Owens-Corning Fiberglas Corporation

1992 Annual Report

OWENS
CORNING

Owens-Corning is a global technology-based enterprise that develops, manufactures and markets materials for consumers and business and industrial customers. The Company is the world's leading supplier of glass fiber materials and a major producer of polyester resins.

Owens-Corning strives for excellence through its commitment to three guiding principles: customer satisfaction, individual dignity, and shareholder value.

Cassandra Wilson
Glen Hines
William Cheong
Kimberly Maker
Mark Smith

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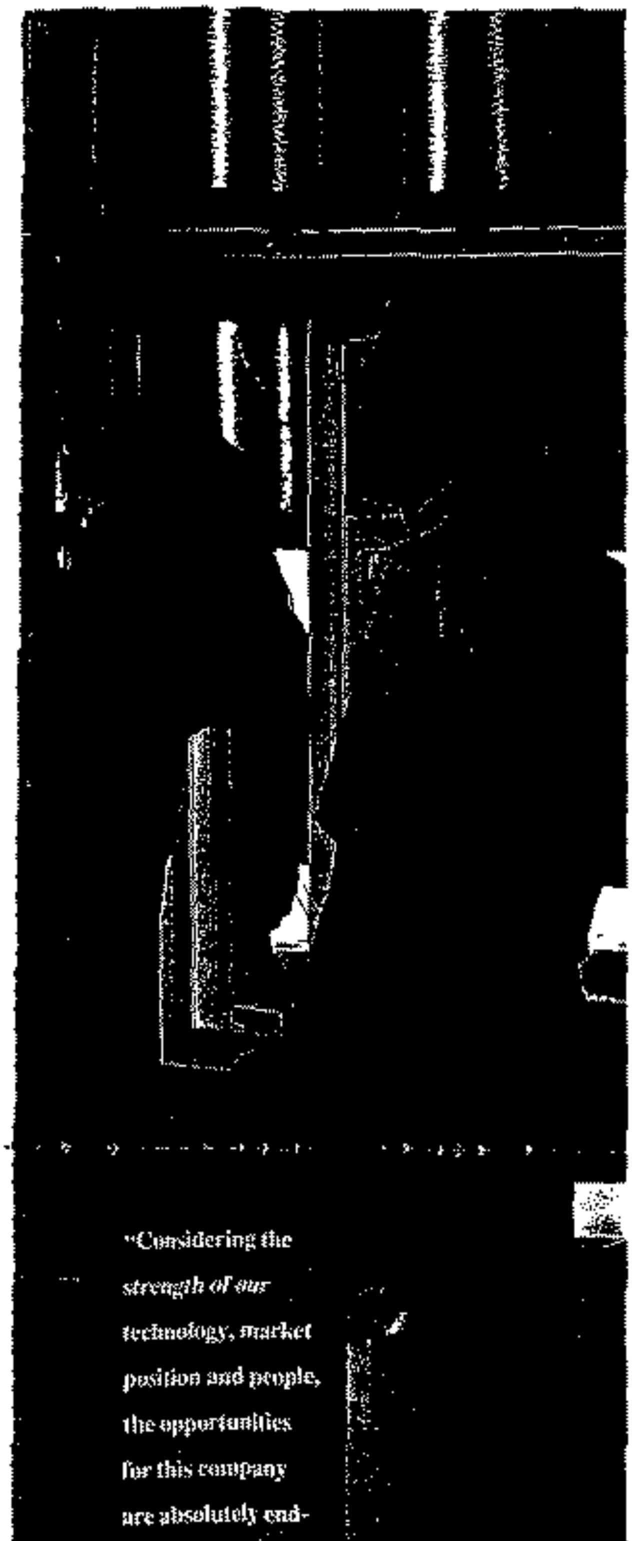
To our shareholders



"Considering the *strength of our* technology, market position and people, the opportunities for this company are absolutely endless."

Glen H. Hiner
Chairman and Chief Executive Officer

A *year ago, when Owens-Corning embarked on a new era of* global growth, I listed three principles that would guide our action plan: shareholder value, individual dignity, and customer satisfaction. In 1992, I am pleased to report, we made considerable progress on all three fronts. Let me share with you some of the highlights:

A Refocused Company

In 1992, our primary objective was to enhance shareholder value by improving earnings in every quarter as compared to the year-ago period. We accomplished that objective. But more importantly, perhaps, we also initiated a number of steps to refocus the Company to enhance shareholder value over the long-term. These steps included:

■ Introducing a new corporate logo that emphasizes our commitment to global growth and unifies our businesses around the world.

■ Reorganizing the Construction Products Group (CPG) to strengthen its focus on customers and markets, enhance its competitive position, and further improve its speed and productivity.

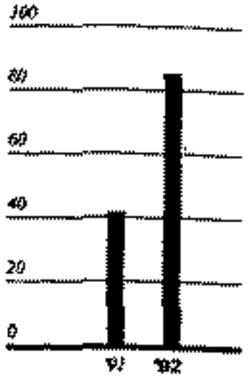
■ Centralizing and consolidating our accounting and information systems, which will speed the Company's responsiveness to customers while reducing costs.

■ Investing $12 million to modernize and expand a specialty insulation line at our plant in Waxahachie, Texas. That line will produce a higher quality product at lower cost and enable us to manufacture an additional 30 million pounds of building insulation, positioning the Company to meet growing demand in the rebounding housing market.

■ Announcing plans to activate our industrial materials plant in Jackson, Tennessee. The plant, mothballed in 1987, will reopen in the spring of 1994, employing about 80 people in a state-of-the-art facility with advanced environmental systems to minimize waste and other air and water emissions. The plant will manufacture the same amount of product as in 1986, when it had 500 employees.

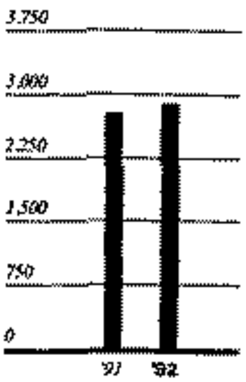
■ And reducing our outside legal expenses for asbestos litigation from $175 million in 1991 to the current rate of $55 million per year. We plan continued improvement in this area.

Net Income*
(In millions of dollars)

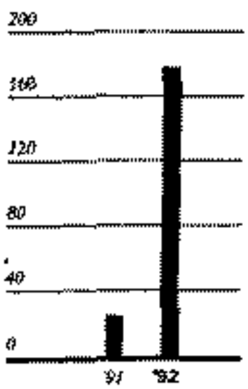


*Before special charges

Net Sales
(In millions of dollars)



Productivity Improvements
(In millions of dollars)



Thanks to these and other cost control and productivity measures, we saw a significant improvement in earnings in 1992 despite continued weak economic conditions. For the year, Owens-Corning earned $84 million, or $1.95 per share, before one-time reorganization costs of $.25 per share in the fourth quarter, compared to income of $41 million, or $1.01 per share, before special charges in 1991. The Company's reported net income for 1992 was $73 million, or $1.70 per share, compared to a reported net loss of $742 million, or $18.13 per share, after special charges in 1991. Net sales in 1992 were $2.9 billion, an increase of $95 million, or 3.4 percent, from 1991.

Many of our U.S. construction products and industrial materials businesses have been strengthening – notably building insulation, residential roofing, and industrial yarns. Economic conditions remain sluggish in many of our other global markets, including Canada, Europe and Brazil. But we are optimistic that we will achieve double-digit earnings gains in 1993. For a detailed discussion of our operating performance in 1992, I encourage you to read "Management's Discussion and Analysis," which begins on page 14 of this report.

Meeting Our Customers' Needs

From Toledo, Ohio to Battice, Belgium, our entire organization has strengthened its commitment to meeting the needs of our customers. This is exemplified by the "style teams" at our Aiken, South Carolina, and Huntingdon, Pennsylvania, industrial materials plants, where we have formed ongoing partnerships with our customers to address issues of mutual concern, such as product quality and manufacturing efficiency. These efforts continue to win praise – and awards – from our customers. In 1992, more than 12 companies, including Milliken, Frigidaire and Avis, cited Owens-Corning as an outstanding supplier.

Time is going to be the battlefield of the 1990s, and increasing the speed of our production, sales, service, distribution and product development functions is another way in which we are achieving customer satisfaction.

All these steps will add value to our customers by increasing their revenues or reducing their costs. Our vision is to be so valuable to our customers that they cannot afford to do business without us.

Becoming A Preferred Employer

We have made great strides toward becoming the preferred place of employment for the best individuals, regardless of their sex, race, creed, religion or national origin. Owens-Corning now has its first female plant manager – Sheree L. Bargabos of the Oklahoma City roofing plant, and its first female Director of Marketing Communications for CPG – Karen L. Strauss. And with the appointment of Paula H. J. Cholmondeley as Vice President, Business Development and Global Sourcing, we have our first woman and first person of color as an officer of the corporation.

$5 Billion In Annual Sales By The Year 2000

Clearly, 1992 was a year of considerable achievement for Owens-Corning. But we are not resting on our laurels. In 1993, our objective, once again, is to improve earnings in every quarter as compared to the year-ago period. Beyond that, we have an even more ambitious goal – to reach $5 billion in annual sales by the year 2000. To achieve that goal, we will concentrate on three key strategies: productivity enhancement, technological innovation, and global growth.

To enhance productivity, we are implementing aggressive programs, instituting company-wide measurements and setting future productivity objectives at 5 to 6 percent annual improvement. In 1992, our 6 percent productivity improvement yielded $180 million in savings.

To ensure that technological innovation continues to fuel our growth and energize the organization, in 1992 we stepped up our recruiting efforts on college campuses, increased research and development spending, and placed more emphasis on creating new products and processes over the long-term. You will find a description of some of our most exciting innovations, as well as a number of promising prospects, on page 6.

Financial Highlights

(In millions of dollars, except per share data and where noted)	1992	1991	1990
Net Sales	**$ 2,878**	$ 2,783	$ 3,069
Income (loss) from operations	**213**	(628)	293
Provision (credit) for income taxes	**33**	(238)	58
Net Income (Loss)	**73**	(742)	73
As a percent of net sales	**3%**	N/M	2%
Per Share Information			
Income (loss) before extraordinary items and cumulative effect of accounting change	**$ 1.68**	$ (12.58)	$ 1.78
Extraordinary items	**.02**	—	(.05)
Cumulative effect of accounting change for other postretirement benefits	**—**	(5.55)	—
Net Income (Loss) per Share	**$ 1.70**	$ (18.13)	$ 1.73
Capital spending	**$ 130**	$ 96	$ 121
Total assets	**$ 2,126**	$ 2,106	$ 1,807
Total debt	**$ 1,099**	$ 1,172	$ 1,300
Average number of employees *(in Thousands)*	**17**	17	18
Shares outstanding (as of December 31) (in Thousands)	**43,013**	40,924	42,019

N/M = Not meaningful

To achieve global growth, we will maintain our share of existing markets and enter new markets. We see great potential for long-term growth in Europe – particularly in Germany and Slovakia. We are also exploring a number of opportunities in China, which is an integral part of our Asia/Pacific strategy.

