing operations	\$.86	\$(5.86)	\$1.17	\$(5.54)

Composite Materials

In the Composite Materials segment, sales were up slightly for the year ended December 31, 1997 compared to 1996. Volume increases, particularly in Europe, were largely offset by pricing pressures globally as well as the impact of a stronger dollar on sales in foreign currencies. Income from operations was \$165 million in 1997, down 26% from \$222 million in 1996. This decline largely reflects the decline in price globally. Income from operations also includes a portion of the special charges described above. Please see Notes 1 and 4 to the Consolidated Financial Statements.

The Company completed two acquisitions in the Composite Materials segment during 1997, including the acquisition of the remainder of the Company's equity interest in Knytex, a manufacturer of specialty glass fiber fabrics. The Company's other acquisition was that of the assets of The Stewart Group, Inc., a manufacturer and marketer of a composite central strength member for telecommunication cable using proprietary technology. With this acquisition, the Company now markets a complete line of glass fiber products that protect and reinforce fiber optic and copper telecommunications cable.

LIQUIDITY, CAPITAL RESOURCES AND OTHER RELATED MATTERS

Cash flow from operations, excluding proceeds from insurance and payments for asbestos litigation claims, was \$334 million for 1997, compared to \$501 million for 1996. The decrease in cash flow from operations in 1997 is largely attributable to the Company's lower earnings in 1997. Cash flow from operations also reflects the Company's substantial income tax receivable as of December 31, 1997, which will be received early in 1998. Decreases in receivables and inventories, excluding those acquired during 1997, were largely offset by a decline in accounts payable and accrued liabilities. The 1996 cash flow from operations reflects an inflow due to a higher level of disbursements for benefits from the Voluntary Employees' Beneficiary Association trust

(VEBA) in 1996 compared to 1997.

The Company's net working capital and current ratio were \$121 million and 1.09 compared to negative \$163 million and .85, at December 31, 1997 and 1996, respectively. The increase in 1997 was primarily due to increased receivables

and inventories as well as an increase in income taxes
receivable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company's total borrowings at December 31, 1997, were \$1,738 million, \$804 million higher than at year-end 1996. The increase in debt is primarily the result of the financing of the Fibreboard acquisition as well as increases in working capital.

As of December 31, 1997, the Company had unused lines of credit of \$884 million available under long-term bank credit facilities and an additional \$224 million under short-term facilities, compared to \$440 million and \$195 million, respectively, at year-end 1996. The increase in unused available lines of credit reflects primarily the establishment of a new \$2 billion credit facility in June, 1997. Letters of credit issued under the facility, most of which support appeals from asbestos trials, reduce the available credit. The impact of such reduction is reflected in the unused lines of credit discussed above.

Capital spending for property, plant and equipment, excluding acquisitions, was \$227 million in 1997. The Company anticipates 1998 capital spending, exclusive of acquisitions and investments in affiliates, will be approximately \$220 million, the majority of which is uncommitted. The Company expects that funding for these expenditures will be from the Company's operations and external sources as required.

Gross payments for asbestos litigation claims during 1997, including amounts deferred from prior years and excluding amounts deferred to future years, were \$300 million. The 1997 expenditures include \$51 million in defense costs and \$7 million for appeal bond and other costs. Proceeds from insurance were \$97 million resulting in a net pretax cash outflow of \$203 million, or \$122 million after-tax. During 1997, the Company received approximately 35,300 new asbestos personal injury cases and closed approximately 19,200 cases. During 1998, the Company's total payments for asbestos litigation claims, including defense costs, are expected to be approximately \$350 million. Proceeds from insurance of \$100 million are expected to be available to cover these costs, resulting in a net pretax cash outflow of \$250 million, or \$150 million after-tax. Please see Note 22 to the Consolidated Financial Statements.

Gross payments for asbestos litigation claims against Fibreboard for the six months ended December 31, 1997 were approximately \$126 million, all of which was paid directly by Fibreboard's insurers or from the escrow account to claimants on Fibreboard's behalf. During the year, Fibreboard received approximately 33,000 new asbestos personal injury claims, and resolved approximately 2,800 claims. During the next twelve months, any payments for asbestos claims against Fibreboard are expected to be paid by Fibreboard's insurers or from the escrow account. Please see Notes 17 and 22 to the Consolidated Financial

Statements.

The Company expects funds generated from operations, together with funds available under long and short term bank credit facilities, to be sufficient to satisfy its debt service obligations under its existing indebtedness, as well

as its contingent liabilities for uninsured asbestos personal injury claims.

The Company has been deemed by the Environmental Protection Agency (EPA) to be a potentially responsible party (PRP) with respect to certain sites under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). The Company has also been deemed a PRP under similar state or local laws, including two state Superfund sites where the Company is the primary generator. In other instances, other PRPs have brought suits or claims against the Company as a PRP for contribution under such federal, state or local laws.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

During 1997, the Company was designated as a PRP in such federal, state, local or private proceedings for two additional sites. At December 31, 1997, a total of 42 such PRP designations remained unresolved by the Company, some of which designations the Company believes to be erroneous. The Company is also involved with environmental investigation or remediation at a number of other sites at which it has not been designated a PRP. The Company has established a \$31 million reserve, of which \$15 million relates to Fibreboard, for its Superfund (and similar state, local and private action) contingent liabilities. Based upon information presently available to the Company, and without regard to the application of insurance, the Company believes that, considered in the aggregate, the additional costs associated with such contingent liabilities, including any related litigation costs, will not have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

The 1990 Clean Air Act Amendments (Act) provide that the EPA will issue regulations on a number of air pollutants over a period of years. Until these regulations are developed, the Company cannot determine the extent to which the Act will affect it. The Company anticipates that its sources to be regulated will include wool fiberglass, mineral wool, asphalt roofing and processing, and metal coil coating. The EPA's currently announced schedule is to issue regulations covering wool fiberglass and mineral wool in 1998, asphalt roofing and processing in 1999, and metal coil coating in 2000, with implementation as to existing sources up to three years thereafter. Based on information now known to the Company, including the nature and limited number of regulated materials it emits, the Company does not expect the Act to have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

Year 2000 Compliance

The Company has been actively implementing new systems and technology since 1995 as part of the Advantage 2000 program. A key objective of this initiative is to ensure all business transactions are compliant with requirements to process accurately in the year 2000 and beyond. The scope of this program has been continuously expanded to include each of the seventeen acquisitions made by the Company during the past four years. To date, over 50% of the Company's systems have been replaced and are in operation for daily business transaction processing. All remaining system updates will be implemented throughout the period ending July 1, 1999.

The cumulative cost of business systems replacement from 1995 through the end of 1997 has been \$139 million, including \$97 million for information technology and \$42 million for related training and deployment in various

business locations. The current estimates for all remaining locations range from approximately \$35 million to \$45 million for information technology, manufacturing technology, and training and deployment costs.

The Company is also working with all suppliers to ensure

their systems are year 2000 compliant as well. All costs associated with supplier compliance will be borne by them. In the event that some suppliers are unable to convert or replace systems appropriately, the Company will switch suppliers to those that are able to provide compliant transaction processing.

Item 7 contains forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Some of the important factors that may influence possible differences are continued competitive factors and pricing pressures, construction activity, interest rate movements, issues involving implementation of new business systems, achievement of expected cost reductions and asbestos litigation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 26 through 75 hereof are incorporated here by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Owens Corning has nothing to report under this Item.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF OWENS CORNING

The information required by this Item is incorporated by reference from the Company's 1998 Proxy Statement except that certain information concerning Owens Corning's executive officers is included on pages 13 through 14 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Company's 1998 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference from the Company's 1998 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference from the Company's 1998 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1. See Index to Financial Statements on page 26 hereof
2. See Index to Financial Statement Schedules on page 76 hereof
3. See Exhibit Index beginning on page 78-80 hereof

Management contracts and compensatory plans and arrangements required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K are denoted in the Exhibit Index by an asterisk ("*").

(b) REPORTS ON FORM 8-K

Owens Corning filed a Current Report Dated October 1, 1997 on Form 8-K to report that it had acquired substantially all of the assets, properties and business of AmeriMark Building Products, Inc., Wolverine Coil Coating, Inc. and RBP, Inc. on that date.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OWENS CORNING

By /s/ G. H. Hiner Date March 11, 1998
Glen H. Hiner, Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ G. H. Hiner Date: March 11, 1998
Glen H. Hiner, Chairman of the Board,
--Chief Executive Officer and Director

/s/ Domenico Cecere Date: March 11, 1998
Domenico Cecere, Senior Vice
President and Chief Financial Officer

/s/ Steven J. Strobel Date: March 9, 1998
Steven J. Strobel, Vice President and
Controller

/s/ Norman P. Blake Jr. Date: March 9, 1998
Norman P. Blake, Jr., Director

Gaston Caperton, Director Date: March , 1998

/s/ Leonard S. Coleman Jr. Date: March 12, 1998
Leonard S. Coleman, Jr., Director

/s/ William W. Colville Date: March 9, 1998
William W. Colville, Director

/s/ John H. Dasburg Date: March 9, 1998
John H. Dasburg, Director

/s/ Landon Hilliard Date: March 10, 1998
Landon Hilliard, Director

/s/ Trevor Holdsworth Date: March 9, 1998
Trevor Holdsworth, Director

/s/ Jon M. Huntsman, Jr. Date: March 13, 1998
Jon M. Huntsman, Jr., Director

/s/ Ann Iverson Date: March 11, 1998
Ann Iverson, Director

/s/ W. Walker Lewis Date: March 9, 1998

W. Walker Lewis, Director

/s/ Furman C. Moseley
Furman C. Moseley, Jr., Director

Date: March 13, 1998

/s/ W. Ann Reynolds

Date: March 11, 1998

W. Ann Reynolds, Director

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Owens Corning:

We have audited the accompanying consolidated balance sheet of OWENS CORNING (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

As discussed in Note 6 to the consolidated financial statements, during the fourth quarter of 1997, the Company changed its method of accounting for business process reengineering costs.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Financial Statement Schedules is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

January 27, 1998
Toledo, Ohio

OWENS CORNING AND SUBSIDIARIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Owens Corning and subsidiaries' (the "Company") consolidated financial statements include the accounts of majority owned subsidiaries, unless ownership is considered temporary. Significant intercompany accounts and transactions are eliminated.

Net Income per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the dilutive effect of common equivalent shares and increased shares that would result from the conversion of debt and equity securities. The effects of anti-dilution are not presented. Unless otherwise indicated, all per share information included in the notes to the consolidated financial statements is presented on a diluted basis. The 1996 and 1995 earnings per share calculations have been restated in accordance with Statement of Financial Accounting Standards No. 128.

Inventory Valuation

Inventories are stated at cost, which is less than market value, and include material, labor and manufacturing overhead. The majority of U.S. inventories are valued using the last-in, first-out (LIFO) method and the balance of inventories are generally valued using the first-in, first-out (FIFO) method.

Goodwill

Goodwill is carried at cost, less accumulated amortization, and is amortized on a straight-line basis over a period of forty years. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the related business segment's undiscounted cash flows over the remaining life of the goodwill in measuring whether the goodwill is recoverable.

Investments in Affiliates

Investments in affiliates are accounted for using the equity method, under which the Company's share of earnings of these affiliates is reflected in income as earned and dividends are credited against the investment in affiliates when received.

Capitalization of Software Developed for Internal Use

The Company capitalizes the direct external and internal costs incurred in connection with the development, testing and installation of software for internal use. Internally developed software is included in plant and equipment and is

amortized over its estimated useful life using the straight-line method.

