Owens-Corning Fiberglas Corporation

1994 Annual Report

OWENS
CORNING

We Make The Difference

Business Overview

BUSINESS		PRODUCTS	MARKETS/END USES	DEMAND DRIVERS/GROWTH
Insulation–North America Largest manufacturer of glass fiber insulation in North America, with nine plants throughout U.S. and Canada		Pink Fiberglas® insulation; mechanical insulation; specialty insulation, including AURA™ superinsulation panels	Professional contractors in residential and commercial construction; mobile home manufacturers; automotive, appliance and refrigeration industries	■ Residential and commercial reinsulation, repair and remodeling activity – outpacing new construction in North America in 1995 ■ Growing awareness of energy conservation ■ Government regulations, Department of Energy regulations, increased insulation levels ■ Increasing size of homes, popularity of high-performance products
Roofing/Asphalt Leading manufacturer of residential roofing shingles and industrial asphalt in the U.S., with 15 roofing and 16 asphalt processing plants		Three-tab and architectural high-style residential roofing shingles; industrial asphalt for roofing felts and shingles, commercial roofing systems, water proofing, coatings, adhesives, product extenders and various automotive applications	Roofing shingles: residential construction and reroofing. Asphalt: residential shingle manufacture, commercial roofing systems, construction, automotive, chemical and rubber industries	■ Reroofing – 75% of market demand – including remodeling, repair and replacement. Homes historically need new roofs every 17 years ■ New residential construction – 25% of demand
Specialty and Foam Products Second largest producer and marketer, globally, of extruded polystyrene foam products. Specialty manufacturer and marketer of windows and patio doors		FOAMULAR® pink, extruded polystyrene, rigid foam insulation, foam products; windows, patio doors	Foam insulation and foam products: residential, commercial and industrial insulation, including agricultural buildings, cold storage, highway insulation and non-insulation applications. Windows/Patio Doors: new residential and commercial construction; remodeling, replacement	■ Remodeling/replacement activity ■ Commercial, industrial and institutional investment in real estate ■ New home construction activity ■ Increasing energy awareness; building code enhancements ■ Increasingly sophisticated architectural and technical specifications
Retail/Distribution Major driver of home building product sales through retail chains and home centers, totaling nearly 40% of building product sales and 25% of total corporate sales		The famous line of "Pink Products," including Pink*Plus*® brands of residential insulation, FOAMULAR® pink foam insulation and PinkWrap™ housewrap; roofing shingles; windows and patio doors	Retail outlets serving contractors and do-it-yourself customers throughout North America and expanding globally.	■ Rapid growth in global home improvement market – outpacing new construction in North America in 1995 ■ Strong position in North American retail outlets; global expansion in conjunction with retail chains ■ Growing awareness of energy conservation ■ Worldwide trends to upgrade building specifications ■ 75% driven by repair and remodeling; 15% residential and 10% commercial construction ■ Consumer demand for enhanced quality of life, comfort, convenience, security
Building Products–Europe Cornerstone for manufacture, marketing and sales of building products in the U.K. and the European continent		Residential and commercial building insulation; mechanical insulation	Building insulation: large insulation wholesalers, builder/merchants, distributors and retailers. Mechanical insulation: distributors, fabricators and manufacturers in the heating, ventilation, power and process industries, appliance and fire protection industries	■ Growing awareness of energy conservation ■ Increasing building performance regulations in the United Kingdom and Germany ■ Expansion into new geographic markets on the European continent by home building products retail outlets ■ Growing awareness of energy conservation ■ Increasing brand awareness – through expanded global marketing rights to the Pink Panther icon
Miraflex™ Products Commercialization team for newly introduced Miraflex™ fiber, related plant operations and new application development		Pink*Plus*® residential insulation featuring Miraflex™ fiber; additional products and applications currently in development	Residential insulation: home improvement contractors and do-it-yourselfers. Additional applications currently in development for use in Owens-Corning's home building products and glass fiber businesses	■ Worldwide demand for products that last ■ Growing awareness of energy conservation ■ Consumer demand for products which provide comfort, convenience, ease-of-use, superior performance ■ Need for increased return on retail shelf space ■ Need for superior cost and performance characteristics in new and existing applications currently supplied by synthetic, petroleum-based and natural fibers