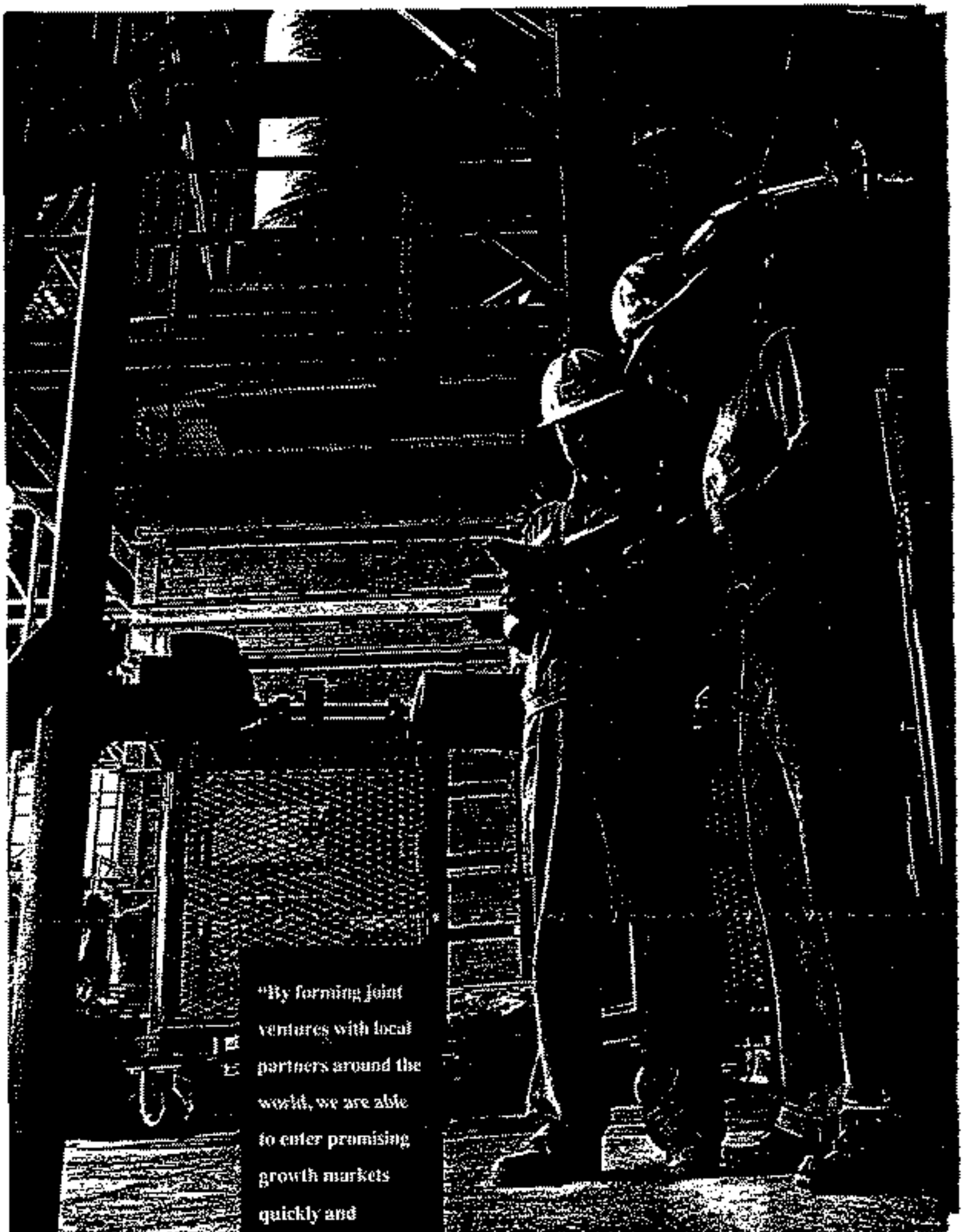
As you can see, Owens-Corning has an active agenda for growth: growth in new products and markets through advanced technology, growth in revenues – and growth in earnings. We will execute this agenda in an environment that creates customer satisfaction, individual dignity, and shareholder value.

Glen H. Hiner
Chairman and Chief Executive Officer
March, 1993

Expanding our global presence

A new plant in Kimchon, Korea is providing Owens-Corning with local production in one of the fastest growing markets in Asia.

Owens-Corning's global growth strategy is being mapped out by a planning team headed by Paula H.J. Cholmondeley, Vice President, Business Development and Global Sourcing (page 5).



"By forming joint ventures with local partners around the world, we are able to enter promising growth markets quickly and efficiently."

J. Dennis Menton
Vice President, International

Y. O. Jeon
Wayne Haugen

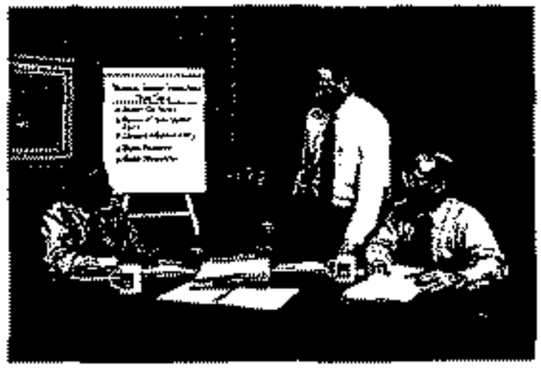
Our mission is to be the global leader in all markets in which we compete. To achieve that mission – and to attain our goal of reaching $5 billion in annual sales by the year 2000 – we are aggressively exploring promising growth opportunities around the world. These include:

■ Asia and the Far East. We see tremendous growth potential along the Pacific Rim and in China, where we are forming joint ventures to increase our presence.

Korea is another fast-growing market. We have partnered with Lucky Ltd., of the Lucky-Goldstar Group, on the design, engineering, construction and operation of a new plant in Kimchon. The Company is also active in Japan, where it has had a joint venture since the mid-1950s. Other markets include Taiwan, Singapore, Saudi Arabia, Thailand, and Australia.

■ Europe. A unified Germany and the opening of Eastern European countries offer new market opportunities for our existing facilities in Spain, Belgium, Norway, Sweden, France, the Netherlands, and the United Kingdom.

To support infrastructure projects in Germany, we have formed a joint venture company with Eternit-AG to manufacture large diameter glass-reinforced plastic pipe. We are considering other joint ventures in the region, as well as potential acquisitions.



John Vinedge
Paula Cholmondeley

Michael Thaman
Edward Zinn

■ Africa. In 1992, we established a joint venture company in Botswana to manufacture large diameter glass-reinforced plastic pipe.

■ North/South America. We are in the process of integrating all of our North American operations and, with support from our facilities in Brazil and our joint venture in Mexico, expanding our markets in South America.

Applications and needs may vary, but a consumer in the U.S., Europe, Asia or anywhere else in the world can be confident in the quality and consistency of Owens-Corning's products, no matter where they are manufactured.

Since its founding, Owens-Corning has been a technology-driven company intent on developing new manufacturing processes, new products, and new product applications. The Company's principal Science and Technology Center is on a 500-acre campus in Granville, Ohio. We also maintain a major research center in Battice, Belgium, and operate 13 other support laboratories near our manufacturing facilities and customers worldwide.

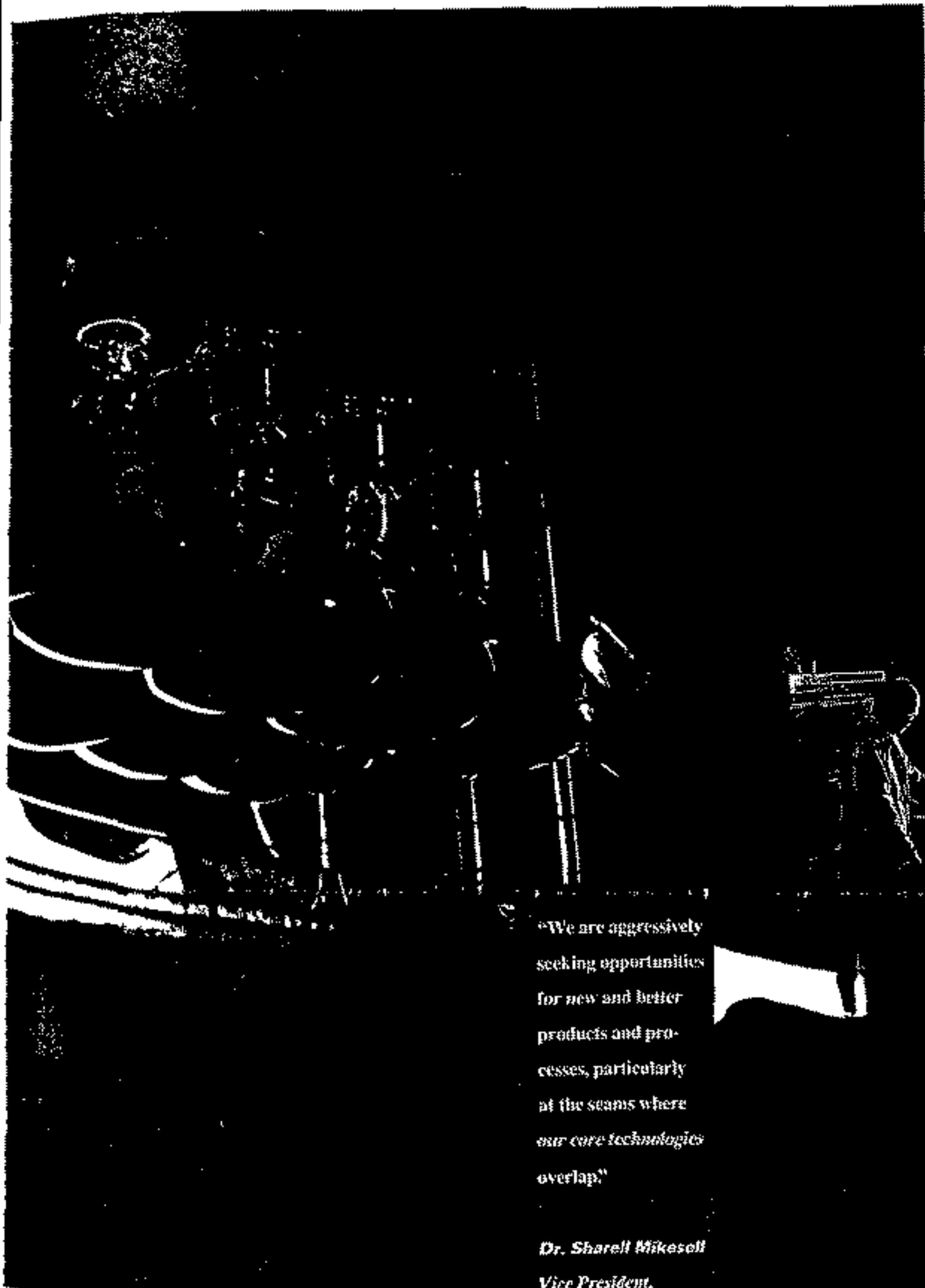
In 1992, we stepped up our recruiting efforts on college campuses, increased research and development spending, and placed more emphasis on creating new products and processes over the long-term.

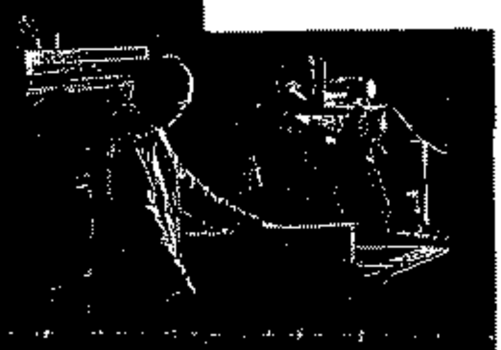
Our recent innovations include:

- Fibron® – A composite used to create lineals for windows and patio doors. The composite consists of polyester resin reinforced with Fiberglas® continuous strand mat and finished with a durable, baked-on, two-part polyurethane coating. The inner core contains rigid *Fiberglas* thermal insulation.
- Hollex® hollow fiber – The first fundamentally new glass fiber developed in many years, offering mechanical properties equal to E-glass at 25 percent lower weight. The material is targeted initially for weight-sensitive aerospace applications.
- S-2 Glass® fiber composite – A structural/ballistic material for military vehicles, providing performance equal to current aramid-fiber commercial armor at one-third less thickness.
- Aura® insulation – Using a proprietary vacuum seal process, this revolutionary high R-value insulation concept will be used in refrigerators, freezers, and other appliances.
- P-4 – The Programmable Powdered Preform Process (P-4) is a robotized preforming system intended to meet growing demand by industrial producers for a preformed product with greater structural stability. The P-4 process allows better design freedom by providing good control of the positioning and orientation of glass fibers.

Julie Zoog
Arthur Blinkhorn
Kelly Hill

Accelerating technological innovation





Our research efforts are focused on developing innovative new products such as windows using our patented Fibron technology (page 6) and more efficient manufacturing processes, such as our P-4 technology (below).

◀ *We are always exploring methods to increase the efficiency of our glass melting furnaces.*

Michael Jander

"We are aggressively seeking opportunities for new and better products and processes, particularly at the seams where *our core technologies* overlap."

Dr. Sharell Mikesell
Vice President, Science and Technology

Max Christian

Focusing on corporate stewardship

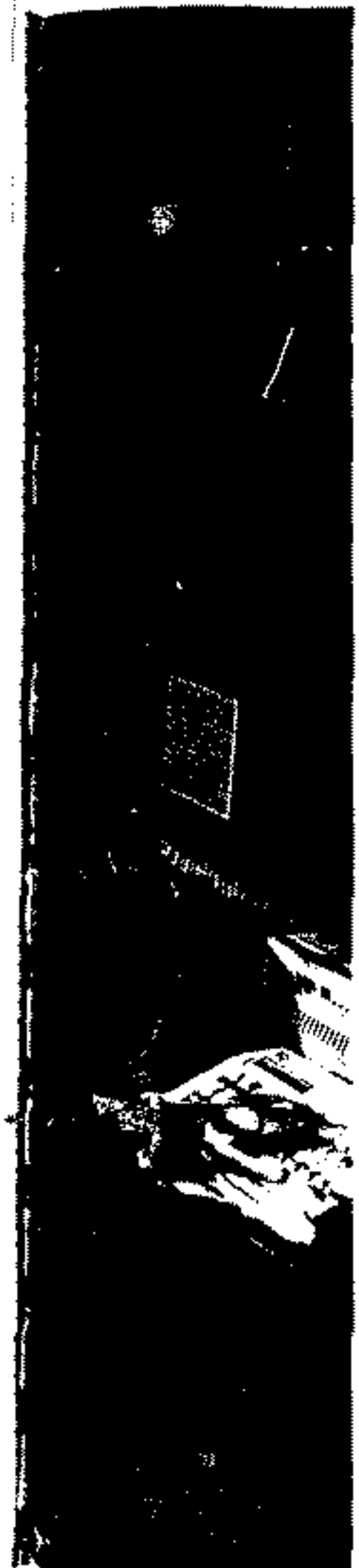
Since 1988, employees at Owens-Corning's plant in Kansas City, Kansas, have participated in a Partners In Education program at the Fairfax Elementary School. Willie Peete, Human Resources Manager at the Kansas City plant, works with students to improve their learning skills.