OWENS CORNING AND SUBSIDIARIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Depreciation

For assets placed in service prior to January 1, 1992, the Company's plant and equipment is depreciated primarily using the double-declining balance method for the first half of an asset's estimated useful life and the straight-line method is used thereafter. For assets placed in service after December 31, 1991, the Company's plant and equipment is depreciated using the straight-line method.

Derivative Financial Instruments

Gains and losses on hedges of existing assets or liabilities are included in the carrying amount of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses on hedges of net investments in foreign subsidiaries are included in stockholders' equity. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Gains and losses on forward currency exchange contracts that do not qualify as hedges are recognized as other income or expense.

Stock Based Compensation Plans

The Company applies Statement of Financial Accounting Standards No. 123 (SFAS 123) in accounting for its stock based compensation plans. In accordance with SFAS 123 the Company applies Accounting Principles Board Opinion No. 25 and related Interpretations for expense recognition.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to 1996 and 1995 to conform with the classifications used in 1997.

OWENS CORNING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(In millions of dollars, except share data)		
NET SALES	\$ 4,373	\$ 3,832	\$ 3,612
COST OF SALES	3,446	2,840	2,670
Gross margin	927	992	942
OPERATING EXPENSES			
Marketing and administrative expenses	580	500	443
Science and technology expenses (Note 12)	69	84	78
Provision for asbestos litigation claims (Note 22)	-	875	-
Restructure costs (Note 4)	68	38	-
Other (Notes 4 and 15)	28	(14)	1
Total operating expenses	745	1,483	522
INCOME (LOSS) FROM OPERATIONS	182	(491)	420
Cost of borrowed funds (Notes 2, 3 and 21)	111	77	87
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	71	(568)	333
Provision (credit) for income taxes (Note 11)	9	(283)	109
INCOME (LOSS) BEFORE MINORITY INTEREST AND EQUITY IN NET INCOME OF AFFILIATES	62	(285)	224
Minority interest (Notes 7 and 8)	(11)	(8)	(5)
Equity in net income of affiliates (Note 15)	11	9	12
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	62	(284)	231
Cumulative effect of accounting change (Note 6)	(15)	-	-
NET INCOME (LOSS)	\$ 47	\$ (284)	\$ 231

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(Continued)

1997 1996 1995
(In millions of dollars, except share data)

NET INCOME PER COMMON SHARE (Note 19)

Basic:

Income (loss) before cumulative effect of accounting change	\$ 1.18	\$ (5.54)	\$ 4.73
Cumulative effect of accounting change (Note 6)	(.29)	-	-
Net income (loss) per share	\$.89	\$ (5.54)	\$ 4.73

Diluted:

Income (loss) before cumulative effect of accounting change	\$ 1.17	\$ (5.54)	\$ 4.41
Cumulative effect of accounting change (Note 6)	(.29)	-	-
Net income (loss) per share	\$.88	\$ (5.54)	\$ 4.41

Weighted average number of common shares
outstanding and common equivalent shares
during the period (in millions)

Basic	52.9	51.3	48.7
Diluted	53.5	51.3	53.9

The accompanying summary of significant accounting policies and notes
are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1997 AND 1996

ASSETS	1997	1996
	(In millions of dollars)	
CURRENT		
Cash and cash equivalents	\$ 58	\$ 45
Receivables, less allowances of \$20 million in 1997 and \$17 million in 1996 (Note 13)	432	314
Inventories (Note 14)	503	340
Insurance for asbestos litigation claims - current portion (Note 22)	100	100
Deferred income taxes (Note 11)	160	106
Assets held for sale (Note 5)	41	-
Income tax receivable (Note 11)	96	4
Other current assets	38	49
Total current	1,428	958
OTHER		
Insurance for asbestos litigation claims (Note 22)	357	454
Asbestos costs to be reimbursed - Fibreboard (Note 22)	116	-
Deferred income taxes (Note 11)	328	474
Goodwill, less accumulated amortization of \$45 million in 1997 and \$26 million in 1996 (Note 5)	778	286
Investments in affiliates (Notes 4 and 15)	52	64
Other noncurrent assets (Note 10)	184	155
Total other	1,815	1,433
PLANT AND EQUIPMENT, at cost		
Land	66	58
Buildings and leasehold improvements	676	614
Machinery and equipment	2,629	2,384
Construction in progress	214	285
	3,585	3,341
Less: Accumulated depreciation	(1,832)	(1,819)
Net plant and equipment	1,753	1,522
TOTAL ASSETS	\$ 4,996	\$ 3,913

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1997 AND 1996
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996
	(In millions of dollars)	
CURRENT		
Accounts payable and accrued liabilities (Note 16)	\$ 814	\$ 705
Reserve for asbestos litigation claims - current portion (Note 22)	350	300
Short-term debt (Note 3)	23	96
Long-term debt - current portion (Note 2)	120	20
Total current	1,307	1,121
LONG-TERM DEBT (Note 2)	1,595	818
OTHER		
Reserve for asbestos litigation claims (Note 22)	1,320	1,670
Asbestos-related liabilities - Fibreboard (Note 22)	123	-
Other employee benefits liability (Note 9)	335	349
Pension plan liability (Note 10)	65	63
Other	165	161
Total other	2,008	2,243
COMMITMENTS AND CONTINGENCIES (Notes 18, 21 and 22)		
COMPANY OBLIGATED SECURITIES OF ENTITIES HOLDING SOLELY PARENT DEBENTURES (Notes 7 and 8)	503	194
MINORITY INTEREST	24	21
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; authorized 8 million shares, none outstanding (Note 20)		
Common stock, par value \$.10 per share; authorized 100 million shares; issued 1997-53.6 million and 1996-52.1 million shares (Notes 2, 5 and 19)	657	606
Deficit	(1,041)	(1,072)
Foreign currency translation adjustments	(37)	(1)
Other (Notes 10 and 19)	(20)	(17)
Total stockholders' equity	(441)	(484)
TOTAL LIABILITIES AND STOCKHOLDERS'		

EQUITY

\$ 4,996

\$ 3,913

The accompanying summary of significant accounting policies and notes
are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(In millions of dollars)		
COMMON STOCK			
Balance beginning of year	\$ 606	\$ 579	\$ 348
Issuance of stock for:			
Conversion of debt (Note 2)	-	-	173
Acquisitions (Note 5)	16	20	42
Awards under stock compensation plans (Note 19)	35	7	16
Balance end of year	657	606	579
DEFICIT			
Balance beginning of year	(1,072)	(781)	(1,012)
Net income (loss)	47	(284)	231
Cash dividends declared	(16)	(7)	-
Balance end of year	(1,041)	(1,072)	(781)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
Balance beginning of year	(1)	9	(1)
Translation adjustments	(36)	(10)	10
Balance end of year	(37)	(1)	9
OTHER			
Balance beginning of year	(17)	(19)	(15)
Net increase (decrease)	(3)	2	(4)
Balance end of year	(20)	(17)	(19)
STOCKHOLDERS' EQUITY	\$ (441)	\$ (484)	\$ (212)

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(In millions of dollars)		
NET CASH FLOW FROM OPERATIONS			
Net income (loss)	\$ 47	\$ (284)	\$ 231
Reconciliation of net cash provided by operating activities:			
Noncash items:			
Provision for asbestos litigation claims (Note 22)	-	875	-
Cumulative effect of accounting change (Note 6)	15	-	-
Provision for depreciation and amortization	173	141	132
Provision (credit) for deferred income taxes (Note 11)	110	(258)	142
Other (Note 4)	49	(2)	(2)
(Increase) decrease in receivables (Note 13)	57	20	36
(Increase) decrease in inventories	60	(71)	(15)
Increase (decrease) in accounts payable and accrued liabilities	(60)	103	(50)
Disbursements (funding) of VEBA trust	19	45	(64)
Proceeds from insurance for asbestos litigation claims, excluding Fibreboard (Note 22)	97	101	251
Payments for asbestos litigation claims, excluding Fibreboard (Note 22)	(300)	(267)	(308)
Other	(136)	(68)	(68)
Net cash flow from operations	131	335	285
NET CASH FLOW FROM INVESTING			
Additions to plant and equipment	(227)	(325)	(276)
Investment in subsidiaries, net of cash acquired (Note 5)	(564)	(70)	(81)
Proceeds from the sale of affiliate (Note 15)	-	55	-
Other	(8)	(20)	(4)
Net cash flow from investing	\$ (799)	\$ (360)	\$ (361)

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(Continued)

	1997	1996	1995
	(In millions of dollars)		
NET CASH FLOW FROM FINANCING (Notes 2, 3 and 7)			
Net additions to long-term credit facilities	\$ 796	\$ 39	\$ 55
Other additions to long-term debt	108	22	9
Other reductions to long-term debt	(133)	(43)	(128)
Net increase (decrease) in short-term debt	(81)	32	(94)
Issuance of preferred stock of subsidiary	-	-	194
Dividends paid	(14)	(3)	-
Other	6	3	-
Net cash flow from financing	682	50	36
Effect of exchange rate changes on cash	(1)	2	(1)
Net increase (decrease) in cash and cash equivalents	13	27	(41)
Cash and cash equivalents at beginning of year	45	18	59
Cash and cash equivalents at end of year	\$ 58	\$ 45	\$ 18

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Segment Data

The Company operates in two industry segments, Building Materials and Composite Materials, and reports its results in two ways: by industry segment and by geographic segment. See Note 5 for detail of 1997, 1996 and 1995 acquisitions and divestitures of businesses.

The industry segments are defined as follows:

Building Materials

Production and sale of glass wool fibers formed into thermal and acoustical insulation and air ducts; extruded and expanded polystyrene insulation; roofing shingles and asphalt materials; windows and doors; vinyl and metal siding and accessories; cast stone building products; and the branded sale of housewrap.

Composite Materials

Production and sale of glass fiber yarns; rovings, mats and veils; strand and reinforcement products; glass reinforced plastic pipe; and polyester and vinyl ester resins.

The geographic segment reporting combines the two industry segments within the major regions: United States, Europe, and Canada and other.

Intersegment sales are generally recorded at market or equivalent value. Income (loss) from operations by industry and geographic segment consists of net sales less related costs and expenses. In computing income (loss) from operations by segment, cost of borrowed funds and other general corporate income and expenses have been excluded. Certain corporate operating expenses directly traceable to industry and geographic segments have been allocated to those segments.

Income from operations for the year ended December 31, 1997 includes a pretax charge of \$143 million for restructuring and other actions (Note 4). The impact of these special items was to reduce income from operations for Building Materials in the United States, Europe, and Canada and other by \$21 million, \$6 million and \$62 million, respectively; Composite Materials in the United States, Europe, and Canada and other by \$5 million, \$6 million and \$3 million, respectively; and to increase general corporate expense by \$40 million.

Income (loss) from operations for the year ended December 31, 1996 includes a pretax charge of \$43 million for restructuring and other actions (Note 4); a net pretax charge of \$875 million for asbestos litigation claims (Note 22); a pretax gain of \$37 million from the sale of the Company's ownership interest in its

former Japanese affiliate Asahi Fiber Glass Co. Ltd. (Note 15); and charges totaling \$42 million including valuation adjustments associated with prior divestitures, major product line productivity initiatives and a contribution to the Owens-Corning Foundation. The impact of these special items was to reduce income from operations for Building Materials in the United

States, Europe, and Canada and other by \$42 million, \$5 million and \$3 million, respectively; Composite Materials in the United States and Europe by \$5 million and \$7 million, respectively; and to increase general corporate expense by \$861 million.