BUSINESS		PRODUCTS	MARKETS/END USES	DEMAND DRIVERS/GROWTH
Composites **World's leading producer of glass fiber materials used in composites**		Reinforcements including rovings, chopped strands and dry-process mats; wet-chop strands/mats and veils; textile yarns	Used in 40,000 end-use applications in multiple industries, including automotive and truck, aerospace, marine, chemical, construction, electrical and electronics, fiber optics, packaging; also used in large diameter pipes, structural composites and high-performance fibers	■ Worldwide demand for products that last including design flexibility, increased durability and energy savings ■ Development of world economies and global markets ■ Major infrastructure development in third world countries ■ Trend towards increased substitution of glass fiber for more traditional materials, such as wood, aluminum or steel
Pipe Responsible for building the Company's pipe business around the world		Corrosion-resistant, large diameter, glass-reinforced plastic (GRP) pipe	Industrial and commercial water, chemical and sewage transport systems; municipal and governmental infrastructure projects	■ Population growth ■ Major infrastructure development by governments and private industry, especially in developing countries
Asia/Pacific Springboard for development of new growth opportunities in the Asia/Pacific region		Glass fibers for composite applications; commercial and residential building insulation; mechanical and other insulation products; large diameter GRP pipe	Construction, automotive, electronics, other manufacturing industries; major infrastructure projects	■ Worldwide demand for products that last including design flexibility, increased durability and energy savings ■ Growing awareness of energy conservation ■ Rapid infrastructure development
Latin America Springboard for development of new growth opportunities in the Latin American region		Glass fibers for composite applications; mechanical insulation, residential and commercial building insulation; large diameter GRP pipe; imported roofing shingles	Automotive, electronics, other manufacturing industries; repair and remodeling; new construction; major infrastructure projects	■ Worldwide demand for products that last including design flexibility, increased durability and energy savings ■ Growing awareness of energy conservation ■ Rapid infrastructure development ■ New construction and renovation in developing countries
Western Fiberglass Group Unique capabilities in small furnace technology and small plant operations, supporting a focused manufacturing strategy and expansion into developing countries		Residential and commercial building insulation	Professional contractors in residential and commercial construction; retail outlets	■ Increased demand for insulation products in developing countries ■ Cost competitiveness of smaller plant operations in developing countries

The color "Pink" is a registered trademark of Owens-Corning Fiberglas Corporation.

Financial Highlights

Income Statement

(In millions of dollars, except per share data and where noted)	Year Ended December 31, **1994**	1993	1992
Net Sales	**$ 3,351**	$ 2,944	$ 2,878
Gross Margin	**$ 815**	$ 678	$ 644
Income from ongoing operations	**$ 343**	$ 267	$ 229
Income from operations	**$ 226**	$ 236	$ 213
Net Income	**$ 169**	$ 131	$ 73
As a percent of sales	**5%**	4%	3%
Per Share Information			
Fully Diluted Earnings per Share			
Net Income from ongoing operations	**$ 3.35**	$ 2.56	$ 1.87
Net Income per Share	**$ 3.35**	$ 2.81	$ 1.67
Shares outstanding (in thousands)			
Fully diluted	**50,025**	49,410	48,844