We continually study all of our products to ensure they meet the health and safety expectations of all who manufacture and use them (page 9).

Willie Peete
Candice Johnson
Tameisha Pauley
Jerry Cunningham
[illegible]

"We feel it's very important to give something back to the communities that have supported Owens-Corning over the years."

Robert C. Harlan
Manager, Environmental Stewardship



Owens-Corning is dedicated to corporate stewardship – a commitment to improving the quality of life through our products, our manufacturing processes, and our people. To us, corporate stewardship means ensuring that our products are safe and used safely; setting the standard in environmental responsibility; and promoting community involvement at our locations around the world.

Community Involvement

The people of Owens-Corning have contributed millions of dollars to local charities and spent countless hours serving as volunteers in their communities around the world.

Education is another top priority for Owens-Corning. The Company contributes to educational programs at the elementary, secondary and college levels in many of the communities where it does business.

Environmental Responsibility

Owens-Corning's history is built upon environmental conservation, from its first energy-efficient home in 1952 to its nationally recognized Environmental Laboratory of today. Increasing the amount of insulation in a home or building decreases the amount of energy used in heating or cooling and minimizes the release of pollutants into the atmosphere.

In addition to its ongoing efforts to promote conservation, the Company is committed to reducing manufacturing waste. When it is activated in 1994, our plant in Jackson, Tennessee, will serve as a model for the industry; its advanced environmental systems will minimize waste and other air and water emissions, eliminating the need for our own landfill.

Product Safety

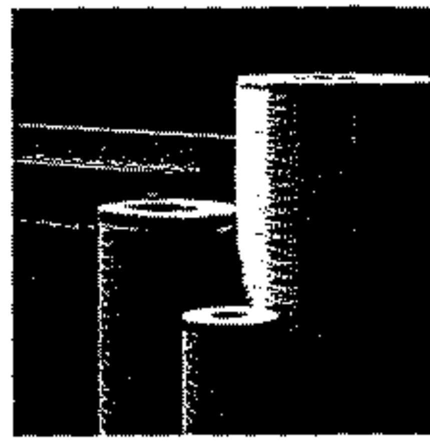
Four recent studies conducted by leading medical schools and research centers have confirmed once again that fiber glass is safe. The weight of the evidence cannot be ignored; more than 60 exhaustive studies in both animals and humans over five decades have consistently found that there is no association between breathing glass fibers and the development of lung cancer.

Needless to say, our products must meet the health and safety expectations of all who manufacture and use them. Accordingly, we are continually reviewing the safety and health effects of all our products, conducting our own tests and sponsoring independent research by some of the world's leading scientists. We share our findings with regulators, scientists, customers, employees, end-users, and the public.

Ken Cook
Larry Johnson
John Meisels
Gregory Menke

Leveraging our brand

Construction Products Group



The Construction Products Group (CPG), which operates primarily in North America and Europe, sells a variety of construction products in three major categories: insulation, roofing materials, and windows/patio doors.

CPG offers superior product quality, complemented by unmatched customer service. CPG supports product sales with consumer promotions and national advertising featuring the Pink Panther. As a result, consumer preference for the Owens-Corning brand is extremely high.

Commitment to our customers adds value by increasing their revenues or reducing their costs. Our vision is to be so valuable to our customers that they cannot afford to do business without us.

Products

Owens-Corning's Pink building insulation is sold in two major forms — retail rolls for use by consumers and batts for use by contractors. Owens-Corning's SpaceSaver® packaging is easy to carry and contains installation tips highlighting the Department of Energy's R-value recommendations.

Mechanical insulation products include SSL II* pipe insulation with a unique double seal; tank and equipment insulation; and duct insulation systems. Owens-Corning also produces insulation for metal buildings and specialty insulations for autos and appliances.

Markets

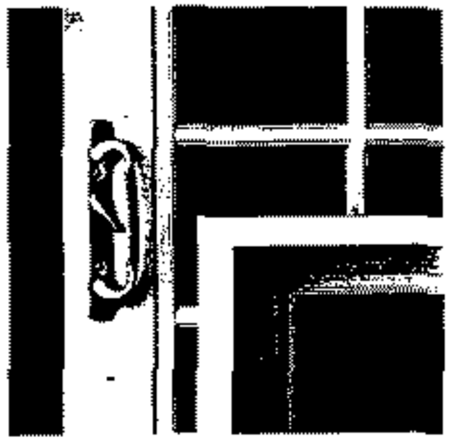
Insulation products are sold to contractors, distributors and, through retail stores, to consumers. Used in single- and multi-family construction, as well as commercial buildings, insulation products provide energy savings, improved comfort and acoustical advantages.

Mechanical insulation products are sold primarily through distributors and insulation contractors for use in commercial and industrial buildings to insulate air handling and pipe systems. Specialty products are sold to distributors, fabricators, and directly to manufacturers for the automotive and appliance industries.

Outlook

Housing starts in the U.S. and Canada are improving moderately. New government regulations and building codes will increase the "take-per-unit" of insulation, allowing for steady growth in the U.S. and Canada. There are also promising opportunities for growth in Europe and the Far East.

Despite the continued weakness in new commercial construction, commercial renovation offers a stable opportunity for mechanical insulation products. Specialty product sales will improve as general economic conditions continue to rebound.



The Owens-Corning line of residential roofing products consists of the standard Classic® three-tab shingle, Oakridge® architectural shingles and the new Shadow series, a more aesthetically pleasing shingle. All shingles feature a heart of Fiberglas® mat for superior weatherability.

The commercial roofing line encompasses Owens-Corning roof insulation, PermaPly® roofing mat and PermaMop® modified asphalt. The Company is also the world leader in industrial roofing asphalt.

Owens-Corning recently started manufacturing windows and patio doors for use in residential and light commercial applications. These products feature lineals made with the Company's patented Fibron® technology.

Shingles are sold through distributors and retailers to residential roofing and remodeling contractors. The introduction of a high-style product series offers consumers and contractors a broader selection and a distinctive look that enhances architectural design.

Commercial roofing is sold to contractors either directly or through distributors. Asphalt products are also sold to industries for use in a variety of other products such as water-proofing systems.

Windows and patio doors are sold through distributors for the new construction market and directly to dealers and installers for the replacement market.

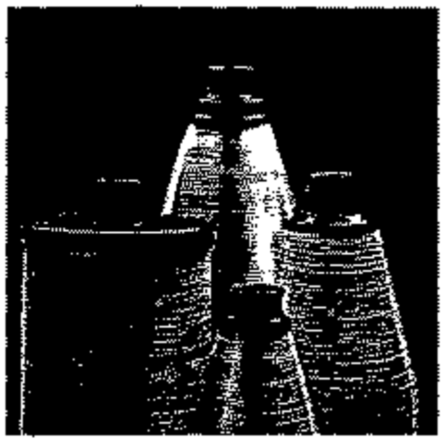
Reroofing represents 75 percent of residential shingle demand. New construction accounts for the remaining 25 percent. The fact that homes need new roofs on average every 17 years guarantees growth in reroofing demand well into the next decade.

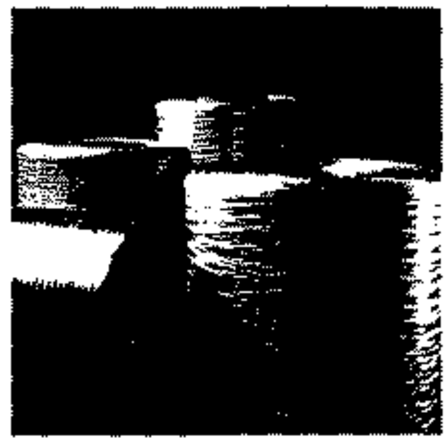
Reroofing demand, which accounts for 75 percent of sales, will continue to grow due to the large stock of commercial buildings needing replacement roofs in the coming years.

With $5 billion in annual sales in the U.S. alone, the global residential window market offers great promise for Owens-Corning.

Setting the standard

Industrial Materials Group





The Industrial Materials Group (IMG) comprises several major product categories: fiber glass reinforcements, fiber glass textile yarns, polyester resins, wet-process chopped strands, wet-process mats, and underground tanks. In addition to its substantial operations in North America, the group serves expanding markets through subsidiaries in Europe and Brazil, and affiliates and licensees around the world.

IMG takes a systematic, global approach to defining a customer's needs and determining how to deliver a quality product to meet those needs. It uses Owens-Corning's global technology and research capabilities to improve existing products and create revolutionary new products.

Products

Textile yarns are fine fiber glass strands, most of which are woven into fabrics principally used to reinforce electronic circuit boards. Yarns are also used in non-woven applications such as reinforced craft paper, packaging tape and other packaging materials.

Continuous roving consists of bundled, untwisted strands of fiber glass, which are typically chopped by the customer and used in spray-up or molded reinforcement applications.

Markets

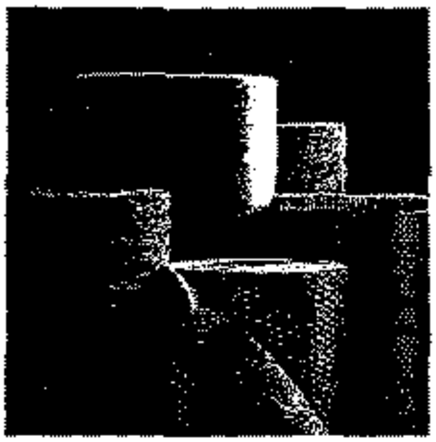
Textile yarns are sold to weavers, converters or fabricators, whose products are later used in the electronic, packaging, aerospace and automotive industries. Specialty yarns are also sold as reinforcing agents for fiber-optic and auto ignition cables.

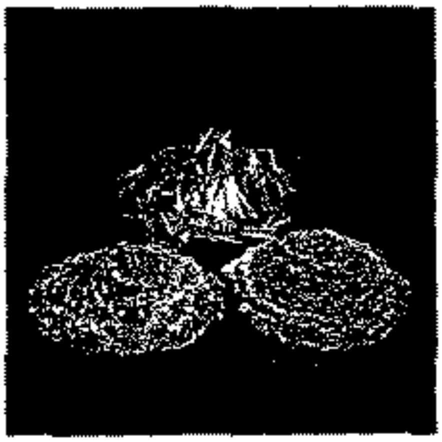
Continuous rovings are sold directly or through distributors to molders and fabricators in the transportation, industrial, construction, corrosion and marine markets.

Outlook

There will be continued growth for yarns in high-performance applications such as printed circuit boards and aerospace fabrics.

We have seen continued growth in the use of our roving products in our principal markets. In particular, we are seeing an increase in demand from suppliers to the transportation industry.





Mats are made either from chopped strands, continuous strands laid down in a swirl pattern, or by a wet-laid process. Fabrics are usually woven from continuous roving.

Chopped strands of fiber glass are blended with resins to make compounds for compression or injection molding. Wet-process chopped strands have a high moisture chemistry that makes them well suited to produce slurries used in mats.

Owens-Corning is a major producer of advanced polyester resins used in the manufacture of reinforced composite products.

Most kinds of woven rovings and mats are sold directly or through distributors to automotive and marine manufacturers or other industrial molders or fabricators. Continuous strand mats are used in the production of pultruded fiber glass reinforced plastic (FRP).

Chopped strands are sold to polymer producers who mix them with resins to produce reinforced compounds used by molders to make such products as small appliance housings and auto parts. Wet-process chopped strands are processed into mats and veils used in roofing, flooring and other specialty applications.

Resins are sold directly or through distributors to molders and fabricators and are used in applications in the transportation, appliance and equipment, corrosion and construction, and consumer markets.

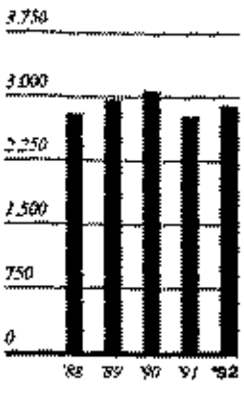
As the automotive and marine markets gradually gain momentum, demand for mats and fabrics is beginning to increase. Demand for reinforced plastic continues to be very strong.

Demand for wet-process chopped strands is highly dependent on the roofing market, which has been showing gradual improvement recently.

Most resins are used in the transportation, consumer, construction and corrosion markets. Automakers are expected to increase use of Owens-Corning's high-performance Atryl* resin.