Identifiable assets by industry and geographic segment are those assets that are used in the Company's operations in each industry and geographic segment and do not include general corporate assets. General corporate assets consist primarily of cash and cash equivalents, deferred taxes, asbestos assets, and corporate property and equipment.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

NET SALES	1997	1996	1995
	(In millions of dollars)		
Industry Segments			
Building Materials			
United States	\$ 2,704	\$ 2,253	\$ 2,033
Europe	301	284	264
Canada and other	212	145	107
Total Building Materials	3,217	2,682	2,404
Composite Materials			
United States	607	613	610
Europe	392	400	459
Canada and other	157	137	139
Total Composite Materials	1,156	1,150	1,208
Intersegment sales			
Building Materials	-	-	-
Composite Materials	100	110	96
Eliminations	(100)	(110)	(96)
Net sales	\$ 4,373	\$ 3,832	\$ 3,612
Geographic Segments			
United States	\$ 3,311	\$ 2,866	\$ 2,643
Europe	693	684	723
Canada and other	369	282	246
Net sales	\$ 4,373	\$ 3,832	\$ 3,612
Intersegment sales			
United States	115	98	54
Europe	31	37	21
Canada and other	86	81	88
Eliminations	(232)	(216)	(163)
Net sales	\$ 4,373	\$ 3,832	\$ 3,612

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

INCOME (LOSS) FROM OPERATIONS	1997	1996	1995
	(In millions of dollars)		
Industry Segments			
Building Materials			
United States	\$ 184	\$ 193	\$ 195
Europe	(3)	16	29
Canada and other	(58)	10	13
Total Building Materials	123	219	237
Composite Materials			
United States	174	165	135
Europe	(7)	39	64
Canada and other	(2)	18	26
Total Composite Materials	165	222	225
General corporate expense	(106)	(932)	(42)
Income (loss) from operations	182	(491)	420
Cost of borrowed funds	(111)	(77)	(87)
Income (loss) before provision for income taxes	\$ 71	\$ (568)	\$ 333
Geographic Segments			
United States	\$ 358	\$ 358	\$ 330
Europe	(10)	55	93
Canada and other	(60)	28	39
General corporate expense	(106)	(932)	(42)
Income (loss) from operations	\$ 182	\$ (491)	\$ 420

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

IDENTIFIABLE ASSETS AT DECEMBER 31,

1997 1996 1995
(In millions of dollars)

Industry Segments

Building Materials

United States	\$ 2,127	\$ 971	\$ 893
Europe	253	239	170
Canada and other	325	243	194
Total Building Materials	2,705	1,453	1,257

Composite Materials

United States	415	385	361
Europe	260	355	388
Canada and other	166	206	145

Total Composite Materials	841	946	894
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General corporate	1,398	1,450	1,024
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	4,944	3,849	3,175
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Investments in affiliates accounted for under the equity method	52	64	86
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Total assets	\$ 4,996	\$ 3,913	\$ 3,261
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Geographic Segments

United States	\$ 2,542	\$ 1,356	\$ 1,254
Europe	513	594	558
Canada and other	491	449	339
General corporate	1,398	1,450	1,024
	\$ 4,944	\$ 3,849	\$ 3,175

OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

PROVISION FOR DEPRECIATION
AND AMORTIZATION

1997 1996 1995
(In millions of dollars)

Industry Segments

Building Materials

United States	\$ 72	\$ 57	\$ 52
Europe	18	16	13
Canada and other	16	7	9

Total Building Materials	106	80	74
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Composite Materials

United States	24	22	22
Europe	18	18	18
Canada and other	9	9	8

Total Composite Materials	51	49	48
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General corporate	16	12	10
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Total provision for depreciation and amortization	\$ 173	\$ 141	\$ 132
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Geographic Segments

United States	\$ 96	\$ 79	\$ 74
Europe	36	34	31
Canada and other	25	16	17
General corporate	16	12	10

Total provision for depreciation and amortization	\$ 173	\$ 141	\$ 132
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OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

ADDITIONS TO PLANT AND EQUIPMENT

1997 1996 1995
(In millions of dollars)

Industry Segments

Building Materials

United States	\$ 82	\$ 95	\$ 60
Europe	18	10	36
Canada and other	29	36	33

Total Building Materials	129	141	129
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Composite Materials

United States	21	63	37
Europe	14	30	39
Canada and other	17	34	18

Total Composite Materials	52	127	94
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General corporate	46	57	53
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Total additions	\$ 227	\$ 325	\$ 276
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Geographic Segments

United States	\$ 103	\$ 158	\$ 97
Europe	32	40	75
Canada and other	46	70	51
General corporate	46	57	53

Total additions	\$ 227	\$ 325	\$ 276
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OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. Long-Term Debt

	1997 (In millions of dollars)	1996
U.S. credit facility due in 2002, variable	\$ 899	\$ -
U.S. credit facility due in 1999, variable	-	35
U.K. credit facility due through 2001, variable	-	59
European credit facilities due through 2001, variable	34	41
Guaranteed debentures due in 2001, 10%	150	150
Debentures due in 2002, 8.875%	150	150
Debentures due in 2012, 9.375%	150	150
Guaranteed debentures due in 1998, 9.8%	100	100
U.S. medium term notes due in 2000, 7.0%	60	-
Bonds due in 2000, 7.25%, payable in Deutsche marks (Note 21)	50	50
Eurobonds due through 2001, 9.814% (Note 21)	46	54
Other long-term debt due through 2012, at rates from 5.375% to 12.47%	76	49
	1,715	838
Less: Current portion	(120)	(20)
Total long-term debt	\$ 1,595	\$ 818

In the second quarter of 1997, the Company entered into a long-term revolving credit agreement with a maximum commitment equivalent to \$2 billion, of which portions can be denominated in Canadian dollars, Belgian francs or British pounds. The agreement allows the Company to borrow under multiple options, which provide for varying terms and interest rates. The commitment fee, charged on the entire commitment, is a sliding scale based on credit ratings and was .15% at December 31, 1997. As of December 31, 1997, \$217 million of this facility was used for standby letters of credit and \$884 million was unused. The average rate of interest on this facility was 6.25% at December 31, 1997.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. Long-Term Debt (Continued)

The European credit facilities are payable in Belgian francs and U.S. dollars and have an aggregate commitment of 1.439 billion Belgian francs (39 million U.S. dollars) and 30 million U.S. dollars. The rate of interest on these facilities at December 31, 1997 was 4.235% and 6.26%, respectively. The commitment fee on the unused portions of the facilities range from 1/10 to 1/4 of 1%.

As is typical for bank credit facilities, the agreements relating to the facilities described above contain restrictive covenants, including requirements for the maintenance of interest coverage, a leverage ratio and minimum coverage of fixed charges; and limitations on the early retirement of subordinated debt, additional borrowings, payment of dividends, and purchase of Company stock. The agreements include a provision which would result in all of the unpaid principal and accrued interest of the facilities becoming due immediately upon a change of control in ownership of the Company. A material adverse change in the Company's business, assets, liabilities, financial condition or results of operations constitutes a default under the agreements.

During 1995, the Company's \$173 million issue of 8% convertible junior subordinated debentures was converted. The conversion resulted in the issuance of 5.8 million new shares of common stock.

The aggregate maturities and sinking fund requirements for all long-term debt issues for each of the five years following December 31, 1997 are:

Year	Credit Facilities (In millions of dollars)	Other Long- Term Debt
1998	\$ 7	\$ 113
1999	17	13
2000	5	132
2001	5	170
2002	899	191

OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. Short-Term Debt

	1997 (In millions of dollars)	1996
Balance outstanding at December 31	\$ 23	\$ 96
Weighted average interest rates on short-term debt outstanding at December 31	5.9%	6.2%

The Company had unused short-term lines of credit totaling \$224 million and \$195 million at December 31, 1997 and 1996, respectively.

4. Restructuring of Operations and Other Actions

During the fourth quarter of 1997, the Company recorded a \$143 million pretax charge for restructuring and other actions to close manufacturing facilities, enhance manufacturing productivity and reduce overhead. The \$143 million pretax charge was comprised of a \$68 million charge associated with the restructuring of the Company's business segments and a \$75 million charge associated with asset impairments, including investments in certain affiliates. The components of the restructure charge include \$25 million for personnel reductions, \$41 million for divestiture of non-strategic businesses and facilities including the closure of the Candiac, Quebec manufacturing facility to be completed in 1998, and \$2 million for other actions. The \$25 million for personnel reductions represents severance costs associated with the elimination of nearly 550 positions worldwide. The primary employee groups affected include manufacturing and corporate administrative personnel.

During the fourth quarter of 1996, the Company recorded a \$43 million pretax charge for restructuring and other actions which included the costs associated with a work force realignment, a replacement of computer technology as well as asset valuations and expenses related to exited businesses. The \$43 million pretax charge was comprised of a \$38 million restructure charge and a \$5 million charge related to an exited business. The components of the restructure charge included \$20 million for personnel reductions, \$8 million in computer technology and \$10 million for asset valuations and exited businesses.

The \$20 million for personnel reductions represented

severance costs associated with the elimination of nearly 400 positions worldwide. The primary employee group affected was manufacturing personnel. At December 31, 1997, the balance remaining in the reserve is approximately \$3 million.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Acquisitions and Divestitures of Businesses

During 1997, the Company made several acquisitions in the Building Materials segment in the United States and Europe as well as two acquisitions in the Composite Materials segment in the United States and Canada, which were consummated through the exchange of various combinations of common stock, cash, and trust preferred hybrid securities (Note 8). The aggregate purchase price was \$886 million for 1997. On June 27, 1997, the Company acquired Fibreboard Corporation, a North American manufacturer of vinyl siding and accessories, as well as manufactured stone. Fibreboard operates more than 130 company-owned distribution centers in 32 states. The purchase price of this acquisition was \$660 million, including debt assumed of \$138 million and was consummated by the exchange of cash for all of the outstanding common shares of Fibreboard at a price of \$55 per share. At the time of acquisition, management formulated a plan to divest Fibreboard's calcium silicate insulation and metal jacket business (Pabco). Pabco's net assets are included in assets held for sale on the Company's consolidated balance sheet.

On October 1, 1997, the Company completed the asset acquisition of AmeriMark Building Products, Inc., a specialty building products company which serves the exterior residential housing industry. The acquisition was completed for a purchase price of \$309 million in trust preferred hybrid securities and \$8 million in cash.

The Company completed four additional acquisitions during 1997 in the U.S., Europe and Canada. The aggregate purchase price of these acquisitions was \$47 million. These acquisitions exchanged 340,000 shares of the Company's common stock and \$34 million in cash. The pro forma effect of these acquisitions, except for the acquisitions of Fibreboard and AmeriMark, was not material to net income for the year ended December 31, 1997 or 1996.

During 1996 and 1995, the Company also made several acquisitions in the Building Materials segment in the United States, Canada and Europe. The 1996 acquisitions exchanged 472,250 shares of the Company's common stock and \$69 million in cash. The 1995 acquisitions exchanged 1,125,140 shares of the Company's common stock and \$82 million in cash, of which \$1 million was paid in the first quarter of 1996 and 228,218 shares were issued during 1997.

The incremental sales from the acquisitions, in the year of acquisition, were \$534 million, \$47 million and \$41 million for the years ended December 31, 1997, 1996 and 1995, respectively.

The initial purchase price allocations were based on preliminary estimates of fair market value and are subject to revision. The estimated fair value of assets acquired during 1997, including goodwill of \$518 million, was \$1.404 billion, and liabilities assumed, including \$150 million in debt, totaled \$518 million. The 1996 acquisitions included

goodwill of \$32 million. The 1995 acquisitions included goodwill of \$97 million.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Acquisitions and Divestitures of Businesses (Continued)

All acquisitions were accounted for under the purchase method of accounting, whereby the assets acquired and liabilities assumed have been recorded at their fair values and the results of operations for the acquisitions have been included in the Company's consolidated financial statements subsequent to the dates of acquisition.