Balance Sheet

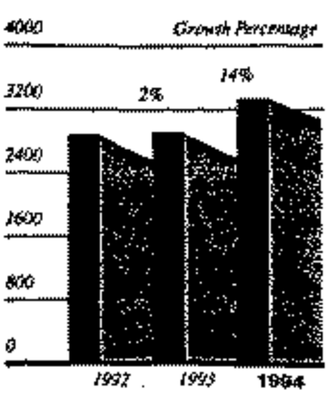
(In millions of dollars)	Year Ended December 31, **1994**	1993	1992
Total assets	**$ 3,274**	$ 3,013	$ 3,162
Total debt	**$ 1,212**	$ 1,004	$ 1,099
Total other liabilities	**$ 2,742**	$ 2,878	$ 3,071
Total stockholders' equity	**$ (680)**	$ (869)	$ (1,008)

Cash Flows

(In millions of dollars)	Year Ended December 31, **1994**	1993	1992
Net cash flow from operations	**$ 361**	$ 312	$ 184
Net cash flow from investing	**$ (355)**	$ (178)	$ (134)
Net cash flow from financing	**$ 178**	$ (74)	$ (59)
Net cash flow from asbestos-related activities	**$ (128)**	$ (59)	$ 8
Capital spending	**$ 258**	$ 178	$ 144

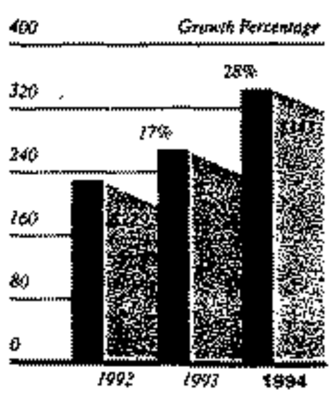
Net Sales

(In millions of dollars)



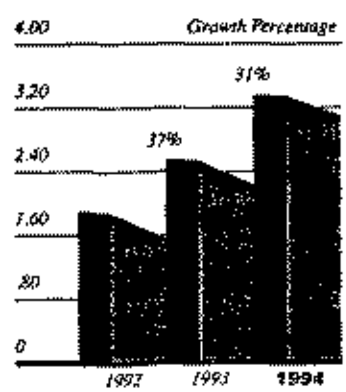
Income from Ongoing Operations

(In millions of dollars)



Fully Diluted Earnings per Share (Ongoing Operations)

(In dollars)



To Our Shareholders

Many promises were made in last year's shareholder letter and I am happy to report that, on nearly every one of them, Owens-Corning delivered. The most satisfying was a sales growth of $400 million, the largest since 1979.

We introduced new technologies and products, enhanced productivity, earnings and revenues and expanded globally through new joint ventures and non-dilutive acquisitions. Disappointments along the way included a tougher-than-anticipated entry into Far East markets and lagging profitability in our roofing and window businesses. We never lost focus, however, on our commitment to build long-term value for Owens-Corning shareholders.

Glen H. Hiner
Chairman and
Chief Executive Officer

To that end, 1994 marked the third consecutive year and 12th *consecutive quarter* that we achieved our goal of reporting higher earnings than the same period the year before.

Reflecting a five percent boost in *productivity, Owens-Corning's* net income from ongoing operations, before special items, rose 35 percent to $159 million, or $3.35 per fully diluted share, compared to $118 million, or $2.56 per share in 1993. Net sales for the year were $3.351 billion, up 14 percent from 1993's $2.944 billion.

These numbers alone do not capture the full magnitude of the year's achievements. 1994 was a year in which Owens-Corning became *increasingly global, diversified and even better prepared to* compete and succeed in the global marketplace. Today, 20 percent of sales are related to new construction in the United States. *A full 60* percent of sales are driven primarily by businesses serving the worldwide composites and home improvement markets.

We are externally focused on our customers, our markets and on anticipating and responding to world trends. In our drive to be a *$5 billion company by the year 2000*, we are growing our core businesses, developing new technologies, introducing new products and expanding globally.

Bringing Technologies to Market

By far our most dramatic technology breakthrough during 1994 was Miraflex™ fiber, the first new form of glass fiber in nearly 60 years. Launched in September, Miraflex™ fiber promises to revolutionize the insulation industry and compete with synthetic, petroleum-based and natural fibers in a wide range of products. More than 30 patents are pending and the Company is aggressively seeking additional protection worldwide.