Management's Discussion and Analysis

Net Sales
(In millions of dollars)



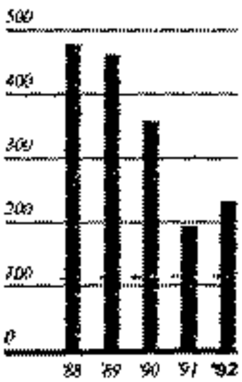
Results of Operations

Owens-Corning is beginning to benefit from a combination of a modest economic upturn in the United States and our ongoing emphasis on improving productivity. Sales are strengthening in many of our U.S. construction products and industrial materials businesses — notably building insulation, residential roofing, and industrial yarns — and we expect these trends to continue in 1993. Economic conditions in many of our other global markets — including Canada, Europe, and Brazil — continue to be sluggish. In Europe, slightly improved sales in Great Britain, France, and Italy have been offset by weakness in Germany.

To accommodate growing demand for industrial fiber glass materials efficiently and at the lowest cost, Owens-Corning will reactivate its plant in Jackson, Tennessee. The plant, which was mothballed in 1987, will reopen in the spring of 1994, employing 80 individuals in a state-of-the-art facility with advanced environmental systems to minimize waste and other air and water emissions. The plant will manufacture the same amount of product as in 1986, when it had about 500 employees.

The Company also is investing $12 million to modernize a specialty insulation line at its plant in Waxahachie, Texas (near Fort Worth). That line will produce a higher quality product at lower cost. It will also enable Owens-Corning to make an additional 30 million pounds of residential building insulation annually, positioning the Company to meet growing demand in the rebounding housing market.

Income From Operations*
(In millions of dollars)



**Before special charges*

Owens-Corning made considerable headway in 1992 in developing new technologies, processes and products. The Company added $6 million to its research and development budget for long-term projects and shifted its R&D focus to place more emphasis on developing new products and product applications. Several promising new products were introduced, including a revolutionary new superinsulation concept; patio doors featuring our patented Fibron® technology; and Hollex® hollow reinforcement fibers, which are being targeted initially for use in commercial aircraft flooring.

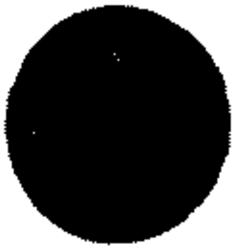
During the fourth quarter of 1992, Owens-Corning charged to earnings $16 million, or $.25 per share, in costs related to the reorganization of the Construction Products Group and centralization of the Company's accounting and information systems. The reorganization is designed to strengthen the Construction Products Group's focus on customers, enhance its competitive position, and further improve its efficiency. The systems centralization will speed the Company's responsiveness to customers while reducing costs.

Thanks to these and other initiatives to enhance productivity, the Company's earnings in 1992 improved each quarter over 1991, despite poor economic conditions. Owens-Corning reported net income for the year of $73 million, or $1.70 per share, compared to a reported net loss of $742 million, or $18.13 per share, and net income of $73 million, or $1.73 per share, in 1991 and 1990, respectively. Owens-Corning earned $84 million, or $1.95 per share, in 1992 before the special reorganization charge, compared to prior year income of $41 million, or $1.01 per share, before special charges. Please see Notes 14 and 18 to the Consolidated Financial Statements.

Net sales were $2.9 billion in 1992, an increase of $95 million, or 3 percent, from 1991. Sales in 1990 were $3.1 billion.

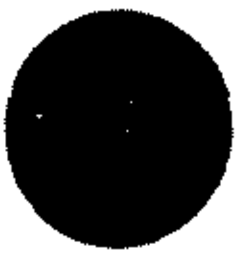
Segment Data*
(In millions of dollars)

Net Sales **$2,878**



Construction Products	$1,899
Industrial Materials	$979

Income from Operations **$247**



Construction Products	$109
Industrial Materials	$138

Assets **$1,477**

Construction Products	$766
Industrial Materials	$711

*Segment data excludes intercompany transactions

Aided by the revival of housing activity in the U.S. and government new building and energy codes, the Company's insulation business is showing very positive signs. Sales in most insulation product markets increased in 1992 as compared to 1991. While insulation prices increased late in the year, they remain lower than 1991 levels. Residential roofing sales increased strongly in 1992, due primarily to the increase in housing starts, strong reroofing activity, and demand created by storm damage in Texas, Louisiana, and Florida.

In the Industrial Materials Group, volumes and earnings increased significantly in North America in 1992, though pricing was lower than 1991 levels. In Europe, where economic conditions remain depressed, demand remains essentially flat and margins have been impacted by price erosion. However, there are some signs that volumes are trending upward. The lower prices in Europe are the result of the weaker U.S. dollar and excess industry capacity. The Company is taking steps to substantially improve productivity there.

The Company's gross margin percentage of net sales was 21% for 1992, compared to 21% in 1991, and 25% in 1990. The decline from 1990 reflects a relatively higher proportion of residential roofing products sales, which have lower margins than our other products, and continued global pressure on prices.

Marketing and administrative costs for 1992 increased by $22 million, or 8%, compared to 1991, primarily because of spending increases in advertising and promotion, pension costs, and legal support. Science and technology expenses increased $11 million, primarily as a result of increased new product development efforts. The $30 million decrease in "Other" expenses in 1992 compared to 1991 reflects reduced charges for stock appreciation rights, and product liability expenses related to the Company's non-asbestos products, partially offset by expenses for the reorganization, described above, of the Company's Construction Products Group, accounting, and information systems.

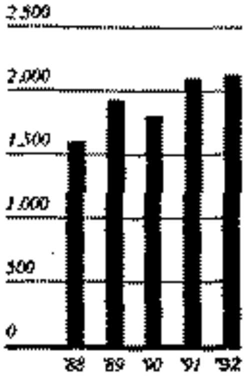
Cost of borrowed funds declined by $21 million in 1992. The decrease is due to a $73 million reduction in debt since December 31, 1991, and lower interest rates on the Company's debt, resulting primarily from $300 million in refinancing during the year. The reduction in debt was funded by the Company's cash flow from operations. Please see Note 2 to the Consolidated Financial Statements.

General corporate expenses, reported on a segment basis, decreased by $817 million in 1992 compared to the previous year, reflecting the 1991 charge of $824 million for asbestos personal injury claims. General corporate identifiable assets in 1992 and 1991 were higher than 1990, reflecting the deferred tax asset resulting from the tax effect of the 1991 accruals for unasserted asbestos claims and other postretirement benefits. Please see Notes 14 and 18 to the Consolidated Financial Statements.

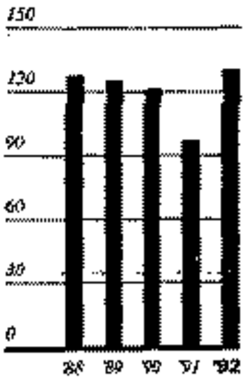
Liquidity, Capital Resources and Other Related Matters

Cash flow from operations was $192 million for 1992, compared to $253 million for 1991 and $361 million for 1990. The decrease in cash flow in 1992 compared to 1991 primarily resulted from changes in working capital items because of changing business conditions. While 1991 cash flow from operations benefited from a large reduction in receivables and lower inventories as business slowed due to weak economic conditions in the Company's major markets, receivables held steady and inventories grew at year-end 1992 as business began to strengthen in the U.S. The decrease in cash flow in 1991 compared to 1990 was primarily due to the effect of lower

Total Assets
(In millions of dollars)



Capital Spending
(In millions of dollars)



sales and lower net income. Receivables were $310 million at December 31, 1992, compared to $308 million at the end of 1991 and $375 million at the end of 1990. Net inventories were $233 million at year-end 1992 compared to $219 million and $237 million at year-end 1991 and 1990, respectively. The 1992 level reflects higher production to meet increased demand in the second half of the year, which has continued into 1993. Inventories at December 31, 1992, as a percentage of the fourth quarter's annualized sales were 8%, unchanged from the end of 1991 and 1990.

The Company's total borrowings at December 31, 1992, were $1.1 billion, compared to $1.2 billion at December 31, 1991, and $1.3 billion at December 31, 1990. At year-end 1992, the Company had unused lines of credit of $290 million under its long-term bank loan facilities and an additional $134 million under short-term facilities. In 1992, the Company issued $300 million in 10 and 20 year debentures at an average interest rate of 9 1/8%. The proceeds were used to redeem $240 million in higher cost debentures, which will result in annual interest expense savings of approximately $6 million. Please see Note 2 to the Consolidated Financial Statements.

At year-end 1992, the Company's working capital decreased to $123 million and its current ratio decreased to 1.2, compared to working capital of $171 million and a current ratio of 1.4 at year-end 1991, and $58 million and 1.1, respectively, at year-end 1990. The decreases in 1992 are primarily due to increases in the Company's outstanding short-term debt and the current portion of the asbestos litigation claims reserve.

Capital spending for property, plant and equipment was $130 million in 1992, compared to $96 million in 1991 and $121 million in 1990. At the end of 1992, approved capital projects, excluding furnace rebuilds, were $77 million. The Company is planning capital spending of approximately $140 million in 1993, excluding furnace rebuilds. Funding for these expenditures will be from the Company's operations and external sources as required.

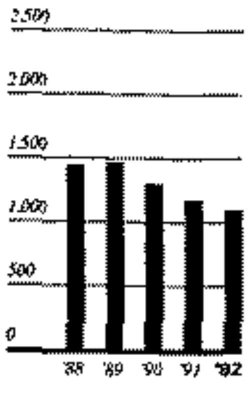
In 1992, Owens-Corning received 26,600 new asbestos liability cases and resolved 27,300 cases at an average cost of about $10,000 per case. Plaintiffs' attorneys appear to have increased the case filing rate in 1992 in anticipation of new trends in settlement arrangements that would impose stricter medical criteria on payments for asbestos-related impairments. Owens-Corning continues to have a substantial amount of unexhausted insurance — $675 million of product liability coverage at year-end 1992 — but the higher settlement rate will accelerate cash outlays for litigation beginning in 1993. The Company has an established asbestos reserve ($950 million at year-end 1992) to cover the estimated uninsured asbestos liability costs for cases received through the end of the decade.

After initiating a program to control asbestos defense costs, our outside asbestos defense expenses have declined significantly to the current rate of $55 million per year. We expect continued improvement in this area.

Please see Note 18 to the Consolidated Financial Statements.

The Company expects funds generated from operations, together with funds available under long and short term bank loan 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.

Total Debt
(In millions of dollars)



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). During 1992, the Company was designated as a PRP for eight additional sites, increasing the total to 39, some of which designations the Company believes to be erroneous. The Company has established reserves for its Superfund contingent liabilities which are reflected in the financial statements. The Company believes these reserves are adequate to cover these liabilities and are not material to the financial position or results of operations of the Company. In addition, 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 Superfund contingent liabilities, including any related litigation costs, will not have a materially adverse effect on the Company's financial position or results of operations.

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 promulgated, the Company cannot determine how and when the Act will affect it. The Company anticipates that its sources to be regulated will include glass fiber manufacturing, resin manufacturing, and asphalt processing activities. The Company currently expects glass fiber manufacturing to be regulated by 1997. 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 material adverse effect on the Company's results of operations, financial condition, or long-term liquidity.

Future Required Accounting Change

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 109, "Accounting for Income Taxes." The Company is required to adopt the new standard no later than 1993. The current estimate of the cumulative effect of the accounting change will be an increase in reported net income of approximately $25 million. Please see Note 6 to the Consolidated Financial Statements.

The Company has estimated that the foreign portion of Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," will be a charge of less than $30 million. Adoption of the foreign portion is required for 1995 financial reporting.

In November 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires employers to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. The obligation should be recognized if it is attributable to employees' service already rendered, the rights to these benefits accumulate or vest, payment of the benefits is probable and the amount can be reasonably estimated. Statement No. 112 is effective for the Company beginning in 1994. The impact of Statement No. 112 on the Company in the year of adoption has not been estimated at this time.

Seven-Year Summary of Operations

(In millions of dollars, except share data and where noted)

	1992	1991	1990	1989[1]	1988	1987	1986
Net Sales	**$ 2,678**	$ 2,783	$ 3,069	$ 2,964	$ 2,798	$ 2,857	$ 3,609
Cost of Sales	**2,261**	2,186	2,304	2,161	1,999	2,129	2,756
Marketing, Administrative and Other Expenses	**339**	1,171	414	323	278	258	619
Science and Technology Expenses	**65**	54	58	48	44	43	90
Income (Loss) from Operations (a,c,d,i)	**213**	(628)	293	432	477	427	144
Cost of Borrowed Funds	**110**	131	165	166	170	221	94
Income (Loss) before Provision for Income Taxes (a,c,d,f,i)	**103**	(759)	128	266	301	343	36
Provision (Credit) for Income Taxes	**33**	(238)	58	103	127	136	30
Net Income (Loss) (a,b,c,d,e,f,g,i)	**73**	(742)	73	172	189	200	16
Net Income (Loss) per Share (a,b,c,d,e,f,g,i)	**1.70**	(18.13)	1.73	4.08	4.51	4.81	0.49
Weighted Average Number of Shares Outstanding (in Thousands)	**43,013**	40,924	42,019	42,170	41,856	41,583	31,776
Net Cash Flow from Operations	**192**	253	361	395	360	290	416
Capital Spending	**130**	96	121	125	127	97	145
Total Assets	**2,126**	2,106	1,807	1,924	1,596	1,590	2,187
Total Debt	**1,099**	1,172	1,300	1,482	1,444	1,635	2,469
Average Number of Employees (in Thousands) (h)	**17**	17	18	20	20	21	30

(1) 1989 data consolidates results of Owens-Corning Canada beginning in the fourth quarter of 1989.