The following unaudited table presents the pro forma results of operations for the years ended December 31, 1997 and 1996, assuming the acquisitions of Fibreboard and AmeriMark occurred at the beginning of each period presented. These results include certain adjustments, primarily for depreciation and amortization, interest and other expenses directly attributable to the acquisition and are not necessarily indicative of what the results would have been had the transactions actually occurred at the beginning of the periods presented. The pro forma results do not include operations that were discontinued by Fibreboard prior to the acquisition, or Pabco.

Year Ended
December 31,
1997 1996
(In millions of dollars,
except share data)

Net sales	\$ 5,041	\$ 4,932
Income (loss) from continuing operations	46	(301)
Diluted earnings per share from continuing operations	\$.86	\$ (5.86)

6. Business Process Reengineering Costs

In the fourth quarter of 1997, the Company recorded a \$15 million charge, or \$.29 per share, net of related income taxes of \$10 million, to comply with a new required accounting interpretation announced November 20, 1997. The Emerging Issues Task Force (EITF), a subcommittee of the Financial Accounting Standards Board (FASB), requires that the cost of business process reengineering activities that are part of a systems development project be expensed as those costs are incurred. Any unamortized costs that were previously capitalized must be written off as a cumulative adjustment in the quarter containing November 20, 1997.

7. Convertible Monthly Income Preferred Securities (MIPS)

In 1995, Owens-Corning Capital, L.L.C. ("OC Capital"), a Delaware limited liability company, all of the common limited liability company interests in which are owned indirectly by the Company, completed a private offering of 4 million shares of Convertible Monthly Income Preferred

Securities ("Preferred Securities"). The aggregate purchase price for the offering was \$200 million. In conjunction with the offering, the Company incurred \$6 million in issuance costs.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

7. Convertible Monthly Income Preferred Securities (MIPS) (Continued)

The Preferred Securities are guaranteed in certain respects by the Company and are convertible, at the option of the holders, into Company common stock at the rate of 1.1416 shares of Company common stock for each Preferred Security (equivalent to a conversion price of \$43.80 per common share). OC Capital cannot initiate any action relating to conversion until after June 1, 1998. Distributions on the Preferred Securities are cumulative and are payable at the annual rate of 6-1/2% of the liquidation preference of \$50 per Preferred Security. Distributions of \$13 million, \$13 million, and \$8 million have been recorded net of tax as minority interest on the Company's consolidated statement of income for the years ended December 31, 1997, 1996 and 1995, respectively.

The Company issued \$200 million of 6-1/2% Convertible Subordinated Debentures due 2025 to OC Capital, which represents the sole asset of OC Capital, in exchange for the proceeds of the offering.

8. Trust Preferred Hybrid Securities

In 1997, the Company delivered 6,180,000 7% Income PRIDES securities ("Hybrid Securities") in payment of \$309 million of the purchase price for the Company's acquisition of the assets of AmeriMark Building Products, Inc. (Note 5). Each Hybrid Security represents (i) beneficial ownership by the holder of one 7% Trust Preferred Security ("Trust Preferred Security") of Owens Corning Capital III, a Delaware statutory business trust all of the common securities of which are owned by the Company (the "Trust"), having a liquidation amount of \$50, providing for cumulative distributions at the rate of 7% per annum through November 15, 2000 and at a reset rate thereafter, and guaranteed in certain respects by the Company, and (ii) the obligation of the holder under a contract with the Company for the purchase on November 16, 2000, at a price of \$50, of a number of shares of the Company's common stock as determined by a formula based on the market price of common stock. The aggregate number of shares issuable under such formula ranges from 6.2 million to 8.5 million.

In connection with delivery of the Hybrid Securities, the Company entered into a Registration Rights Agreement providing for, among other things, (i) the Company to register the Hybrid Securities so as to permit them to be resold to the public, (ii) in the event that the Hybrid Securities are not registered and sold by October 1, 1999 (subject to acceleration in certain events), the Company either to arrange for the sale of such securities to a third party or to cause the Trust to redeem the Trust Preferred

Securities, (iii) in the event the Hybrid Securities are sold to a third party for a net amount less than \$50 plus accrued and unpaid distributions, the Company's payment of a deficiency amount, and (iv) so long as the original holder holds the Hybrid Securities, the Company's payment of an additional amount, per security held, of up to 2% per annum.

Distributions of \$5 million in the fourth quarter of 1997 pursuant to the Trust Preferred Securities have been recorded net of tax as minority interest.

The Company issued \$319 million of 7% Debentures due November 15, 2002 to the Trust, which represents the sole asset of the Trust, in exchange for the Trust Preferred Securities and the common securities of the Trust.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. Postemployment and Postretirement Benefits Other Than Pensions

The Company and its subsidiaries maintain health care and life insurance benefit plans for certain retired employees and their dependents. The health care plans in the U.S. are unfunded and pay either 1) stated percentages of covered medically necessary expenses, after subtracting payments by Medicare or other providers and after stated deductibles have been met, or, 2) fixed amounts of medical expense reimbursement.

Employees become eligible to participate in the health care plans upon retirement under the Company's pension plans if they have accumulated 10 years of service after age 45. Some of the plans are contributory, with some retiree contributions adjusted annually. The Company has reserved the right to change or eliminate these benefit plans subject to the terms of collective bargaining agreements.

The following table reconciles the status of the accrued postretirement benefits cost liability at October 31, 1997 and 1996, as reflected on the balance sheet at December 31, 1997 and 1996:

	1997 (In millions of dollars)	1996
Accumulated Postretirement Benefits Obligation:		
Retirees	\$ (225)	\$ (191)
Fully eligible active plan participants	(44)	(28)
Other active plan participants	(59)	(58)
Funded status	(328)	(277)
Unrecognized net (gain) loss	30	(10)
Unrecognized net reduction in prior service cost	(32)	(52)
Benefit payments subsequent to the valuation date	4	4
Accrued postretirement benefits cost liability (includes current liabilities of \$24 million and \$22 million in 1997 and 1996, respectively)	\$ (326)	\$ (335)

The net postretirement benefits cost for 1997, 1996 and 1995 included the following components:

1997	1996	1995
(In millions of dollars)		

Service cost	\$ 7	\$ 8	\$ 7
Interest cost on accumulated post-			
retirement benefits obligation	20	19	19
Net amortization and deferral	(20)	(20)	(24)
Net postretirement benefits cost	\$ 7	\$ 7	\$ 2

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. Postemployment and Postretirement Benefits Other Than Pensions (Continued)

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care claims was assumed for 1998. The rate was assumed to decrease to 7% for 1999, then decrease to 6% by 2000. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefits obligation as of October 31, 1997, by \$45 million and the aggregate of the service and interest cost components of net postretirement benefits cost for the year then ended by \$5 million. The discount rate used in determining the accumulated postretirement benefits obligation was 7.25% in 1997, 7.75% in 1996 and 7.5% in 1995.

The Company also recognizes the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. These benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care and life insurance coverage. The accrued postemployment benefits cost liability at October 31, 1997 and 1996, as reflected on the balance sheet at December 31, 1997 and 1996 was \$37 million and \$40 million, respectively, including current liabilities of \$4 million in each year. The net postemployment benefits expense was less than \$1 million for 1997 and \$2 million for 1996 and 1995.

10. Pension Plans

The Company has several defined benefit pension plans covering most employees. Under the plans, pension benefits are generally based on an employee's pay and number of years of service. Company contributions to these pension plans are based on the calculations of independent actuaries using the projected unit credit method. Plan assets consist primarily of equity securities with the balance in fixed income investments. The unrecognized cost of retroactive amendments and actuarial gains and losses are amortized over the average future service period of plan participants expected to receive benefits.

Pension expense for the Company's defined benefit pension plans includes the following:

1997	1996	1995
------	------	------

(In millions of dollars)

Service cost	\$ 23	\$ 14	\$ 20
Interest cost on projected benefit obligation	64	62	64
Actual return on plan assets	(160)	(106)	(114)
Net amortization and deferral	75	25	30

Curtailment gain	(4)	-	-
Net pension expense	\$ (2)	\$ (5)	\$ -

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10. Pension Plans (Continued)

The funded status at October 31, 1997 and 1996 is as follows:

	1997 (In millions of dollars)		1996 (In millions of dollars)	
	Over Funded	Under Funded	Over Funded	Under Funded
Vested benefit obligation	\$273	\$649	\$ 679	\$ 19
Accumulated benefit obligation	\$275	\$706	\$ 757	\$ 21
Plan assets at fair value	\$378	\$681	\$ 839	\$ 10
Projected benefit obligation	286	711	805	29
Plan assets in excess of (less than) projected benefit obligation	92	(30)	34	(19)
Unrecognized (gain) loss	(21)	37	53	9
Unrecognized prior service cost	1	(49)	(55)	1
Unrecognized transition amount	(16)	(22)	(41)	-
Adjustment to minimum liability	-	(4)	-	(5)
Net pension liability (includes current liabilities of less than \$1 million in 1997 and \$3 million in 1996 and noncurrent assets of \$53 million in 1997 and \$43 million in 1996)	\$ 56	\$ (68)	\$ (9)	\$ (14)

The 1997, 1996 and 1995 primary actuarial assumptions used for pension plans were:

	1997	1996	1995
Discount rate	7.25%	7.75%	7.50%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase	5.00%	5.10%	5.10%

The Company also sponsors defined contribution plans available to substantially all U.S. employees. Company contributions for the plans are based on matching a percentage of employee savings up to a maximum savings level. The Company's contributions were \$13 million in 1997, \$10 million in 1996, and \$12 million in 1995.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. Income Taxes

	1997	1996	1995
	(In millions of dollars)		
Income (loss) before provision (credit) for income taxes:			
U.S.	\$ 151	\$ (609)	\$ 234
Foreign	(80)	41	99
Total	\$ 71	\$ (568)	\$ 333
Provision (credit) for income taxes:			
Current:			
U.S.	\$ (123)	\$ (31)	\$ (42)
State and local	1	(6)	(4)
Foreign	21	12	13
Total current	(101)	(25)	(33)
Deferred:			
U.S.	151	(211)	113
State and local	(3)	(48)	15
Foreign	(38)	1	14
Total deferred	110	(258)	142
Total provision (credit) for income taxes:	\$ 9	\$ (283)	\$ 109

The reconciliation between the U.S. federal statutory rate and the Company's effective income tax rate is:

	1997	1996	1995
U.S. federal statutory rate	35%	(35)%	35%
State and local income taxes	5	(6)	2
Adjustment of tax reserves due to favorable legislation	-	(5)	-
Operating losses of foreign subsidiaries	24	-	-
Foreign tax credits	(6)	-	-
Change in effective state income tax rate	(9)	-	-
Conclusion of prior year tax audits	(4)	-	-
Utilization of tax loss carrybacks	(20)	-	(2)
Adjustment of valuation allowances	(10)	(1)	-
Other	(3)	(3)	(2)
Effective tax rate	12%	(50)%	33%

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. Income Taxes (Continued)

As of December 31, 1997, the Company has not provided for withholding or U.S. federal income taxes on approximately \$244 million of accumulated undistributed earnings of its foreign subsidiaries as they are considered by management to be permanently reinvested. If these undistributed earnings were not considered to be permanently reinvested, approximately \$28 million of deferred income taxes would have been provided.

At December 31, 1997, the Company had net operating loss carryforwards for certain of its foreign subsidiaries and certain of its state tax jurisdictions, the tax benefit of which is approximately \$101 million. Tax benefits of \$62 million expire over the period from 1998 through 2012, and the remaining \$39 million have an indefinite carryforward.