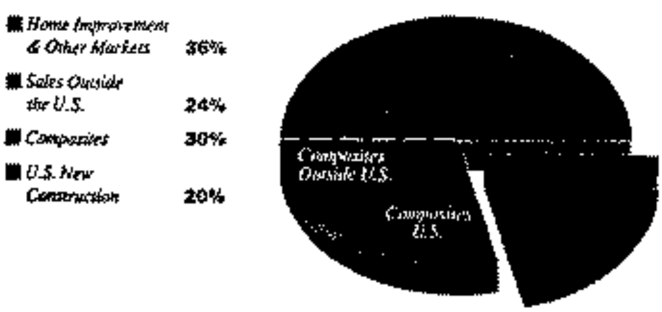
Our first application is a home attic insulation product called Pink*Plus*® with Miraflex™ fiber. We are actively developing additional Miraflex™ fiber applications and are particularly excited about its potential in our composites business.

Owens-Corning's second technology breakthrough of 1994 was a patented system for manufacturing roofing shingles. The result, a line we call Prominence™, can be produced faster and more cost-effectively than the traditional laminates with which it competes. Launched in early 1995, it is expected to expand the Company's position in the shingle market.

With contracts signed in 1994, initial revenues for our revolutionary AURA™ superinsulation panels will be recorded in the current fiscal year. Customers include Whirlpool, from whom we recently received a significant repeat order, and several refrigerator manufacturers in Europe.

Another 1994 accomplishment was last April's re-opening of our composites plant in Jackson, Tennessee. On-line for only nine months in 1994, this world-class, state-of-the-art facility is setting new standards for teamwork and productivity. Constructed with the latest in environmental controls, the plant recycles its own waste and controls its stack emissions to levels well below government standards. The plant will deliver even more to the bottom line in 1995 and beyond.

Owens-Corning 1994 Sales Profile



Diversified Revenue Base

Sales are becoming increasingly diversified and global with 80 percent derived from sources outside the U.S. new construction market.

Global Expansion

Owens-Corning was active last year in seeking and completing non-dilutive first-year acquisitions and new joint ventures. Through these, we extended our global reach to 19 new locations.

The Company's purchase last June of the insulation and industrial supply businesses of U.K.-based Pilkington plc contributed to 1994 sales and earnings. Together with our project to increase the output of our plant in Visé, Belgium, by 50 percent, the newly acquired facilities will be a springboard for growth in tandem with the pace of Europe's demand for insulating materials.

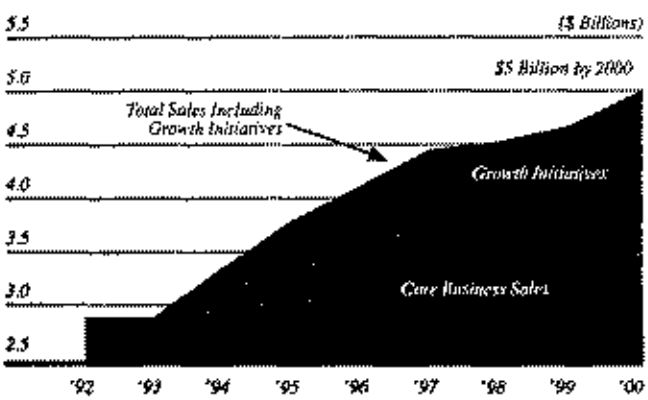
In the U.S., we acquired UC Industries, Inc., a producer of pink, extruded polystyrene, foam insulation products that add an important new line to our Pink trademark. We also completed the formation of Alpha/Owens-Corning, L.L.C., a joint venture that is now the largest producer of polyester resins in North America. We broke ground on our first two plants in China, established an insulation plant in Thailand and extended our drive to capitalize on the $9 billion market for infrastructure pipe by dedicating our joint venture plant in Germany and announcing a new joint venture in Spain.