(a) During 1991 a non-recurring $800 million charge for unasserted asbestos litigation claims was recorded.

(b) 1991 results include a $227 million after-tax charge, or $5.55 per share, for the cumulative effect of the accounting change for other postretirement benefits.

(c) During 1990 a restructuring cost of $65 million was recorded.

(d) During 1989 an additional $50 million was added to existing asbestos-related claims reserves, a $50 million credit was recorded resulting from a settlement reached with the IRS and a restructuring cost of $30 million was recorded.

(e) During 1988 an $8 million extraordinary loss resulted from the early retirement of debt.

(f) During 1987 a gain of $141 million resulted from the sale of the Aerospace and Strategic Materials Group.

(g) During 1987 a $20 million extraordinary loss resulted from the early retirement of debt.

(h) Includes employees of Owens-Corning Canada.

(i) During 1986 a restructuring cost of $200 million was recorded.

Price Range of Common Stock

	1992		1991		1990	
	High	Low	High	Low	High	Low
First Quarter	**39¾**	**22⅝**	26½	15	26½	20½
Second Quarter	**37⅞**	**29¾**	28⅞	23¼	24¾	20⅞
Third Quarter	**36⅛**	**29⅜**	35¼	25¼	23½	14½
Fourth Quarter	**36⅝**	**27¾**	35½	16⅞	16½	13⅜

To the Stockholders of Owens-Corning Fiberglas Corporation:

Report of Independent Public Accountants

We have audited the accompanying consolidated balance sheet of OWENS-CORNING FIBERGLAS CORPORATION (a Delaware corporation) and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. 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 Fiberglas Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, effective January 1, 1991, the Company changed its method of accounting for postretirement benefits other than pensions.

Arthur Andersen & Co.

January 20, 1993
Toledo, Ohio

Management's Report

The financial statements of Owens-Corning Fiberglas Corporation and subsidiaries have been prepared by management in conformity with generally accepted accounting principles. Management uses its best informed judgments to ensure that these statements fairly reflect the Company's financial position. Financial information contained elsewhere in this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls designed to provide reasonable assurances that assets are protected from improper use and that transactions are properly authorized and recorded.

The Board of Directors pursues its responsibility for overview of the Company's financial statements through its Audit Committee, which is comprised of directors who are not officers or employees of the Company. The Audit Committee meets periodically with management, the Company's internal auditors, and the independent public accountants to review and assess the activities of each in meeting their respective responsibilities. The independent public accountants and the director of internal auditing have full and free access to the Audit Committee to discuss the scope and results of their audit work, the adequacy of internal accounting controls, and the quality of management's financial reporting.

Glen H. Hiner
Chairman and Chief Executive Officer

Paula H. J. Cholmondeley
Chief Financial Officer (Interim)

Charles R. Bland
Vice President and Controller

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of subsidiaries. Significant intercompany accounts and transactions are eliminated.

Net Income per Share

Net income per share is computed using the weighted average number of common shares outstanding and common equivalent shares during the period.

Inventory Valuation

Inventories are stated at cost, which is less than market value, and include material, labor, and manufacturing overhead. U.S. inventories are primarily 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 amortized on a straight-line basis over a period of forty years.

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.

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. The Company believes that the change in depreciation method is appropriate and is more consistent with the method used by the majority of companies in similar lines of business. The change in depreciation method has not had a material effect on the 1992 financial statements.

Reserve for Rebuilding Furnaces

The Company's glass melting furnaces and related machines periodically require substantial rebuilding. The estimated future cost of such rebuilding is charged to operations and credited to the reserve on a straight-line basis over the estimated period to the next rebuild date. Actual costs are charged to the reserve when the furnaces are rebuilt.

Income Taxes

Certain income and expense items are reported in different periods for financial statements and for income tax determination. The effect of timing differences between amounts reported for financial statement purposes and for income tax purposes is shown as deferred income taxes. Provision is made for taxes that would be payable on that portion of the undistributed earnings of foreign subsidiaries expected to be remitted to the parent company. Provision has not been made for taxes on the undistributed earnings of foreign subsidiaries that are deemed to be permanently reinvested.

Consolidated Statement of Income

For the years ended December 31, 1992, 1991 and 1990 (In millions of dollars, except share data)

	1992	1991	1990
Net Sales	**$2,878**	$ 2,783	$ 3,069
Cost of Sales (Note 7)	**2,261**	2,186	2,304
Gross margin	**617**	597	765
Operating Expenses			
Marketing and administrative expenses	**307**	285	309
Science and technology expenses (Note 5)	**65**	54	58
Provision for asbestos litigation claims (Note 18)	**—**	824	24
Other (Notes 4 and 12)	**32**	62	81
Total operating expenses	**404**	1,225	472
Income (Loss) from Operations	**213**	(628)	293
Cost of borrowed funds (Notes 2 and 3)	**(110)**	(131)	(165)
Income (Loss) before Provision for Income Taxes	**103**	(759)	128
Provision (credit) for income taxes (Note 6)	**33**	(238)	58
Income (Loss) before Equity in Net Income of Affiliates	**70**	(521)	70
Equity in net income of affiliates (Note 8)	**2**	6	5
Income (Loss) before Extraordinary Items and Cumulative Effect of Accounting Change	**72**	(515)	75
Extraordinary items (Notes 2 and 6)	**1**	—	(2)
Cumulative effect of accounting change for other postretirement benefits, net of income taxes of $117 million (Note 14)	**—**	(227)	—
Net Income (Loss)	**$ 73**	$ (742)	$ 73
Net Income (Loss) per Share			
Primary:			
Income (loss) before extraordinary items and cumulative effect of accounting change	**$ 1.68**	$ (12.58)	$ 1.78
Extraordinary items (Notes 2 and 6)	**.02**	—	(.05)
Cumulative effect of accounting change for other postretirement benefits (Note 14)	**—**	(5.55)	—
Net Income (Loss) per Share	**$ 1.70**	$ (18.13)	$ 1.73
Assuming Full Dilution:			
Income (loss) before extraordinary items and cumulative effect of accounting change	**$ 1.65**	$ (12.58)	$ 1.78
Extraordinary items (Notes 2 and 6)	**.02**	—	(.05)
Cumulative effect of accounting change for other postretirement benefits (Note 14)	**—**	(5.55)	—
Net Income (Loss) per Share	**$ 1.67**	$ (18.13)	$ 1.73
Weighted average number of common shares outstanding and common equivalent shares during the period (in millions)			
Primary:	**43.0**	40.9	42.0
Assuming full dilution:	**48.8**	40.9	42.0

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

Consolidated Balance Sheet

December 31, 1992 and 1991 (In millions of dollars)

Assets	**1992**	1991
Current		
Cash and cash equivalents	**$ 2**	$ 3
Receivables, less allowances of $20 million in 1992 and $18 million in 1991	**310**	308
Inventories (Note 7)	**233**	219
Deferred income taxes (Note 6)	**98**	76
Other current assets	**15**	13
Total current	**658**	619
Other		
Goodwill, less accumulated amortization of $12 million in 1992 and $8 million in 1991	**84**	96
Investments in affiliates (Note 8)	**49**	45
Deferred income taxes (Note 6)	**421**	416
Other noncurrent assets	**68**	60
Total other	**622**	617
Plant and Equipment, at Cost		
Land	**46**	51
Buildings and leasehold improvements	**549**	555
Machinery and equipment	**1,886**	1,880
Construction in progress	**79**	41
	2,560	2,527
Less: Accumulated depreciation	**(1,714)**	(1,657)
Net plant and equipment	**846**	870
Total Assets	**$2,126**	$ 2,106

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

Consolidated Balance Sheet

December 31, 1992 and 1991 (In millions of dollars)

Liabilities and Stockholders' Equity	1992	1991
Current		
Accounts payable and accrued liabilities (Note 9)	**$ 390**	$ 404
Short-term debt (Note 3)	**56**	6
Reserve for asbestos litigation claims – current portion (Note 18)	**50**	5
Long-term debt – current portion (Note 2)	**25**	18
Accrued income taxes (Note 6)	**14**	15
Total current	**535**	448
Long-Term Debt (Note 2)	**1,016**	1,148
Other		
Reserve for asbestos litigation claims (Note 18)	**900**	950
Other postretirement benefits liability (Note 14)	**358**	343
Reserve for rebuilding furnaces	**124**	113
Pension plan liability (Note 15)	**62**	54
Other	**137**	126
Total other	**1,581**	1,586
Commitments and Contingencies (Notes 11 and 18)		
Stockholders' Equity		
Preferred stock, no par value; authorized 8 million shares, none outstanding (Note 13)		
Common stock, par value $.10 per share; authorized 100 million shares; issued 1992 – 42.5 million and 1991 – 41.7 million shares (Note 12)	**299**	285
Deficit	**(1,302)**	(1,375)
Foreign currency translation adjustments	**4**	24
Other	**(9)**	(10)
Total stockholders' equity	**(1,008)**	(1,076)
Total Liabilities and Stockholders' Equity	**$2,126**	$ 2,106

Consolidated Statement of Stockholders' Equity

For the years ended December 31, 1992, 1991 and 1990 (In millions of dollars)

	1992	1991	1990
Common Stock			
Balance beginning of year	**$ 285**	$ 268	$ 266
Issuance of stock and deferred awards under stock compensation plans (Note 12)	**14**	17	2
Balance end of year	**299**	285	268
Deficit			
Balance beginning of year	**(1,375)**	(633)	(706)
Net income (loss)	**73**	(742)	73
Balance end of year	**(1,302)**	(1,375)	(633)
Foreign Currency Translation Adjustments			
Balance beginning of year	**24**	25	14
Translation adjustments	**(20)**	(1)	11
Balance end of year	**4**	24	25
Other			
Balance beginning of year	**(10)**	(10)	(9)
Net increase (decrease)	**1**	—	(1)
Balance end of year	**(9)**	(10)	(10)
Stockholders' Equity	**$ (1,008)**	$ (1,076)	$ (350)

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

Consolidated Statement of Cash Flows

For the years ended December 31, 1992, 1991 and 1990 (In millions of dollars)

	1992	1991	1990
Net Cash Flow from Operations			
Net income (loss)	**$ 73**	$ (742)	$ 73
Reconciliation of net cash provided by operating activities:			
Noncash items:			
Cumulative effect of accounting change for other postretirement benefits, net of tax	**—**	227	—
Provision for asbestos litigation claims	**—**	824	24
Provision for depreciation and amortization	**123**	132	139
Provision for rebuilding furnaces	**27**	28	30
Provision (credit) for deferred income taxes	**(21)**	(308)	(15)
Amortization of discount on long-term debt	**1**	20	33
Other	**4**	3	(2)
Uninsured asbestos claims and insurance deductibles	**(5)**	—	(8)
(Increase) decrease in receivables	**(8)**	59	106
(Increase) decrease in inventories	**(17)**	14	15
Increase (decrease) in accounts payable and accrued liabilities	**3**	(6)	(57)
Increase (decrease) in accrued income taxes	**(2)**	(9)	(4)
Other	**14**	11	27
Net cash flow from operations	**192**	253	361
Net Cash Flow from Investing			
Additions to plant and equipment	**(130)**	(96)	(121)
Expenditures for rebuilding furnaces	**(14)**	(18)	(25)
Other	**10**	(6)	3
Net cash flow from investing	**(134)**	(120)	(143)
Net Cash Flow from Financing			
Net additions (reductions) in long-term credit facilities	**(123)**	(152)	87
Other additions to long-term debt	**337**	465	28
Other reductions to long-term debt	**(330)**	(296)	(346)
Net increase (decrease) in short-term debt	**50**	(159)	(9)
Other	**7**	5	—
Net cash flow from financing	**(59)**	(137)	(240)
Net increase (decrease) in cash and cash equivalents	**(1)**	(4)	(22)
Cash and cash equivalents at beginning of year	**3**	7	29
Cash and cash equivalents at end of year (Note 10)	**$ 2**	$ 3	$ 7

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

Notes to Consolidated Financial Statements

1. Industry Segments

The Company operates in two industry segments, the Construction Products Group and the Industrial Materials Group and reports its results in two ways: by business segment and geographically.

The business segments are as follows:

Construction Products

Production and sale of glass wool fibers formed into thermal and acoustical insulation and air ducts; roofing shingles, built-up roofing systems and asphalt materials; underground storage tanks; windows; and patio doors.

Industrial Materials

Production and sale of glass fiber yarns, rovings, mats, strand and reinforcement products, and resins and gelcoats.