The cumulative temporary differences giving rise to the deferred tax assets and liabilities at December 31, 1997 and 1996 are as follows:

	1997		1996	
	Deferred	Deferred	Deferred	Deferred
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
	(In millions of dollars)			
Asbestos litigation claims	\$ 455	\$ -	\$ 525	\$ -
Other employee benefits	152	-	157	-
Pension plans	24	14	22	11
Depreciation	-	233	-	200
Operating loss carryforwards	101	-	63	-
State and local taxes	-	43	-	38
Other	190	110	140	56
Subtotal	922	400	907	305
Valuation allowances	(34)	-	(22)	-
Total deferred taxes	\$ 888	\$ 400	\$ 885	\$ 305

Management fully expects to realize its net deferred tax assets through income from future operations.

12. Science and Technology Expenses

Science and technology expenses include research and development costs of \$69 million in 1997, \$78 million in 1996, and \$69 million in 1995. In addition to research and development costs, science and technology expenses include continuing commercial activities such as engineering and product modifications for special applications and testing in 1996 and 1995.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13. Accounts Receivable Securitization

In 1997, 1996 and 1995, the Company sold certain accounts receivable of its Building Materials operations to a 100% owned subsidiary, Owens-Corning Funding Corporation ("OC Funding"). In December 1994, OC Funding entered into a three-year agreement whereby it could sell, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable up to a maximum of \$100 million. In November 1997, the agreement was amended to extend its term by 2 years and to increase the maximum to \$125 million. At December 31, 1997 and 1996, \$100 million have been sold under this agreement and the sale has been reflected as a reduction of accounts receivable in the Company's consolidated balance sheet. The discount of \$6 million on the receivables sold has been recorded as other expenses on the Company's consolidated statement of income for the years ended December 31, 1997, 1996, and 1995. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of all consolidated trade accounts receivable, including receivables sold by OC Funding.

14. Inventories

Inventories are summarized as follows:

	1997	1996
	(In millions of dollars)	
Finished goods	\$ 363	\$ 273
Materials and supplies	214	149
FIFO inventory	577	422
Less: Reduction to LIFO basis	(74)	(82)
	\$ 503	\$ 340

Approximately \$365 million and \$216 million of FIFO inventories were valued using the LIFO method at December 31, 1997 and 1996, respectively.

During 1995, certain inventories were reduced, resulting in the liquidation of LIFO inventory layers carried at lower costs in prior years as compared with the current cost of inventory. The effect of these inventory reductions was to reduce cost of sales by \$7 million.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

15. Investments in Affiliates

At December 31, 1997 and 1996, the Company's affiliates, which generally are engaged in the manufacture of fibrous glass and related products for the insulation, construction, reinforcements, and textile markets, include:

	Percent Ownership	
	1997	1996
Alpha/Owens-Corning, L.L.C. (USA)	50%	50%
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	30%	30%
Arabian Fiberglass Insulation Company, Ltd. (Saudi Arabia)	49%	49%
* Knytex Company, L.L.C. (USA)	100%	50%
LG Owens-Corning Corporation (Korea)	30%	30%
OC Andercol Tuberias S.A. (Colombia)	50%	50%
Owens-Corning (India) Limited	49%	49%
Owens-Corning Yapi Merkezi Boru Sanayi Ve Ticaret A.S. (Turkey)	50%	50%
* Owens-Corning Canos, S.A. (Argentina)	100%	50%
Owens-Corning Eternit Rohre GmbH (Germany)	50%	50%
Owens-Corning Pipe Botswana (Proprietary) Limited (Botswana)	49%	49%
* Owens-Corning Tubs S.A. (Spain)	100%	50%
Siam Fiberglass Co., Ltd. (Thailand)	17%	17%
Vitro-Fibras, S.A. (Mexico)	40%	40%

Early in 1996, the Company sold its ownership interest in its Japanese affiliate Asahi Fiber Glass Co. Ltd., and recorded a pretax gain of \$37 million.

* The Company's consolidated financial statements include the January 1997 acquisition of the remaining 50% interest in Knytex. The Company considers its 100% ownership of Owens-Corning Canos, S.A. and Owens-Corning Tubs S.A. to be temporary and therefore continues to account for them as unconsolidated affiliates under the equity method.

The following table provides summarized financial information on a combined 100% basis for the Company's affiliates accounted for under the equity method:

1997 1996 1995
(In millions of dollars)

At December 31:

Current assets

\$ 227 \$ 200 \$ 338

Noncurrent assets

289 259 503

Current liabilities

145 149 340

Noncurrent liabilities

287 168 236

For the year:

Net sales	535	516	962
Gross margin	133	126	178
Net income	21	36	47

The Company's equity in undistributed net income of affiliates was \$3 million at December 31, 1997.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

16. Accounts Payable and Accrued Liabilities

	1997 (In millions of dollars)	1996
Accounts payable	\$ 436	\$ 379
Payroll and vacation pay	61	84
Payroll, property, and miscellaneous taxes	27	35
Other employee benefits liability (Note 9)	28	26
Restructure costs (Note 4)	44	34
Other	218	147
	\$ 814	\$ 705

17.-- Consolidated Statement of Cash Flows

Cash payments for income taxes, net of refunds, and cost of borrowed funds are summarized as follows:

	1997 (In millions of dollars)	1996	1995
Income taxes	\$ (6)	\$ (25)	\$ (34)
Cost of borrowed funds	123	86	94

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

During the six months ended December 31, 1997, gross payments for asbestos litigation claims filed against Fibreboard were approximately \$126 million, all of which was paid directly by Fibreboard's insurers or from the escrow account to claimants on Fibreboard's behalf. During the six months ended December 31, 1997, Fibreboard also recorded settlements with plaintiffs for amounts totaling approximately \$132 million. Fibreboard settlement agreements are reflected on the Company's consolidated balance sheet as an increase in both the Fibreboard asbestos costs to be reimbursed and Fibreboard asbestos-related liabilities when the agreements are reached.

See Notes 5 and 8 for supplemental disclosure of non-cash investing and financing activities.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

18. Leases

The Company leases certain manufacturing equipment and office and warehouse facilities under operating leases, some of which include cost escalation clauses, expiring on various dates through 2015. Total rental expense charged to operations was \$124 million in 1997, \$87 million in 1996, and \$63 million in 1995. At December 31, 1997, the minimum future rental commitments under noncancellable leases payable over the remaining lives of the leases are:

Period	Minimum Future Rental Commitments (In millions of dollars)
1998	\$ 90
1999	58
2000	31
2001	22
2002	16
2003 through 2015	113
	\$ 330

19. Stock Compensation Plans

The Company has four stock-based compensation plans. The Company's Stock Performance Incentive Plan ("SPIP") grants stock options, restricted stock, performance restricted stock and phantom performance units. The Owens Corning 1995 Stock Plan ("95 Stock Plan") grants options, restricted stock and performance stock awards. The SPIP and the 95 Stock Plan (collectively, the "Plans"), permit up to two percent and one percent, respectively, of common shares outstanding at the beginning of each calendar year to be awarded as stock options and restricted stock (with 25% of this amount as the maximum permitted number of restricted stock awards). The Company may carry forward, independently for each plan, unused shares from prior years and may increase the shares available for awards in any calendar year through an advance of up to 25% of the subsequent year's allocation (determined by using 25% of the current year's allocation). These shares are also subject to the 25% limit for restricted stock awards. During 1997 the maximum number of shares available under the Plans for stock awards was 2,236,576 shares. The following are descriptions of the awards granted under the Plans:

Stock Options

Under the Plans, the exercise prices of each option equal the market price of the Company's common stock on the date

of grant and an option's maximum term is 10 years. Shares issued from the exercise of options are recorded in the common stock accounts at the option price. The awards and vesting periods of such awards are determined at the discretion of the compensation committee of the board of directors. During 1997, 1996 and 1995, respectively,

1,103,027, 1,102,510 and 1,006,950 stock options were
awarded under the Plans.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

Restricted Stock Awards

Under the Plans, compensation expense is measured based on the market price of the stock at date of grant and is recognized on a straight-line basis over the vesting period. Stock restrictions lapse, subject to alternate vesting plans for death, disability, approved early retirement and involuntary termination, over various periods ending in 2005. At December 31, 1997, the Company had 302,182 shares of restricted stock outstanding. During 1997, 1996 and 1995, 77,250, 78,510 and 148,924 shares of restricted stock were granted, respectively. The weighted-average grant-date fair value for shares granted was \$44.66, \$42.67 and \$40.78 for 1997, 1996 and 1995, respectively.

Performance Restricted Stock Awards

Under the Plans, certain officers are awarded performance shares. Performance shares represent the opportunity to earn up to a specified number of shares of the Company's common stock, if the Company achieves specified performance goals during the designated performance period. Officers other than the Chief Executive Officer, earn any portion of their award not earned during the performance period seven years after the end of the performance period, if their employment continues until that time. Compensation expense is measured based on market price of the Company's common stock on the date of grant and is amortized over the performance period, approximately three years. At December 31, 1997, the Company had 96,400 units outstanding. During 1997, 1996 and 1995, respectively, 37,100, 38,200 and 27,300 performance shares were granted. The weighted-average grant-date fair value for shares granted was \$44.61, \$43.79 and \$45.00 for 1997, 1996 and 1995, respectively.

Phantom Performance Units

Under the Plans, certain officers are awarded phantom performance units. Each unit provides the holder the opportunity to earn a cash award equal to the fair market value of the Company's common stock upon the attainment of certain performance goals. Officers, other than the Chief Executive Officer, earn any portion of their award not earned during the performance period seven years after the end of the performance period, if their employment continues until that time. Compensation expense is measured based on market price of the Company's common stock and is amortized over the performance period, approximately three years. At December 31, 1997, the

Company had 184,250 phantom performance units outstanding. During 1997, 1996 and 1995, 77,850, 79,600 and 56,000 units, respectively, were awarded.

Performance Stock Awards

Under the Plans, certain employees are awarded unrestricted stock based upon achievement of certain goals within a designated performance period. Compensation cost for these awards is accrued over the performance period based upon a base compensation level and the performance level achieved. Stock awards are issued in the year subsequent to the performance period. The number of shares issued is based upon the market price of the stock on date of issuance and the level of compensation earned. In 1997, 122,362 shares were issued to employees.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

The Company also has a plan to award stock and stock options to nonemployee directors. The receipt of the stock awards may be deferred at the discretion of the directors. Approximately 351,000 shares were available under this plan at December 31, 1997. As of December 31, 1997, 15,500 deferred awards were outstanding. In 1997, 10,000 options and 5,500 stock awards were granted, 1,500 of which were issued. In 1996, 30,000 options and 4,000 stock awards were granted, of which 1,000 were issued. In 1995, 10,000 options and 4,000 stock awards were granted of which 2,000 were issued. The weighted-average grant-date fair value for shares granted was \$39.13, \$39.63 and \$35.25 for 1997, 1996 and 1995, respectively.

Under a prior plan, the Company had 5,417 deferred stock awards outstanding at December 31, 1996. No awards were outstanding under this plan at December 31, 1997. Under the terms of this plan, no further awards may be made.

The Company applies Financial Accounting Standards Board Statement No. 123 (SFAS 123) in accounting for its stock based compensation plans. In accordance with SFAS 123 the Company applies Accounting Principles Board Opinion No. 25 and related Interpretations for expense recognition. All stock options issued by the Company are exercisable at a price equal to the market price at the date of grant. Accordingly, no compensation cost has been recognized for any of the options granted under the Plans. The compensation cost that has been recorded for awards other than options was \$12 million, \$17 million and \$3 million in 1997, 1996 and 1995, respectively.