Portfolio Actions and Challenges

We not only added new businesses in 1994, but fixed or sold others as part of our strategic portfolio realignment. Actions included the sale of our underground storage tank business, closing of our Resol product line and the exchange of our commercial roofing business for the residential roofing business of Schuller International. These measures enable us to focus our full attention and resources on our core businesses and our global growth agenda.

In our roofing business, sales volume increased in 1994 while earnings were disappointing due to price weakness in that market. The Company's window business achieved sales gains and productivity improvements in 1994 but has not yet reached the break-even point. We are actively addressing these issues through new product introductions and improvements in price and productivity, and expect significant improvement in 1995.

Owens-Corning Vision 2000



The Company's Vision for 2000 is driven by growth in core businesses, as well as through new technologies, new products and geographic expansion.

In the area of asbestos, case filings and resolutions in 1994 were down from 1993. We remain confident in the manageability of this issue as we pursue our growth objectives.

Looking Ahead

Owens-Corning emerged from the last fiscal year dynamic, aggressive and strategically focused, with new technologies and products that are uniquely positioned to respond to the worldwide drive to conserve energy, expand infrastructure and build structures with greater strength, resilience and enduring value.

Last August, at a well-attended New York press conference, we introduced a new corporate promise: **Owens-Corning: We Make The Difference™**. The very essence of the Owens-Corning brand is making a difference. Our products and services can be expected to deliver greater value; our materials can be expected to make products stronger, lighter and more energy-efficient; and our people can be expected to personify a commitment to customer satisfaction, individual dignity and shareholder value.

As we continue to make a difference in the marketplace and in people's lives every day, we have set ambitious, but achievable, goals of generating steadily increasing, profitable sales reaching $5 billion by the end of the decade. We know what we must do to get there, we are delivering and we are genuinely grateful for your support.

Glen H. Hiner
Chairman and Chief Executive Officer
March, 1995

19 New Locations

In its mission to be the world leader in all markets in which it competes, Owens-Corning continues to capitalize on expansion opportunities around the globe. The Company added 19 new locations over the last year, resulting in increased geographic and market penetration and diversification of revenues.

Global Demand Drives Worldwide Expansion

In its mission to be the world leader in all markets in which it competes, Owens-Corning continues to capitalize on expansion opportunities around the globe. The Company's presence in more than 30 countries provides unparalleled reach and scale economies, including opportunities for integration of product and market intelligence and shared technological expertise.

In 1994, Owens-Corning added 19 new locations, expanding its global reach through non-dilutive acquisitions and formation of joint venture alliances. The year was marked by significant expansion in Europe and Asia/Pacific, in addition to a strategic acquisition and major plant reopening in North America. During the year, global rights to the widely recognized Pink Panther icon also were secured.

Geographic and market diversification are at the heart of the Company's year 2000 goal of $5 billion in global sales. Sales outside the United States are expected to grow from 24 percent in 1994 to 40 percent by the end of the decade.

Product/Market Diversification

In 1994, Owens-Corning entered the pink, extruded polystyrene, rigid foam insulation business with its acquisition of U.S.-based UC Industries, Inc., and reopened its model Jackson, Tennessee, composites plant to meet growing worldwide demand.

In June 1994, the Company purchased the insulation and industrial supply businesses of U.K.-based Pilkington plc, and is currently completing a 50 percent increase in capacity at its insulation plant in Visé, Belgium. These actions will springboard the Company's growth in building products throughout Europe.

In 1995, the Company is exploring opportunities to extend its successful North American retail franchise for building products to Europe, and is evaluating the potential for introduction of its famous Pink brand on the continent. Recovery of the European economy is also anticipated to boost sales of Owens-Corning composite materials and pipe infrastructure products.