The business segment reporting is as follows: Construction Products Group, with a breakdown of results by principal business areas — the United States, and Canada and other; Industrial Materials Group, with results detailed for the United States, and Europe and other.

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

Intercompany sales are generally recorded at market or equivalent value. Income (loss) from operations by industry 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 segments have been allocated to those segments. The pre-tax charge of $65 million related to the Company's restructuring (Note 4) reduced 1990 income (loss) from operations for the Construction Products Group by $8 million in the United States and $41 million in Canada and other; the Industrial Materials Group by $1 million in the United States and $7 million in Europe and other; and increased the general corporate expense by $8 million.

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

1. Industry Segments (Continued)

(In millions of dollars)	**1992**	1991	1990
Business Segments			
Net Sales			
Construction Products			
United States	**$1,636**	$ 1,578	$ 1,704
Canada and other	**263**	262	303
Industrial Materials			
United States	**479**	422	469
Europe and other	**500**	521	593
	2,878	2,783	3,069
Intercompany sales			
Construction Products			
United States	**—**	—	—
Canada and other	**1**	—	—
Industrial Materials			
United States	**120**	90	93
Europe and other	**48**	19	3
Eliminations	**(169)**	(109)	(96)
Consolidated net sales	**$2,878**	$ 2,783	$ 3,069
Income (Loss) from Operations			
Construction Products			
United States	**$ 94**	$ 83	$ 131
Canada and other	**15**	13	(15)
Industrial Materials			
United States	**99**	67	107
Europe and other	**39**	60	106
General corporate expense	**(34)**	(851)	(36)
Income (loss) from operations	**213**	(628)	293
Cost of borrowed funds	**(110)**	(131)	(165)
Income (loss) before provision for income taxes	**$ 103**	$ (759)	$ 128

(In millions of dollars)	**1992**	1991	1990
Business Segments			
Identifiable Assets at December 31			
Construction Products			
United States	**$ 580**	$ 583	$ 620
Canada and other	**186**	215	255
Industrial Materials			
United States	**295**	238	246
Europe and other	**416**	429	489
General corporate	**600**	596	165
	2,077	2,061	1,775
Investments in affiliates accounted for under the equity method	**49**	45	32
Total assets	**$2,126**	$ 2,106	$ 1,807
Depreciation and Amortization			
Construction Products			
United States	**$ 55**	$ 60	$ 65
Canada and other	**11**	12	12
Industrial Materials			
United States	**24**	23	26
Europe and other	**27**	27	28
General corporate	**6**	10	8
Total depreciation and amortization	**$ 123**	$ 132	$ 139
Additions to Plant and Equipment			
Construction Products			
United States	**$ 66**	$ 50	$ 54
Canada and other	**9**	6	9
Industrial Materials			
United States	**29**	16	25
Europe and other	**21**	19	26
General corporate	**6**	5	7
Total additions	**$ 130**	$ 96	$ 121

(In millions of dollars)	**1992**	1991	1990
Geographic Segments			
Net Sales			
United States	**$2,115**	$ 2,000	$ 2,173
Europe and other	**544**	529	582
Canada	**219**	254	314
	2,878	2,783	3,069
Intercompany sales			
United States	**120**	90	93
Europe and other	**8**	4	3
Canada	**41**	15	-
Eliminations	**(169)**	(109)	(96)
Consolidated net sales	**$2,878**	$ 2,783	$ 3,069
Income (Loss) from Operations			
United States	**$ 193**	$ 150	$ 238
Europe and other	**48**	67	118
Canada	**6**	6	(27)
General corporate expense	**(34)**	(851)	(36)
Income (loss) from operations	**213**	(628)	293
Cost of borrowed funds	**(110)**	(131)	(165)
Income (loss) before provision for income taxes	**$ 103**	$ (759)	$ 128

(In millions of dollars)	**1992**	1991	1990
Geographic Segments			
Identifiable Assets at December 31			
United States	**$ 875**	$ 821	$ 866
Europe and other	**365**	376	429
Canada	**237**	268	315
General corporate	**600**	596	165
	2,077	2,061	1,775
Investments in affiliates accounted for under the equity method	**49**	45	32
Total assets	**$2,126**	$ 2,106	$ 1,807
Depreciation and Amortization			
United States	**$ 79**	$ 83	$ 91
Europe and other	**25**	25	25
Canada	**13**	14	15
General corporate	**6**	10	8
Total depreciation and amortization	**$ 123**	$ 132	$ 139
Additions to Plant and Equipment			
United States	**$ 95**	$ 66	$ 79
Europe and other	**21**	18	26
Canada	**9**	7	9
General corporate	**5**	5	7
Total additions	**$ 130**	$ 96	$ 121

2. Long-Term Debt

(In millions of dollars)	1992	1991
Unsecured credit facility due in 1994, variable	**$ 81**	$ 193
Unsecured credit facility due in 1994, variable, payable in Canadian dollars	**39**	56
Convertible junior subordinated debentures due in 2005, 8%, convertible at $29.75 per share	**173**	173
Guaranteed debentures due in 2001, 10%	**150**	150
Debentures due in 2002, 8.875%	**150**	—
Debentures due in 2012, 9.375%	**149**	—
Guaranteed debentures due in 1998, 9.8%	**100**	99
Notes due through 2007, 4.75% to 14.25%, payable in foreign currencies	**92**	100
Bonds due in 2000, 7.25%, payable in Deutsche marks. (Note 16)	**50**	50
Industrial revenue bonds maturing from 1993 through 2012, at rates from 5.75% to 10.25%	**22**	22
Debentures due in 2000, 9.5%, subject to annual sinking fund requirements of $3 million	**20**	20
Bonds due in 2000, 5.375%, payable in Swiss francs	**9**	9
Extendable notes due in 2005, 11.15% through 1993	**8**	8
Senior subordinated debentures due in 2001, 11.75%	**—**	240
Debentures due in 2010, 12%, subject to annual sinking fund requirements of $4 million	**—**	46
	1,043	1,166
Less: Current portion	**(25)**	(18)
Total long-term debt	**$ 1,018**	$ 1,148

The Company has two unsecured, variable rate, bank credit facilities. The first facility has a maximum commitment of $304 million at December 31, 1992 (of which $223 million was unused), reducing to $229 million over its remaining 1-1/2 year term. The rate of interest at December 31, 1992, is either the bank's base rate, or 7/8% over the certificate of deposit rate, or 3/4% over the London Interbank Offered Rate (LIBOR). The rate of interest on borrowings under this facility was 4.63% at December 31, 1992. A commitment fee of 3/8 of 1% is charged on the unused portions of this facility.

The second facility is payable in Canadian dollars and has a maximum commitment of 135 million Canadian dollars (106 million U.S. dollars) at December 31, 1992, of which 85 million Canadian dollars (67 million U.S. dollars) was unused. The rate of interest at December 31, 1992, is either the Canadian prime rate plus 1/8 of 1%, or 9/10 of 1% over the Canadian bankers' acceptance rate, or the Canadian cost of funds rate plus 1/40 of 1%. The Canadian prime rate cannot be less than the Canadian bankers' acceptance rate plus 9/10 of 1%. The rate of interest on borrowings under this facility was 7.72% at December 31, 1992. A commitment fee of 3/8 of 1% is charged on the unused portions of this facility.

As is typical for bank credit facilities, the agreements relating to the facilities described above contain restrictive covenants, including requirements for the maintenance of working capital, minimum cash EBIT and minimum coverage of fixed charges; and limitations on the early retirement of debt, additional borrowings, capital expenditures, certain investments, 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.

In May 1992, the Company issued $300 million of debentures in two parts. The first part consisted of $150 million of debentures due June 1, 2002, with an effective interest rate of 8.897%. The second part consisted of $150 million of debentures due June 1, 2012, with an effective interest rate of 9.418%. Interest is paid semi-annually for both issues.

In June 1991, a European subsidiary of the Company issued $150 million of guaranteed debentures due June 1, 2001, with an interest rate of 10% per annum, payable semi-annually. In August 1991, the Company's Canadian subsidiary issued $100 million of guaranteed debentures due August 15, 1998, with an interest rate of 9.8% per annum, payable semi-annually. The debentures are unsecured.

In April 1991, the Company issued $173 million of convertible junior subordinated debentures due December 30, 2005, with an interest rate of 8% per annum, payable semi-annually. The debentures are subordinated to all present and future indebtedness of the Company and may be redeemed at the option of the Company beginning June 30, 1994. Prior to redemption or maturity, the debentures are convertible into shares of common stock of the Company at a conversion price of $29.75 per share, subject to adjustment in certain events. The Company has reserved approximately six million additional shares of common stock necessary for conversion.

During 1992, the Company called, prior to maturity, its 12% sinking fund debentures having a face value of $46 million at a price in excess of book value, which resulted in an extraordinary loss of $1 million ($.02 per share), net of related income taxes of $1 million.

In June 1992, the Company called, prior to maturity, its senior subordinated debentures having a face value of $240 million, which resulted in an extraordinary loss of approximately $2 million ($.05 per share), net of related income taxes of $1 million. During 1990, the Company purchased, prior to maturity, a portion of its senior subordinated debentures having a face value of $60 million at a price in excess of book value, which resulted in an extraordinary loss of $1 million ($.02 per share), net of related income taxes of $1 million.

In December 1991, the Company called at par the remaining outstanding principal amount of $208 million of its junior subordinated discount debentures due in 2006. No significant gain or loss was realized. During 1990, the Company purchased, prior to maturity, a portion of its junior subordinated discount debentures having a face value of $125 million at a price in excess of book value, which resulted in an extraordinary loss of $1 million ($.03 per share), net of related income taxes of $1 million.

The aggregate maturities and sinking fund requirements for all long-term debt issues for each of the five years following December 31, 1992 are:

Year	*(In millions of dollars)*	Credit Facilities	Other Long-Term Debt
1993		$ —	$ 25
1994		120	31
1995		—	24
1996		—	27
1997		—	10

3. Short-Term Debt

(In millions of dollars)	**1992**	1991
Balance outstanding at December 31	**$ 56**	$ 6
Weighted average interest rates on short-term debt outstanding at December 31	**8.8%**	11.5%

The Company had short-term unused lines of credit totalling $134 million and $232 million at December 31, 1992 and 1991, respectively.

4. Restructuring of Operations

During the fourth quarter of 1990, the Company recorded a $65 million pre-tax charge which included $26 million for personnel reductions, $14 million for the write-down of fixed assets and $25 million for other items.

5. Science and Technology Expenses

Science and technology expenses include research and development costs of $55 million in 1992, $47 million in 1991, and $51 million in 1990. 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.

6. Income Taxes

(In millions of dollars)	**1992**	1991	1990
Income (loss) before provision (credit) for income taxes:			
U.S.	**$ 107**	$ (749)	$ 140
Foreign	**(4)**	(10)	(12)
Total	**$ 103**	$ (759)	$ 128
Provision (credit) for income taxes:			
Current			
U.S.	**$ 41**	$ 53	$ 42
State and local	**5**	8	11
Foreign	**8**	9	20
Total current	**54**	70	73
Deferred			
U.S.	**(5)**	(308)	1
State and local	**(4)**	(9)	(2)
Foreign	**(12)**	9	(14)
Total deferred	**(21)**	(308)	(15)
Total provision (credit) for income taxes	**$ 33**	$ (238)	$ 58

6. Income Taxes (Continued)

Deferred income taxes result from timing differences in the recognition of certain items for income tax and financial statement purposes. The sources of these differences and the net tax provisions are:

(In millions of dollars)	1992	1991	1990
Asbestos litigation claims	**$ 2**	$ (290)	$ (8)
Depreciation	**(9)**	(14)	19
Furnace rebuild reserves	**(3)**	(4)	(1)
Interest expense	**(1)**	1	(9)
Undistributed earnings of foreign subsidiaries	**(8)**	10	(17)
State and local tax expense	**2**	3	2
Warranty and product liability accrual	**1**	(6)	(4)
Other postretirement benefits expense	**(6)**	(6)	—
Other	**1**	(2)	3
Deferred tax credit	**$ (21)**	$ (308)	$ (15)

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

	1992	1991	1990
U.S. federal statutory rate	**34%**	34%	34%
Operating losses of foreign subsidiaries	**6**	(2)	17
Difference between foreign tax rates and U.S. statutory rate	**(2)**	1	3
Provision (credit) for taxes on undistributed earnings of foreign subsidiaries	**(6)**	(2)	(13)
State and local income taxes	**1**	—	5
Other	**(1)**	—	(1)
Effective tax rate	**32%**	31%	45%

At December 31, 1992, the Company had book net operating loss carryforwards for certain of the Company's foreign subsidiaries of approximately $119 million, the benefit of which has not been reflected in the financial statements. For tax return purposes, these foreign subsidiaries have tax net operating loss carryforwards of approximately $74 million at December 31, 1992, which expire through 1999.