A summary of the status of the Company's plans that issue options as of December 31, 1997, 1996, and 1995 and changes during the years ending on those dates is presented below:

	1997		1996		1995	
	Number	Weighted	Number	Weighted	Number	Weighted
	of	Average	of	Average	of	Average
	Shares	Exercise	Shares	Exercise	Shares	Exercise
		Price		Price		Price
Beginning of year	4,894,439	\$ 35.59	3,943,110	\$ 33.34	3,290,454	\$ 31.55
Options granted	1,113,027	\$ 44.80	1,132,510	\$ 42.92	1,016,950	\$ 37.46

Options exercised	(724,661)	\$ 30.29	(142,232)	\$ 30.60	(300,663)	\$ 27.18
Options canceled	(156,647)	\$ 41.63	(38,949)	\$ 41.01	(63,631)	\$ 35.67
End of year	5,126,158	\$ 38.15	4,894,439	\$ 35.59	3,943,110	\$ 33.34

Exercisable	3,047,126	\$ 34.78	2,872,156	\$ 32.66	2,107,427	\$ 30.97
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Weighted-average
fair-value of
options granted
during the year

\$14.29

\$ 12.50

\$ 11.24

OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

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

Range of Exercise Prices	Options Outstanding			Options Exercisable		Number	Weighted
	Number Outstanding at 12/31/97	Remaining Contractual Life	Price	Number Exercisable at 12/31/97	Weighted-Average Exercise Price		
\$17.860 - 26.790	398,907	3.1	\$23.30	398,907	\$23.30		
\$28.500 - 30.625	399,115	4.2	\$30.60	399,115	\$30.60		
\$32.125 - 36.125	729,230	6.0	\$32.31	717,730	\$32.26		
\$36.875 - 39.125	868,674	7.2	\$37.50	549,665	\$37.50		
\$39.625 - 47.000	2,730,232	7.7	\$43.19	981,709	\$41.47		

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions by year:

Assumptions	1997	1996	1995
Risk-free interest rate	6.31%	6.04%	5.96%
Expected life (in years)	5	5	5
Expected volatility	24.64%	24.39%	26.25%
Expected dividends	.82%	1.43%	1.43%

Had compensation cost for the Plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method described in SFAS 123, Accounting for Stock-Based Compensation, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		1997	1996	1995
		(In millions of dollars, except share data)		
Net income	As reported	\$ 47	\$ (284)	\$ 231
	Pro forma	\$ 40	\$ (288)	\$ 230

Basic earnings per share	As reported	\$.89	\$(5.54)	\$ 4.73
	Pro forma	\$.76	\$(5.61)	\$ 4.71
Diluted earnings per share	As reported	\$.88	\$(5.54)	\$ 4.41
	Pro forma	\$.75	\$(5.61)	\$ 4.39

The Company cautions that the pro forma impact in the initial years of adoption of this disclosure distorts what may be the pro forma impact on future years due to the recognition of pro forma compensation cost over the vesting period.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

The following table reconciles the net income (loss) and weighted average number of shares used in the basic earnings per share calculation to the net income (loss) and weighted average number of shares used to compute diluted earnings per share.

	1997 (In millions of dollars, except share data)	1996	1995
Net income (loss) used for basic earnings per share	\$ 47	\$ (284)	\$ 231
Net income (loss) effect of assumed conversion of debt and preferred securities	-	-	7
Net income (loss) used for diluted earnings per share	\$ 47	\$ (284)	\$ 238
Weighted average number of shares outstanding used for basic earnings per share (thousands)	52,860	51,349	48,744
Deferred awards and stock options	686	-	802
Shares from assumed conversion of debt and preferred securities	-	-	4,372
Weighted average number of shares outstanding and common equivalent shares used for diluted earnings per share (thousands)	53,546	51,349	53,918

20. Share Purchase Rights

Each outstanding share of the Company's common stock includes a preferred share purchase right. Each right entitles the holder to buy from the Company one one-hundredth of a share of Series A Participating Preferred Stock of the Company at a price of \$190. The Board of Directors has designated 750,000 shares of the Company's authorized preferred stock as Series A Participating Preferred Stock. There were no preferred shares outstanding at December 31, 1997.

Rights become exercisable and detach from the common stock ten business days after a person or group acquires, or announces a tender offer for, 15% or more of the Company's outstanding shares of common stock. The rights expire on December 30, 2006, unless redeemed earlier by the Company.

The rights are redeemable by the Company at one cent each at any time prior to public announcement or notice to the Company that an acquiring person or group has purchased 15% or more of the Company's outstanding common stock (an "Acquisition Event"). At any time after an Acquisition Event and prior to the acquisition by such person or group

of 50% or more of the Company's outstanding common stock, the

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

20. Share Purchase Rights (Continued)

Board of Directors may exchange one share of common stock for each right outstanding, other than rights held by the acquiring person or group. At any time after an Acquisition Event and the rights become exercisable, each right, other than rights held by the acquiring person or group, would entitle its holder to buy common stock of the Company having a market value of twice the exercise price of the right (or, if the Company is subsequently acquired in a merger or other business combination, such shares of the acquiring or surviving company). Until the rights detach from the common stock (or the earlier termination or redemption of the rights), an additional right will be issued with every share of newly issued common stock.

21. --Derivative Financial Instruments and Fair Value of Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to help meet financing needs and to reduce exposure to fluctuating foreign currency exchange rates and interest rates. The Company is exposed to credit loss in the event of nonperformance by the other parties to the financial instruments described below. However, the Company does not anticipate nonperformance by the other parties. The Company does not engage in trading activities with these financial instruments and does not generally require collateral or other security to support these financial instruments. The notional amounts of derivatives summarized in the foreign exchange risk and interest rate risk management section below do not generally represent the amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. The amounts exchanged were calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates, securities prices, or financial or other indexes.

Foreign Exchange Risk and Interest Rate Risk Management

The Company enters into various types of derivative financial instruments to manage its foreign exchange risk and interest rate risk, as indicated in the following table.

	Notional Amount December 31, 1997 (In millions of dollars)	Notional Amount December 31, 1996
Forward currency exchange contracts	\$ 154	\$ 128

Combined interest rate currency swaps	120	120
Options purchased	35	22
Currency swaps	145	120
Interest rate swaps	550	50
Treasury rate locks	-	29

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of Financial Instruments (Continued)

The Company enters into forward currency exchange contracts to manage its exposure against foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. As of December 31, 1997, the Company has 32 forward currency exchange contracts maturing in 1998 which exchange 1.4 billion Belgian francs, 36 million U.S. dollars, 11 million British pounds, 105 million French francs, 198 million Norwegian krone, and various other currencies. As of December 31, 1996, the Company had 31 forward currency exchange contracts maturing in 1997 which exchanged 3.9 billion Belgian francs, 33 million U.S. dollars, 17 million British pounds, 89 million French francs, 12 billion Italian lira, and various other currencies. Gains and losses on these foreign currency hedges are included in the carrying amount of the related assets and liabilities. At December 31, 1997 and 1996, deferred gains and losses on these foreign currency hedges were not material to the consolidated financial statements.

During 1997, the Company entered into forward currency exchange contracts to reduce its exposure to currency fluctuations on the anticipated 1998 net sales of certain Canadian subsidiaries. The seven forward currency exchange contracts which mature in 1998, exchange 10 million Canadian dollars against 7 million U.S. dollars. At December 31, 1997, the deferred losses on these forward currency exchange contracts were not material to the consolidated financial statements.

During 1996, the Company entered into forward currency exchange contracts to reduce its exposure to currency fluctuations on the proceeds of the sale of its investment in Asahi Fiber Glass Company, Ltd. (Note 15). Gains of \$4 million were included in other income in 1996 as part of the total gain on the sale.

The Company enters into combined interest rate currency swaps to hedge its equity investments in certain foreign subsidiaries to manage its exposure against fluctuations in foreign currency rates. As of December 31, 1997 and 1996, the Company had three combined interest rate currency swaps maturing in 1999 to manage this exposure. These contracts exchange 921 million Belgian francs, 50 million French francs, 17 million Dutch guilders and 50 million U.S. dollars. Gains and losses on the currency swap portions of these contracts are included in stockholders' equity. The differential interest to be paid or received on the interest rate swap portion of these contracts is accrued as interest rates change and is recognized over the life of these agreements. At December 31, 1997, deferred gains of \$10

million are included as a component of shareholders' equity. At December 31, 1996, deferred gains and losses on these foreign currency hedges were not material to the consolidated financial statements.

During 1996, the Company entered into option contracts to

hedge 1997 royalty payments of the Company's European subsidiaries. At December 31, 1996, the currency option contracts exchanged 446 million Belgian francs and 5 million British pounds against approximately 22 million U.S. dollars. At December 31, 1996, deferred gains on option contracts were not material to the consolidated financial statements.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of
Financial Instruments (Continued)

In 1994, the Company entered into two currency swap transactions to manage its exposure against foreign currency fluctuations on the principal amount of its guaranteed 9.814% Eurobonds (Note 2). During 1995, the Company terminated these swaps. The termination of these swaps exchanged 140 million U.S. dollars for approximately 89 million British pounds, resulting in a gain of approximately 10 million U.S. dollars. At that time, the Company entered into a combined interest rate currency swap and a currency swap exchanging U.S. dollars into British pounds to hedge the interest and principal payments of the Eurobonds. These agreements also convert part of the fixed rate interest into variable rate interest. The gain on the exercised swaps is being amortized over the life of the original hedge. At December 31, 1997 and 1996, \$3 million and \$5 million, respectively, of unamortized gain on the four cross-currency interest rate swaps is included in other liabilities.

The Company has a cross-currency swap converting from Deutsche marks into U.S. dollars to hedge the interest and principal payments of its 7.25% Deutsche mark bonds, due in 2000. The agreement establishes a fixed interest rate of 11.1%.

The Company enters into interest rate swaps to manage its interest rate risk. As of December 31, 1997, the Company has seven ordinary interest rate swaps that effectively convert an aggregate principal amount of \$350 million of variable rate long-term debt into fixed rate borrowings. For the year ended December 31, 1997, losses of \$8 million related to these swaps have been recorded as a component of interest expense.

During 1997, the Company entered into three interest rate swaps as a hedge against interest rate fluctuation on an anticipated refinancing of the Trust Preferred Hybrid Securities (See Note 8). These swaps effectively lock in an interest rate of 6.3% on a notional amount of \$150 million. As of December 31, 1997, deferred losses on these contracts are not material to the consolidated financial statements.

As of December 31, 1997, the Company has an interest rate swap to convert \$50 million in equipment lease payments from a floating LIBOR to a fixed rate of 5.52%. The differential interest to be paid or received is accrued as interest rates change and is recognized over the life of the agreement. As of December 31, 1997 and 1996, this amount was not material to the consolidated financial statements.

As of December 31, 1996, the Company had one cash-settled

treasury rate lock as a hedge against interest rate fluctuations on a lease commitment. This contract effectively locked in an interest rate of 6.015% on a notional amount of \$29 million. This contract was settled in 1997. The loss on the contract is being amortized over the life of the lease and is not material to the consolidated

financial statements.

At December 31, 1995, the Company had four interest rate swaps to reduce the interest rates on its fixed rate borrowings. These agreements, which were terminated in 1996, effectively converted an aggregate principal amount of \$150 million of fixed rate long-term debt into variable rate borrowings. The \$8 million gain recognized from the termination of these swaps is being amortized over the remaining life of the debt.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of
Financial Instruments (Continued)

Other Financial Instruments with Off-Balance-Sheet Risk

As of December 31, 1997 and 1996, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates of \$84 million and \$57 million, respectively. The Company is of the opinion that its unconsolidated affiliates will be able to perform under their respective payment obligations in connection with such guaranteed indebtedness and that no payments will be required and no losses will be incurred by the Company under such guarantees.