Provision has been made for additional U.S. taxes on that portion of the undistributed earnings of certain foreign subsidiaries expected to be remitted to the parent company. The Company has not provided income taxes on $68 million undistributed earnings of foreign subsidiaries that are deemed to be permanently reinvested. In the event these earnings are ultimately remitted to the Company, it is anticipated that foreign tax credits will be available to offset a portion of the U.S. income taxes payable.

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 109, "Accounting for Income Taxes". Statement No. 109 changes the criteria for measuring the provision for income taxes and recognizing deferred tax assets and liabilities. A deferred tax asset or liability is created when a difference exists between the tax basis of an asset or liability and the amount reported in the financial statements. Deferred tax assets and liabilities are measured using a tax rate convention based upon enacted tax laws and rates. The Company will adopt the new standard effective January 1, 1993, the required effective date. The impact of Statement No. 109 on the Company in the year of adoption is an expected increase to net income of approximately $25 million.

For the year ended December 31, 1992, the Company utilized book net operating loss carryforwards which resulted in an extraordinary credit of approximately $4 million, or $.09 per share.

7. Inventories

Inventories are summarized as follows:

(In millions of dollars)	1992	1991
Finished goods	**$ 203**	$ 192
Materials and supplies	**119**	122
	322	314
Less: Reduction to LIFO basis	**(89)**	(95)
	$ 233	$ 219

Approximately $97 million and $99 million of net inventories were valued using the LIFO method at December 31, 1992 and 1991, respectively.

During 1992 and 1991, 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 1992 and 1991 cost of sales by $4 million and $6 million, respectively.

8. Investments in Affiliates

At December 31, 1992 and 1991, the Company's affiliates, which generally are engaged in the manufacture of fibrous glass products for the insulation, construction, reinforcements, and textile markets, include:

	Percent Ownership 1992 and 1991
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	**30.0%**
Arabian Fiberglass Insulation Company (Saudi Arabia)	**49.0**
Asahi Fiber Glass Company, Ltd. (Japan)	**26.0**
CAE Fiberglass, Ltd. (Canada)	**25.0**
Lucky Fiber Glass Corp. (Korea)	**30.0**
Siam GRP Industries (Thailand)	**20.0**
Vitro-Fibras, S.A. (Mexico)	**40.0**

Summarized financial information for the Company's affiliates:

(In millions of dollars)	**1992**	1991	1990
At December 31:			
Current assets	**$ 198**	$ 164	$ 185
Noncurrent assets	**320**	231	222
Current liabilities	**233**	206	241
Noncurrent liabilities	**130**	58	55
For the year:			
Net sales	**465**	467	398
Gross margin	**82**	100	91
Net income	**16**	27	20

The Company's equity in undistributed net income of affiliates was $27 million at December 31, 1992.

9. Accounts Payable and Accrued Liabilities

(In millions of dollars)	**1992**	1991
Accounts payable	**$ 185**	$ 156
Payroll and vacation pay	**57**	66
Payroll, property, and miscellaneous taxes	**35**	37
Other postretirement benefits liability	**21**	19
Other	**92**	126
	$ 390	$ 404

10. Consolidated Statement of Cash Flows

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

(In millions of dollars)	**1992**	1991	1990
Income taxes	**$ 49**	$ 85	$ 77
Cost of borrowed funds	**125**	108	130

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

11. Leases

The Company leases certain office and warehouse facilities and equipment under operating leases, some of which include cost escalation clauses, expiring on various dates through 2011. Total rental expense charged to operations was $44 million in 1992, $44 million in 1991, and $39 million in 1990. At December 31, 1992, the minimum future rental commitments under noncancellable leases payable over the remaining lives of the leases are:

Period *(In millions of dollars)*	Minimum Future Rental Commitments
1993	$ 25
1994	20
1995	12
1996	8
1997	5
1998 through 2011	19
	$ 89

12. Stock Compensation Plans

The Company's Stock Performance Incentive Plan (SPIP), approved by shareholders in 1992, permits up to two percent 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). For 1992, this amount was 833,035 shares, 760,500 of which were awarded as stock options and 56,600 as restricted stock. 576,308 shares are also available to be awarded under a prior plan, however the Company does not expect any awards made under that plan to exceed the annual SPIP limits. Additionally, the Company has a plan to award stock options to nonemployee directors, of which 162,000 shares were available for this purpose as of December 31, 1992.

Stock Options

Activity during 1992 and 1991 in shares under option:

	1992		1991	
	Number of Shares	**Price Range per Share**	Number of Shares	Price Range per Share
Beginning of year	**1,981,989**	**$12.13 - 26.88**	1,878,803	$12.13 - 26.88
Options granted	**770,500**	**29.88 - 33.63**	771,600	17.86 - 26.75
Options exercised	**(536,481)**	**12.13 - 26.75**	(646,898)	12.13 - 23.13
Options cancelled	**(44,757)**	**18.75 - 30.63**	(21,516)	12.13 - 26.75
End of year	**2,171,251**	**$12.13 - 33.63**	1,981,989	$12.13 - 26.88
Exercisable	**783,822**	**$12.13 - 30.63**	822,328	$12.13 - 26.88

Option prices represent the market price at date of grant. Shares issued under options are recorded in the common stock accounts at the option price. Options granted vest ratably through 1996.

Stock Appreciation Rights

Stock appreciation rights (SARs) have been granted to employees in tandem with stock options awarded in 1986, and may be paid in cash or stock. At December 31, 1992, rights covering 65,400 shares were outstanding and exercisable. The Company recognizes compensation expense in connection with the SARs to the extent that the market price of its common stock exceeds the grant price of the shares subject to such rights. Total SARs expense was $4 million for 1992, $7 million for 1991 and $6 million credit for 1990.

Deferred Stock Awards

At December 31, 1992, the Company had 319,963 shares of deferred stock outstanding. Deferred stock awards vest ratably over various periods ending in 1994. During 1992, no shares of deferred stock were granted, 3,326 shares were cancelled and 405,708 shares were issued.

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.

Restricted Stock Awards

At December 31, 1992, the Company had 353,017 shares of restricted stock outstanding. Stock restrictions lapse, subject to alternate vesting plans for approved early retirement and involuntary termination, in 1994 through 1996 and in 1999.

13. 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 $50. The Board of Directors has designated 450,000 shares of the Company's authorized preferred stock as Series A Participating Preferred Stock. There are currently no preferred shares outstanding.

Rights become exercisable and detach from the common stock ten days after a person or group acquires, or announces a tender offer for, 20% or more of the Company's outstanding shares of common stock. The rights expire on December 30, 1996, unless redeemed earlier by the Company. The rights are redeemable by the Company at one cent each at any time prior to ten days following public announcement or notice to the Company that an acquiring person or group has purchased 20% or more of the Company's outstanding common stock. If the Company is acquired in a merger or other business combination at any time after the rights become exercisable, each right would entitle its holder to buy shares of the acquiring or surviving company having a market value of twice the exercise price of the right.

14. 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 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 reimbursements. Employees become eligible to participate in the health care plans upon retirement under one of the Company's pension plans. 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 during their term.

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" as of January 1, 1991, for its U.S. plans. Accordingly, the expected cost of postretirement benefits are charged to expense during the years in which eligible employees render service. The pre-tax cumulative effect of the unfunded obligation of $344 million ($227 million after-tax) was charged against earnings as of January 1, 1991.

Adoption of Statement No. 106 for non-U.S. plans is required for 1995 financial reporting. The estimated impact on the Company in the year of adoption is a charge to earnings of less than $30 million.

Prior to 1991, the Company recognized postretirement benefits cost in the year that the benefits were paid. This cost was $24 million in 1990.

The following table reconciles the status of the accrued postretirement benefits cost liability at October 31, 1992 and 1991, as reflected on the balance sheet as of December 31, 1992 and 1991:

(In millions of dollars)	**1992**	1991
Accumulated Postretirement Benefits Obligation:		
Retirees	**$ (239)**	$ (237)
Fully eligible active plan participants	**(31)**	(27)
Other active plan participants	**(90)**	(98)
Funded status	**(360)**	(362)
Unrecognized net loss (gain)	**(19)**	—
Accrued postretirement benefits cost liability (includes current liabilities of $21 million in 1992 and $19 million in 1991)	**$ (379)**	$ (362)

The net postretirement benefits cost for 1992 and 1991 included the following components:

(In millions of dollars)	**1992**	1991
Service cost	**$ 7**	$ 6
Interest cost on accumulated postretirement benefits obligation	**30**	29
Net postretirement benefits cost	**$ 37**	$ 35

For measurement purposes, a 12% annual rate of increase in the per capita cost of covered health care claims was assumed for 1993. The rate was assumed to decrease to 11.5% for 1994, then decrease gradually to 6%. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefits obligation as of October 31, 1992, by $34 million and the aggregate of the service and interest cost components of net postretirement benefits cost for the year then ended by $4 million. The discount rate used in determining the accumulated postretirement benefits obligation was 8.25% in 1992 and 8.6% in 1991.

In November 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires employers to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. The obligation should be recognized if it is attributable to employees' service already rendered, the rights to these benefits accumulate or vest, payment of the benefits is probable and the amount can be reasonably estimated. Statement No. 112 is effective for the Company beginning in 1994. The impact of Statement No. 112 on the Company in the year of adoption has not been estimated at this time.

15. Pension Plans

The Company has several pension plans covering substantially all full-time employees.

Under the plans, pension benefits are generally based on an employee's number of years of service and compensation. Company contributions to pension plans are based on the calculations of an independent actuary using the projected unit credit method. Plan assets consist primarily of U.S. and non-U.S. 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 of plan participants expected to receive benefits.

15. Pension Plans (Continued)

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

(In millions of dollars)	**1992**	1991	1990
Service cost	**$ 21**	$ 18	$ 21
Interest cost on projected benefit obligation	**59**	58	58
Actual (return) loss on plan assets	**(51)**	(147)	34
Net amortization and deferral	**(20)**	75	(110)
Net pension expense	**$ 9**	$ 4	$ 3

The funded status at October 31, 1992 and 1991 is as follows:

(In millions of dollars)	**1992**		1991
	Over Funded	**Under Funded**	
Vested benefit obligation	**$ 254**	**$ 281**	$ 492
Accumulated benefit obligation	**$ 301**	**$ 340**	$ 589
Plan assets at fair value	**$ 395**	**$ 315**	$ 715
Projected benefit obligation	**397**	**358**	691
Plan assets in excess (less than) projected benefit obligation	**(2)**	**(43)**	24
Unrecognized loss (gain)	**35**	**59**	31
Unrecognized prior service cost	**(3)**	**(26)**	(32)
Unrecognized transition amount	**(52)**	**(17)**	(74)
Net pension liability (includes current liabilities of $6 million in 1992 and $9 million in 1991 and $19 million and $12 million in other noncurrent assets in 1992 and 1991, respectively)	**$ (22)**	**$ (27)**	$ (51)

The 1992, 1991 and 1990 primary actuarial assumptions used for pension plans were:

	1992	1991	1990
Discount rate	**8.25%**	8.60%	9.50%
Expected long-term rate of return on assets	**10.00%**	10.00%	10.00%
Rate of compensation increase	**4.50%**	4.50%	4.50%

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 contribution was $7 million in 1992, $7 million in 1991, and $6 million in 1990.

16. Financial Instruments with Off-Balance-Sheet Risk and Significant Group Concentrations of Credit Risk

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. 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 generally require collateral or other security to support these financial instruments.

The Company enters into forward currency exchange contracts to hedge against foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. As of December 31, 1992, the Company has forward currency exchange contracts maturing in 1993 which exchange the following currencies: 2 billion Belgian francs, 19 million U.S. dollars, 68 million Swedish krona, 12 million British pounds, and various other currencies. The Company has two forward currency exchange contracts maturing in 1993 to exchange 150 million Swedish krona and 680 million Belgian francs against approximately 42 million U.S. dollars to hedge an equity investment in a European subsidiary. Gains and losses on hedges of net investments in foreign subsidiaries are included in stockholders' equity. Gains and losses on other foreign currency hedges are included in income in the year in which the exchange rates change.

As of December 31, 1992, the Company has entered into four interest rate swap agreements to reduce the interest rates on its fixed rate borrowings. These agreements effectively convert an aggregate principal amount of $150 million of fixed rate long-term debt into variable rate borrowings with interest rates ranging from 3.75% to 5.9%. The agreements mature in 1998. The differential interest to be paid or received is accrued as interest rates change and is recognized over the life of the agreements.

The Company has a cross-currency interest rate conversion agreement 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%.

As of December 31, 1992 and 1991, the Company has no significant group concentrations of credit risk.

17. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class 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 swaps

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

The estimated fair values of the Company's financial instruments as of December 31, 1992 are as follows:

(In millions of dollars)	Carrying Amount	Fair Value
Cash and short-term financial instruments	**$ 783**	**$ 783**
Long-term notes receivables	**8**	**7**
Long-term debt	**1,018**	**1,102**
Foreign currency swaps and interest rate swaps	**—**	**35**

18. Contingent Liabilities

Asbestos Liabilities

The Company is a co-defendant with former manufacturers and distributors of products containing asbestos and with miners and suppliers of asbestos fibers (collectively, the Producers) in personal injury and property damage litigation. The personal injury claimants generally allege injuries to their health caused by inhalation of asbestos fibers from the Company's products. Most of the claimants seek punitive damages as well as compensatory damages. The property damage claims generally allege property damage to school, public and commercial buildings resulting from the presence of products containing asbestos. Virtually all of the asbestos-related lawsuits against the Company 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, 1992, approximately 85,300 asbestos personal injury claims were pending against the Company. The Company received approximately 26,600 such claims in 1992, 20,900 in 1991 and 22,500 in 1990.

Through December 31, 1992, the Company had resolved (by settlement or otherwise) approximately 101,100 asbestos personal injury claims, 27,300 of which were resolved in 1992. During 1990, 1991 and 1992, the Company resolved approximately 54,800 such claims and incurred total indemnity payments of $539 million (an average of less than $10,000 per case). As of December 31, 1992, the Company had agreed in principle to settle approximately 22,800 additional cases which will be processed and reflected in settlements during 1993 and future years. Although the precise amounts are subject to certain contingencies, the average payment in these additional cases is expected to be somewhat higher than the Company's settlement average for 1990, 1991 and 1992. The Company'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 the Company; the extent of the claimant's exposure to asbestos-containing products manufactured or sold 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; and whether the claim was resolved on an individual basis or as part of a group settlement.

Insurance

As of December 31, 1992, the Company had approximately $675 million in unexhausted insurance coverage (net of deductibles and self-insured retentions and excluding coverage issued by insolvent carriers) under its products liability insurance policies. Of this amount, $144 million will not be available until the years 1996 through 2000 under an agreement with the carrier confirming such insurance and $133 million is the subject of pending coverage litigation. All of the Company's products liability insurance policies cover indemnity payments and defense fees and expenses subject to applicable policy limits. In addition, the Company has substantial unexhausted insurance coverage under certain non-products liability insurance policies; an as yet undetermined amount of coverage under such policies will be available for payment of asbestos personal injury claims and associated defense fees and expenses.

18. Contingent Liabilities (Continued)

Reserve

As a result of its pre-1992 charges for asbestos litigation, the Company had a reserve of $950 million and $955 million (including $50 million and $5 million in current liabilities) as of December 31, 1992 and 1991, respectively. This reserve reflects the Company's best estimate of the uninsured indemnity and defense costs that may be associated with pending and unasserted asbestos personal injury claims that may be received by the Company through 1999. The Company cannot estimate and is not providing for the cost of unasserted claims which may be received by the Company after the year 1999 because management is unable to predict the number of claims to be received after 1999, the severity of disease which may be involved and other factors which would affect the cost of such claims.

The Company 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 such claims, as well as the prospects for confirming additional, applicable insurance coverage beyond the $675 million referenced above, are influenced by numerous variables that are difficult to predict, and that estimates, such as the Company's, which attempt to take account of such variables are subject to considerable uncertainty. Accordingly, the actual uninsured costs associated with asbestos personal injury claims received by the Company through 1999 may be higher or lower than those provided for by the Company's $950 million reserve. The Company will continue to review the adequacy of its reserve for the uninsured costs of pending and unasserted claims on a periodic basis and make such adjustments to its reserve as may then be appropriate.

Cash Expenditures

The Company's anticipated cash expenditures for uninsured asbestos-related costs for claims received through 1999 are expected to approximate the Company's existing reserve. The cash expenditures are expected to begin in 1993. They will vary annually depending upon a number of factors, including the pace of the Company's resolution of claims and the payment of its insurance.

Management Opinion

Although any opinion is necessarily judgmental and must be based on information now known to the Company, in the opinion of management, the additional uninsured and unreserved costs which may arise out of pending personal injury and property damage asbestos claims and additional similar asbestos claims filed in the future will not have a materially adverse effect on the Company's financial position.

Non-Asbestos Liabilities

In October 1991, the Company and certain of its officers and directors were named as defendants in a lawsuit captioned Gaetana Lavalle v. Owens-Corning Fiberglas Corporation, et al. in the United States District Court for the Northern District of Ohio. Lavalle purports to be a securities class action on behalf of all purchasers of the Company's common stock during the period November 1, 1988 through October 18, 1991. The complaint alleges that the Company's disclosures during the alleged class period contained material misstatements and omissions concerning its contingent liabilities for asbestos claims. The complaint seeks an unspecified amount of damages (including punitive damages) on the theory that such alleged misstatements and omissions artificially inflated the price of the Company's stock. 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.

19. Quarterly Financial Information (Unaudited)

(In millions of dollars, except share data)	Quarter First	Second	Third	Fourth
1992				
Net Sales	**$ 626**	**$ 732**	**$ 786**	**$ 734**
Cost of Sales	**496**	**576**	**613**	**576**
Gross profit	**$ 130**	**$ 156**	**$ 173**	**$ 158**
Income before Extraordinary Items	**$ 6**	**$ 22**	**$ 32**	**$ 12**
Extraordinary items	—	**(1)**	—	**2**
Net Income	**$ 6**	**$ 21**	**$ 32**	**$ 14**
Net Income per Share:				
Primary				
Income before Extraordinary Items	**$ .13**	**$ .52**	**$ .76**	**$ .30**
Extraordinary items	—	**(.03)**	—	**.03**
Net Income per Share	**$ .13**	**$ .49**	**$ .76**	**$ .33**
Fully Diluted				
Income before Extraordinary Items	**$ .13**	**$ .51**	**$ .71**	**$ .30**
Extraordinary items	—	**(.03)**	—	**.03**
Net Income per Share	**$ .13**	**$ .48**	**$ .71**	**$ .33**

(In millions of dollars, except share data)	Quarter First	Second	Third	Fourth
1991*				
Net Sales	$ 612	$ 735	$ 749	$ 687
Cost of Sales	501	578	580	527
Gross profit	$ 111	$ 157	$ 169	$ 160
Income (Loss) before Cumulative Effect of Accounting Change	$ (25)	$ 13	$ 26	$ (529)
Cumulative effect of accounting change	(227)	—	—	—
Net Income (Loss)	$ (252)	$ 13	$ 26	$ (529)
Net Income (Loss) per Share:				
Primary				
Income (Loss) before Cumulative Effect of Accounting Change	$ (.62)	$ .32	$ .62	$ (12.83)
Cumulative effect of accounting change	(5.58)	—	—	—
Net Income (Loss) per Share	$ (6.20)	$ .32	$ .62	$ (12.83)
Fully Diluted				
Income (Loss) before Cumulative Effect of Accounting Change	$ (.62)	$ .32	$ .59	$ (12.83)
Cumulative effect of accounting change	(5.58)	—	—	—
Net Income (Loss) per Share	$ (6.20)	$ .32	$ .59	$ (12.83)

**See Notes 14 and 18 to the consolidated financial statements.*

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

Directors and Officers

As of March 1, 1993

DIRECTORS

William W. Boeschenstein 1,4
Former Chairman of the Board and
Chief Executive Officer
Owens-Corning

Norman P. Blake, Jr. 1,2,5
Chairman of the Board and
Chief Executive Officer
USF & G Corporation

Charles E. Exley, Jr. 3,4
Former Chairman of the Board and
Chief Executive Officer
NCR Corporation

Landon Hilliard 2,3,5
Partner, Brown Brothers
Harriman & Co.

Glen H. Hiner
Chairman of the Board and
Chief Executive Officer
Owens-Corning

Walker Lewis
Executive Vice President
Avon Products, Inc.

David T. McGovern 3,4
Of Counsel, Shearman & Sterling

Furman C. Moseley, Jr. 1,2,4
President, Simpson Investment
Company and Chairman
Simpson Paper Company

Peter L. Scott 2,3,5
Former Chairman of the Board
The Black & Decker Corporation

Directors serve on committees of the Board *as indicated by the numbers* following their names.

1. Executive Committee
   Glen H. Hiner
   Chairman

2. Compensation Committee
   Peter L. Scott
   Chairman

3. Audit Committee
   Charles E. Exley, Jr.
   Chairman

4. Trust Review Committee
   Furman C. Moseley, Jr.
   Chairman

5. Corporate Governance Committee
   Landon Hilliard
   Chairman

CORPORATE OFFICERS

Glen H. Hiner
Chairman of the Board and
Chief Executive Officer

William W. Colville
Senior Vice President,
General Counsel and Secretary

Charles H. Dana
Senior Vice President and
President
Industrial Materials Group

Robert D. Heddens
Senior Vice President
Human Resources

Larry T. Solari
Senior Vice President and
President
Construction Products Group

Dr. Joel R. Bender
Vice President
Health, Safety and
Environmental Affairs

Charles R. Bland
Vice President and
Controller

Paula H. J. Cholmondeley
Vice President
Business Development and
Global Sourcing

William F. Dent
Vice President
Tax

Daniel W. Dymarkowski
Vice President
Industrial Relations

Charles D. McGill
Vice President
Information Systems

J. Dennis Menton
Vice President
International

Michael I. Miller
Vice President and
Treasurer

Bradford C. Oelman
Vice President
Corporate Relations

David G. Schlaudecker
Vice President
Environmental Affairs
and Regulatory Law

Gilbert Soors
Vice President
International Finance and
Assistant Treasurer

SCIENCE AND TECHNOLOGY

Dr. Sharell L. Mikesell
Vice President
Science and Technology

Dr. Grant F. Carruth
Vice President
Industrial Materials

Dr. Robert L. Houston
Vice President
Construction Products

Walter B. Reed
Vice President
Corporate Engineering

CONSTRUCTION PRODUCTS GROUP

Larry T. Solari
President

Insulation Division

Alan D. Booth
Vice President

Robert D. Bolyard
Vice President
Sales

Roofing and Asphalt Division

David T. Brown
Vice President

Edward Mirra
Vice President
Trumbull Products

Timothy E. Walsh
Vice President
Commercial Roofing

Retail and Distribution Division

Carl B. Hedlund
Vice President

J. Peter Detgen
Vice President
Sales

Thomas M. Seymour
Vice President
Retail Marketing

Jerry C. Sutter
Vice President
National Accounts

Windows Division

Dennis R. Barber
Vice President

Owens-Corning Canada

Derek J. Holden
Vice President
OC and President
and Chief Executive Officer

Richard B. Friesen
Vice President
Operations

John A. Vermeulen
Vice President
Marketing and Sales

Operations

Warren D. Knowlton
Vice President

Rudolph H. Kizer
Vice President
Roofing Manufacturing

Richard O. Webb
Vice President
Insulation Manufacturing

Finance

Frank E. Glover
Vice President

Planning and Growth

Wayne A. Earley
Vice President

INDUSTRIAL MATERIALS GROUP

Charles H. Dana
President

Robert J. DeGange
Vice President
Textile Materials
Marketing

John B. Jenks
Vice President
Resins and Coatings
Division

Maurice P. Lundrigan
Vice President
North American Sales

Patrick F. Moore
Vice President
Reinforcements Materials
Marketing

Robert G. Pistole
Vice President
Manufacturing

Jeremiah M. Sullivan
Vice President
Financial and Business
Planning

European Operations

Gregoire Amory
Vice President

Andre Toussaint
Vice President
Technical Operations

Efthimios O. Vidalis
Vice President
Reinforcements Division

Brazilian Operations

Scott K. Koepke
Vice President

General Information

Corporate Address
Owens-Corning World Headquarters
Fiberglas Tower
Toledo, Ohio 43659
(419) 248-8000

Shareholder Services
Owens-Corning maintains a Shareholder Services Office at world headquarters in Toledo, Ohio to assist stockholders. Inquiries are welcome at the world headquarters address.

Transfer Agent and Registrar
Chemical Bank acts as both Transfer Agent and Registrar for the Company. Questions on change of ownership, total shares owned, consolidation of accounts, and other such matters should be sent to Chemical Bank, Securityholder Relations, P.O. Box 24935 – Church Street Station, New York, New York 10249, or phone 1-800-647-4273.

Auditors
Arthur Andersen & Co., Toledo, Ohio is the independent public accounting firm for the Company.

Change of Address
A change of address should be reported promptly by sending a letter to Chemical Bank, Securityholder Relations, P.O. Box 24935 – Church Street Station, New York, New York 10249.

Form 10-K
The Company will provide without charge to any person who is a beneficial owner of its shares a copy of the Company's 1992 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission. Requests should be addressed to Sharon Traudt, Office of the Secretary, Owens-Corning Fiberglas Corporation, Fiberglas Tower, Toledo, Ohio 43659.

Annual Meeting
The annual stockholders meeting of Owens-Corning Fiberglas Corporation will be held in SeaGate Centre, 401 Jefferson Avenue, Toledo, Ohio at 2 p.m. Thursday, April 15, 1993.

Stock Exchange
Owens-Corning stock is listed for trading on the New York Stock Exchange under the symbol OCF.