Concentrations of Credit Risk

As of December 31, 1997 and 1996, the Company has no significant group concentrations of credit risk.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each category of financial instruments.

Cash and short-term financial instruments

The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term notes receivable

The fair value has been estimated using the expected future cash flows discounted at market interest rates.

Long-term debt

The fair value of the Company's long-term debt has been estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities.

Foreign currency swaps and interest rate swaps

The fair values of foreign currency swaps and interest rate swaps have been estimated by traded market values or by obtaining quotes from brokers.

Forward currency exchange contracts, option contracts,
and financial guarantees

The fair values of forward currency exchange contracts, option contracts, and financial guarantees are based on

fees currently charged for similar agreements or on the estimated cost to terminate these agreements or otherwise settle the obligations with the counter parties at the reporting date.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of
Financial Instruments (Continued)

The estimated fair values of the Company's financial instruments as of December 31, 1997 and 1996, which have fair values different than their carrying amounts, are as follows:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions of dollars)			
Assets:				
Long-term notes receivable	\$ 18	\$ 17	\$ 23	\$ 21
Liabilities:				
Long-term debt	1,595	1,659	818	881
Off-Balance-Sheet Financial Instruments - Unrealized gains:				
Foreign currency swaps	-	21	-	32
Interest rate swaps	-	(9)	-	1
Combined interest rate currency swaps	-	13	-	1
Options	-	2	-	-

As of December 31, 1997 and 1996, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates. There is no market for these guarantees and they were issued without explicit cost. Therefore, it is not practicable to establish their fair value.

As of December 31, 1997 and 1996, the Company has also entered into certain treasury rate locks, the fair values of which are not material to the consolidated financial statements.

OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities

ASBESTOS LIABILITIES

ITEM A. OWENS CORNING (EXCLUDING FIBREBOARD)

Owens Corning is a co-defendant with other former manufacturers, distributors and installers of products containing asbestos and with miners and suppliers of asbestos fibers (collectively, the "Producers") in personal injury litigation. The personal injury claimants generally allege injuries to their health caused by inhalation of asbestos fibers from Owens Corning's products. Most of the claimants seek punitive damages as well as compensatory damages. Virtually all of the asbestos-related lawsuits against Owens Corning arise out of its manufacture, distribution, sale or installation of an asbestos-containing calcium silicate, high temperature insulation product, the manufacture of which was discontinued in 1972.

Status

As of December 31, 1997, approximately 173,800 asbestos personal injury claims were pending against Owens Corning, of which 35,300 were received in 1997, 36,300 were received in 1996 and 55,800 in 1995.

Many of the recent claims appear to be the product of mass screening programs and not to involve malignancies or other significant asbestos related impairment. Owens Corning believes that at least 40,000 of the recent claims involve plaintiffs whose pulmonary function tests ("PFTs") were improperly administered or manipulated by the testing laboratory or otherwise inconsistent with proper medical practice. In 1996 Owens Corning filed suit in federal court in New Orleans, Louisiana against the owners and operators of certain pulmonary function testing laboratories in the southeastern U.S. challenging such improper testing practices. This matter is now in active pre-trial discovery. In January 1997, Owens Corning filed a similar suit in federal court in Jackson, Mississippi against the owner of an additional testing laboratory.

Through December 31, 1997, Owens Corning had resolved (by settlement or otherwise) approximately 202,500 asbestos personal injury claims. During 1995, 1996 and 1997, Owens Corning resolved approximately 63,700 asbestos personal injury claims, over 99% without trial. Total indemnity payments for these 63,700 claims, including future installment payments, are expected to be \$858 million (an average of \$13,500 per claim).

Owens Corning's indemnity payments have varied considerably

over time and from case to case, and are affected by a multitude of factors. These include the type and severity of the disease sustained by the claimant (i.e., mesothelioma, lung cancer, other types of cancer, asbestosis or pleural changes); the occupation of the claimant; the extent of the claimant's exposure to asbestos-containing

products manufactured, sold or installed by Owens Corning; the extent of the claimant's exposure to asbestos-containing products manufactured, sold or installed by other Producers; the number and financial resources of other Producer defendants; the jurisdiction of suit; the presence or absence of other possible causes of the claimant's illness; the availability or not of legal defenses such as the statute of limitations or state of the art; whether the claim was resolved on an individual basis or as part of a group settlement; and whether the claim proceeded to an adverse verdict or judgment.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

Owens Corning's total indemnity and defense payments (before application of insurance recoveries) for asbestos personal injury claims were \$300 million in 1997 and are expected to be approximately \$350 million in 1998. This high level of expenditures, and the anticipated increase in 1998, are attributable in large measure to two factors: payments associated with adverse judgments (particularly in mesothelioma cases), and significant recent increases in the cost of settlement of mesothelioma claims. The Company is addressing these developments by refocusing its defense resources upon the early identification and evaluation of mesothelioma claims and, where such claims cannot be resolved by settlement, upon more thorough preparation and work-up of such claims for trial. The Company believes that these measures should prove effective in controlling the costs of resolving such claims. However, the increased cost of resolution of mesothelioma claims has added to the difficulty of estimating the Company's future asbestos liabilities. The Company cautions that if the cost of mesothelioma settlements and judgments is not controlled and if future annual expenditures for asbestos personal injury claims are not reduced, the Company may be required to make additional provision for the anticipated costs of asbestos personal injury claims.

Tobacco

The Company is closely monitoring the proposed federal legislation to implement a nationwide tobacco settlement. Several bills have been introduced in Congress. One, introduced by Senator Hatch, makes provision for payment of \$4.8 billion over 25 years for programs and activities to be conducted by the Secretary of Labor relating to asbestos-related injuries for which use of tobacco is determined to be a significant contributing factor. Owens Corning, Fibreboard and other asbestos defendants have collectively spent billions of dollars to resolve asbestos personal injury claims to which smoking was a substantial causal or contributing factor. The Company believes that any federal legislation implementing the proposed tobacco settlement must make adequate financial provision for compensating asbestos personal injury claimants for the role tobacco use played in their injuries and for reimbursing asbestos defendants, in whole or in part, for past payments that have been made to asbestos personal injury claimants who were also smokers. The Company is directing its legislative lobbying efforts toward achievement of this objective.

Owens Corning and Fibreboard have filed suit in the Superior Court for Alameda County, California against seven leading manufacturers of tobacco products. The complaint alleges

that cigarette smoking causes or contributes to lung cancer, a variety of other cancers and chronic obstructive pulmonary disease. The complaint seeks to require the defendants to reimburse Owens Corning and Fibreboard for all or part of the amounts which they have spent in resolving the personal injury claims of asbestos plaintiffs whose injuries were

caused or contributed to by cigarette smoking.

Fibreboard

As described in greater detail below, Fibreboard is a party to two class action settlements relating to asbestos personal injury claims - the Global Settlement and the Insurance Settlement. If the Global Settlement is approved, Fibreboard will be protected by an injunction from asbestos personal injury claims and should have no further asbestos personal injury liabilities.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

If the Global Settlement is not approved, the Insurance Settlement will become effective. In such event, Fibreboard will receive the payments from its insurance carriers due under the Insurance Settlement, the injunction protecting Fibreboard from asbestos personal injury claims will be dissolved, and Fibreboard will return to the tort system as a defendant. Should the Insurance Settlement come into effect, Owens Corning and Fibreboard anticipate establishing a joint facility that would provide, consistent with Fibreboard's contractual obligations under the Insurance Settlement, for the joint defense and settlement of asbestos personal injury claims against the two defendants. Such a joint facility would have the potential for achieving synergistic savings in defense and settlement costs compared to the costs either Company would otherwise likely incur.

Insurance

As of December 31, 1997, Owens Corning had approximately \$232 million in unexhausted insurance coverage (net of deductibles and self-insured retentions and excluding coverage issued by insolvent carriers) under its liability insurance policies applicable to asbestos personal injury claims. This insurance, which is substantially confirmed, includes both products hazard coverage and primary level non-products coverage. Portions of this coverage are not available until 1998 and beyond under agreements with the carriers confirming such coverage. All of Owens Corning's liability insurance policies cover indemnity payments and defense fees and expenses subject to applicable policy limits.

In addition to its confirmed primary level non-products insurance, Owens Corning has a significant amount of unconfirmed potential non-products coverage with excess level carriers. For purposes of calculating the amount of insurance applicable to asbestos liabilities, Owens Corning has estimated its probable recoveries in respect of this additional non-products coverage at \$225 million, which amount was recorded in 1996. This coverage is unconfirmed and the amount and timing of recoveries from these excess level policies will depend on subsequent negotiations or proceedings.

Reserve

The Company's financial statements include a reserve for the estimated cost associated with Owens Corning's asbestos personal injury claims. This reserve was established principally through a charge to income in 1991 for the costs of asbestos claims expected to be received through 1999 and

an additional \$1.1 billion charge to income (before taking into account the probable non-products insurance recoveries) during 1996 for cases that may be received subsequent to 1999. In establishing the reserve, Owens Corning took into account, among other things, the effect of federal court decisions relating to punitive damages and the certification

of class actions in asbestos cases, the discussions with a substantial group of plaintiffs' law firms in connection with global settlement negotiations, the results of its continuing investigations of medical screening practices of the kind at issue in the federal PFT lawsuits, recent developments as to the prospects for federal and state tort reform, the continued rate of case filings at historically high levels, additional information on filings received during the 1993-1995 period and other factors. The combined effect of the \$1.1 billion charge and the \$225 million probable additional non-products insurance recovery was an \$875 million charge in the second quarter of 1996.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

Owens Corning's estimated total liabilities in respect of indemnity and defense costs associated with pending and unasserted asbestos personal injury claims that may be received in the future, and its estimated insurance recoveries in respect of such claims, are reported separately as follows:

	December 31, 1997	December 31, 1996
	(In millions of dollars)	
Reserve for asbestos litigation claims		
Current	\$ 350	\$ 300
Other	1,320	1,670
Total Reserve	1,670	1,970
Insurance for asbestos litigation claims		
Current	100	100
Other	357	454
Total Insurance	457	554
Net Owens Corning Asbestos Liability	\$1,213	\$1,416

Owens Corning cautions that such factors as the number of future asbestos personal injury claims received by it, the rate of receipt of such claims, and the indemnity and defense costs associated with asbestos personal injury claims, are influenced by numerous variables that are difficult to predict, and that estimates, such as Owens Corning's, which attempt to take account of such variables, are subject to considerable uncertainty. Included among these variables are Owens Corning's future success in controlling the costs of resolving mesothelioma claims, the outcome of the Company's litigation against the tobacco companies and of the appellate proceedings related to the Fibreboard Global Settlement and Insurance Settlement, and federal legislative developments concerning asbestos and/or tobacco. Owens Corning believes that its estimate of liabilities and insurance will be sufficient to provide for the costs of all pending and future asbestos personal injury claims that involve malignancies or significant asbestos-related functional impairment. While such estimates cover unimpaired claims, the number and cost of unimpaired claims are much harder to predict and such estimates reflect Owens Corning's belief that such claims have little or no value.

Owens Corning will continue to review the adequacy of its estimate of liabilities and insurance on a periodic basis and make such adjustments as may be appropriate.

Management Opinion

Although any opinion is necessarily judgmental and must be based on information now known to Owens Corning, in the opinion of management, while any additional uninsured and unreserved costs which may arise out of pending personal injury asbestos claims and additional similar asbestos claims filed in the future may be substantial over time, management believes that any such additional costs will not impair the ability of the Company to meet its obligations, to reinvest in its businesses or to take advantage of attractive opportunities for growth.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

ITEM B. FIBREBOARD (EXCLUDING OWENS CORNING)

Prior to 1972, Fibreboard manufactured insulation products containing asbestos. Fibreboard has since been named as a defendant in many thousands of personal injury claims for injuries allegedly caused by asbestos exposure.

Status

As of December 31, 1997, approximately 108,400 asbestos personal injury claims were pending against Fibreboard. Fibreboard received approximately 33,000 such claims in 1997, 32,900 in 1996 and 20,700 in 1995. These claims and most of the pending claims are made against the Fibreboard Global Settlement Trust and are subject to the Global Settlement injunction discussed below. During 1995, 1996 and 1997, Fibreboard resolved (by settlement or otherwise) approximately 20,100 asbestos personal injury claims and incurred indemnity payments of \$257 million (an average of about \$12,800 per case).

The average cost per claim has increased recently from the historical average cost of \$11,000 per claim. This is due to the absence of group settlements, where large numbers of low value cases are traditionally settled along with higher value cases, and due to the fact that in 1996 and 1997 a relatively small number of individual cases involving more seriously injured plaintiffs were settled as exigent claims (all of which are malignancy claims) during the pendency of the Global Settlement injunction discussed below.

As of December 31, 1997, amounts payable under various asbestos claim settlement agreements were \$123 million. These amounts are payable either from the Settlement Trust discussed below or directly by the insurers. Amounts due from insurers in payment of these or past claims paid directly by Fibreboard, as of December 31, 1997 are \$116 million.

Insurance Arrangements

Fibreboard has unique insurance arrangements for personal injury claims. During 1993, Fibreboard and its insurers, Continental Casualty Company (Continental) and Pacific Indemnity Company (Pacific), entered into the Insurance Settlement, and Fibreboard, its insurers and representatives of a class of future asbestos plaintiffs who have claims arising from exposure to asbestos prior to August 27, 1993, entered into the Global Settlement. These agreements are interrelated and require final court approval. On July 26, 1996, the U.S. Fifth Circuit Court of Appeals affirmed the

Global Settlement by a majority decision and the Insurance
Settlement by a unanimous decision.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

The parties opposing the Global Settlement filed petitions seeking review with the U.S. Supreme Court. On June 27, 1997, the Supreme Court granted the petition, vacated the judgment and remanded the case to the Fifth Circuit for further consideration in light of the Supreme Court's decision in the Amchem Products, Inc. V. Windsor case. Amchem involved a proposed nationwide class action settlement of future asbestos personal injury claims against the members of the Center for Claims Resolution. The Supreme Court, affirming the intermediate appellate court, disapproved and vacated the Amchem class action settlement, determining that the Amchem class action failed to meet the requirements of Federal Rule of Civil Procedure 23. On January 27, 1998, a panel of the Fifth Circuit reaffirmed by majority vote, its prior decision, and again approved the Global Settlement. It is anticipated that the parties opposing the Global Settlement will seek further review of this decision - by a petition for rehearing en banc by the Fifth Circuit, and/or a petition for certiorari to the U. S. Supreme Court. In light of this decision by the Fifth Circuit, final resolution of the Global Settlement may not be known until the second half of 1998 or later.

On October 24, 1996, the statutory time period for objectors to seek further judicial review of the Insurance Settlement lapsed with no petition for review having been filed with the U.S. Supreme Court. Therefore, the Insurance Settlement is now final and not subject to further appeal.

The parties will continue to seek approval of the Global Settlement. If the Global Settlement becomes effective, all asbestos-related personal injury liabilities of Fibreboard will be resolved through insurance funds and existing corporate reserves. A permanent injunction barring the filing of any further claims against Fibreboard or its insurers is included as part of the Global Settlement. Upon final approval, Fibreboard's insurers are required to pay existing settlements and assume full responsibility for any claims filed before August 27, 1993, the date the settling parties reached agreement on the terms of the Global Settlement. A court-supervised claims processing trust ("Settlement Trust") will be responsible for resolving claims which were not filed against Fibreboard before August 27, 1993, and any further claims that might otherwise be asserted against Fibreboard in the future by members of the class.

The Settlement Trust will be funded principally by Continental and Pacific. These insurers have placed \$1,525 million in an interest-bearing escrow account pending court approval of the settlements. Fibreboard is responsible for

contributing \$10 million plus accrued interest toward the Settlement Trust, which it will obtain from other remaining insurance sources and existing reserves. The Home Insurance Company has already paid \$9.9 million into the escrow account on behalf of Fibreboard, in satisfaction of an earlier settlement agreement. The balance of the escrow

account was \$1,689 million at December 31, 1997, after payment of interim expenses and exigent claims associated with the Global Settlement.

If the Global Settlement becomes effective, Fibreboard would have no on-going or future liabilities for asbestos personal injury claims in excess of the \$10 million currently reserved in accrued liabilities.

OWENS CORNING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. Contingent Liabilities (Continued)

The Insurance Settlement is structured as an alternative solution in the event the Global Settlement fails to receive final approval. Under the Insurance Settlement, Continental and Pacific will pay in full settlements reached as of August 27, 1993 and provide Fibreboard with the remaining balance of the Global Settlement escrow account for claims filed after August 27, 1993, plus an additional \$475 million, less amounts paid since August 27, 1993 for claims which were pending but not settled at that date. Upon fulfillment of their obligations under the Insurance Settlement, Continental and Pacific will be discharged from any further obligations to Fibreboard under their insurance policies and will be protected by an injunction against any claims of asbestos personal injury claimants based upon those insurance policies. Under the Insurance Settlement, Fibreboard will manage the defense and resolution of asbestos-related personal injury claims and will remain subject to suit by asbestos personal injury claimants.

The Insurance Settlement will not be fully funded until such time as the Global Settlement has been finally resolved. In the event the Global Settlement is finally approved, the Insurance Settlement will not be funded.

Management Opinion

While there are various uncertainties regarding whether the Global Settlement or the Insurance Settlement will be in effect, and these may ultimately impact Fibreboard's liability for asbestos personal injury claims, the Company believes the amounts available under the Insurance Settlement will be adequate to fund the ongoing defense and indemnity costs associated with asbestos-related personal injury claims for the foreseeable future.

OTHER LIABILITIES

Various other lawsuits and claims arising in the normal course of business are pending against the Company, some of which allege substantial damages. Management believes that the outcome of these lawsuits and claims will not have a materially adverse effect on the Company's financial position or results of operations.

(Continued)

23. Subsequent Event (Unaudited)

Subsequent to December 31, 1997, the Company announced a strategic restructuring program to reduce overhead, enhance

manufacturing productivity and close manufacturing facilities. The Company estimates that the cost of this program and other costs will approximate \$250 million. Certain of these actions were initiated in December 1997 and are reflected in the results of operations for the year ended December 31, 1997 (Note 4). The remainder of the actions will be taken in the first quarter of 1998.

24. Quarterly Financial Information (Unaudited)

	Quarter (In millions of dollars, except share data)			
	First	Second	Third	Fourth
1997				
Net sales	\$ 875	\$ 1,017	\$ 1,238	\$ 1,243
Cost of sales	652	778	953	1,063
Gross margin	\$ 223	\$ 239	\$ 285	\$ 180
Income (loss) before cumulative effect of accounting change	42	63	59	(102)
Cumulative effect of accounting change (Note 6)	-	-	-	(15)
Net income (loss)	\$ 42	\$ 63	\$ 59	\$ (117)
Net income (loss) per share:				
Basic net income (loss) per share				
Income (loss) before cumulative effect of accounting change	\$.80	\$ 1.19	\$ 1.11	\$ (1.91)
Cumulative effect of accounting change	-	-	-	(.29)
Net income (loss) per share	\$.80	\$ 1.19	\$ 1.11	\$ (2.20)
Diluted net income (loss) per share				
Income (loss) before cumulative effect of accounting change	\$.76	\$ 1.11	\$ 1.05	\$ (1.91)
Cumulative effect of accounting change (Note 6)	-	-	-	(.29)
Net income (loss) per share	\$.76	\$ 1.11	\$ 1.05	\$ (2.20)

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. Quarterly Financial Information (Unaudited)

	First	Quarter Second	Third	Fourth
(In millions of dollars, except share data)				
1996				
Net sales	\$ 849	\$ 956	\$ 1,025	\$ 1,002
Cost of sales	632	702	754	752
Gross margin	\$ 217	\$ 254	\$ 271	\$ 250
Net income (loss)	\$ 39	\$ (473)	\$ 80	\$ 70
Net income (loss) per share:				
Basic net income (loss) per share	\$.77	\$ (9.25)	\$ 1.56	\$ 1.35
Diluted net income (loss) per share	\$.73	\$ (9.25)	\$ 1.45	\$ 1.26

Net income per share and basic and diluted weighted average shares are computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share may not equal the per share total for the year.

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OWENS CORNING AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

Column A	Column B	Column C	Column D	Column E
Classification	Balance at Beginning of Period	(1) Charged to Costs and Expenses (In millions of dollars)	Additions (2) Charged to Other Accounts	Deductions Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 1997:				
Allowance deducted from asset to which it applies -				
Doubtful Accounts	\$ 17	\$ 3	\$ 6 (A)	\$ 6 (B)
				\$ 20
FOR THE YEAR ENDED DECEMBER 31, 1996:				
Allowance deducted from asset to which it applies -				
Doubtful Accounts	\$ 19	\$ 3	\$ -	\$ 5 (B)
				\$ 17
FOR THE YEAR ENDED DECEMBER 31, 1995:				
Allowance deducted from asset to which it applies -				
Doubtful Accounts	\$ 16	\$ 5	\$ -	\$ 2 (B)
				\$ 19

Notes:

- (A) Allowances of subsidiaries acquired.
(B) Uncollectible accounts written off, net of recoveries.

EXHIBIT INDEX

Exhibit Number	Document Description
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession. Agreement and Plan of Merger, dated as of May 27, 1997, among Owens Corning, Sierra Corp. and Fibreboard Corporation (incorporated herein by reference to Exhibit 2(a) to the Company's current report on Form 8-K (File No. 1-3660), filed May 28, 1997).
(3)	Articles of Incorporation and By-Laws. (i) Certificate of Incorporation of Owens Corning, as amended (incorporated herein by reference to Exhibit (3) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended March 31, 1997). (ii) By-Laws of Owens Corning, as amended (incorporated herein by reference to Exhibit (3) to the Company's annual report on Form 10-K (File No. 1-3660) for 1995).
(4)	Instruments Defining the Rights of Security Holders, Including Indentures. Credit Agreement, dated as of June 26, 1997, among Owens Corning, other Borrowers and Guarantors, the Banks listed on Annex A thereto, and Credit Suisse First Boston, as Agent (incorporated herein by reference to Exhibit (4) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1997), as amended by Amendment No. 1 thereto (filed herewith). The Company agrees to furnish to the Securities and Exchange Commission, upon request, copies of all instruments defining the rights of holders of long-term debt of the Company where the total amount of securities authorized under each issue does not exceed ten percent of the Company's total assets.
(10)	Material Contracts. Credit Agreement, dated as of June 26, 1997, among Owens Corning, other Borrowers and Guarantors, the Banks listed on Annex A thereto, and Credit Suisse First Boston, as Agent (incorporated herein by reference to Exhibit (4) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1997), as amended by Amendment No. 1 thereto (filed herewith).

Rights Agreement, dated as of December 12, 1996
(incorporated herein by reference to Exhibit 1 to
the Company's Registration Statement on Form 8-A
(File No. 1-3660), dated December 19, 1996).