The Pacific Rim and Beyond

Owens-Corning's expansion in 1994 in Asia/Pacific was dramatic, encompassing insulation and large diameter pipe. In 1994, the Company dedicated its first insulation plant in Thailand; began construction of its first insulation facility in Guangzhou, China, to be completed by mid-1995; and began active negotiations for a third insulation plant to start-up by mid-1996. These additions established an immediate market presence for Owens-Corning's insulation products and promise attractive financial returns. Capitalizing on rapid infrastructure development in the region, Owens-Corning also broke ground on its first wholly-owned pipe plant in China, slated to open in Changchun in the first half of 1995.

In Latin America, where Owens-Corning enjoys a dominant position in glass fiber for composites applications, emphasis is on growing market demand through increased production and process innovation, productivity improvements and geographic expansion. Owens-Corning already is successfully importing building products, including glass fiber shingles, into the region, and is actively exploring joint ventures in Argentina, Brazil, Chile and Colombia.

In early 1995, the Company acquired U.S.-based Western Fiberglass Group as a wholly-owned subsidiary, adding unique capabilities in small plant operations and small furnace technology to propel its focused manufacturing strategy and expansion of insulation activities into developing countries.

Owens-Corning expanded to 19 new locations in 1994 to meet growing demand. Glass fiber produced from raw materials, here at the newly acquired St. Helens facility in Great Britain (far left), is manufactured into various product applications and packaged for shipment (center left). Moving quickly through Owens-Corning's extensive distribution network, such as this dock at the Kitsons facility in Great Britain (left), the finished glass fiber product reaches its final destination. A technician installs Owens-Corning's Crown Pipe Insulation (this page), the U.K.'s leading pipe insulation, which now offers the added benefit of a self-sealing overlap.

Technology: Making the Difference

An exciting new product or breakthrough technology is only as profitable as the process that brings it to market. Owens-Corning's global Science & Technology team is highly proficient at development of new technologies and products and rapid development of market-ready applications.

With a nearly 50% increase in R&D spending over the last five years, the Company's investment is paying off with new product introductions and new applications tailored to expanding *global markets.* The Company's aggressive growth and expansion strategy includes creative use of alliances, engineering partnerships and joint development agreements to bring these new technologies to market in record time.

Miraflex™ Fiber

Owens-Corning's revolutionary Miraflex™ fiber is the first new form of glass fiber in nearly 60 years. Created *with a proprietary bi-component technology* in which two different glass compositions are combined into one fiber, Miraflex™ fiber will compete with synthetic, petroleum-based and even natural fibers in unlimited applications. More than 30 patents on the new fiber, its applications and technology are pending worldwide.

The first commercial application is Pink*Plus*® insulation with Miraflex™ fiber, expected to revolutionize the $4 billion glass fiber insulation industry. Flexible, soft to the touch and virtually itch-free, the insulation can be compressed into rolls 75% smaller than standard insulation.

Introduced in fall 1994, the product is manufactured at a new plant in Mt. Vernon, Ohio, and will be more broadly available in North America in 1995.

AURA™ Superinsulation

In 1994, the Company perfected its new AURA™ superinsulation vacuum panels of thermally-crafted glass fiber in a stainless steel envelope. This breakthrough technology has the potential to revolutionize the $27 billion global refrigerator industry.

A prototype refrigerator using *only AURA™* superinsulation has 25% more internal capacity and uses up to 33% less energy. In just five months, the Company developed a similar prototype for the European market. In 1994, Whirlpool Corporation placed a $5 million order for this new breakthrough insulation, and recently placed a significant repeat order.

Prominence™ Shingles

In 1994, Owens-Corning developed Prominence™, a new roofing shingle with the aesthetic appeal of a high-style laminate shingle and the value, practicality and cost-effectiveness of a three-tab. Produced using an exclusive technology for which patent applications have been filed and *broad patent protection* is expected, Prominence™ shingles were introduced to the retail market in early 1995.

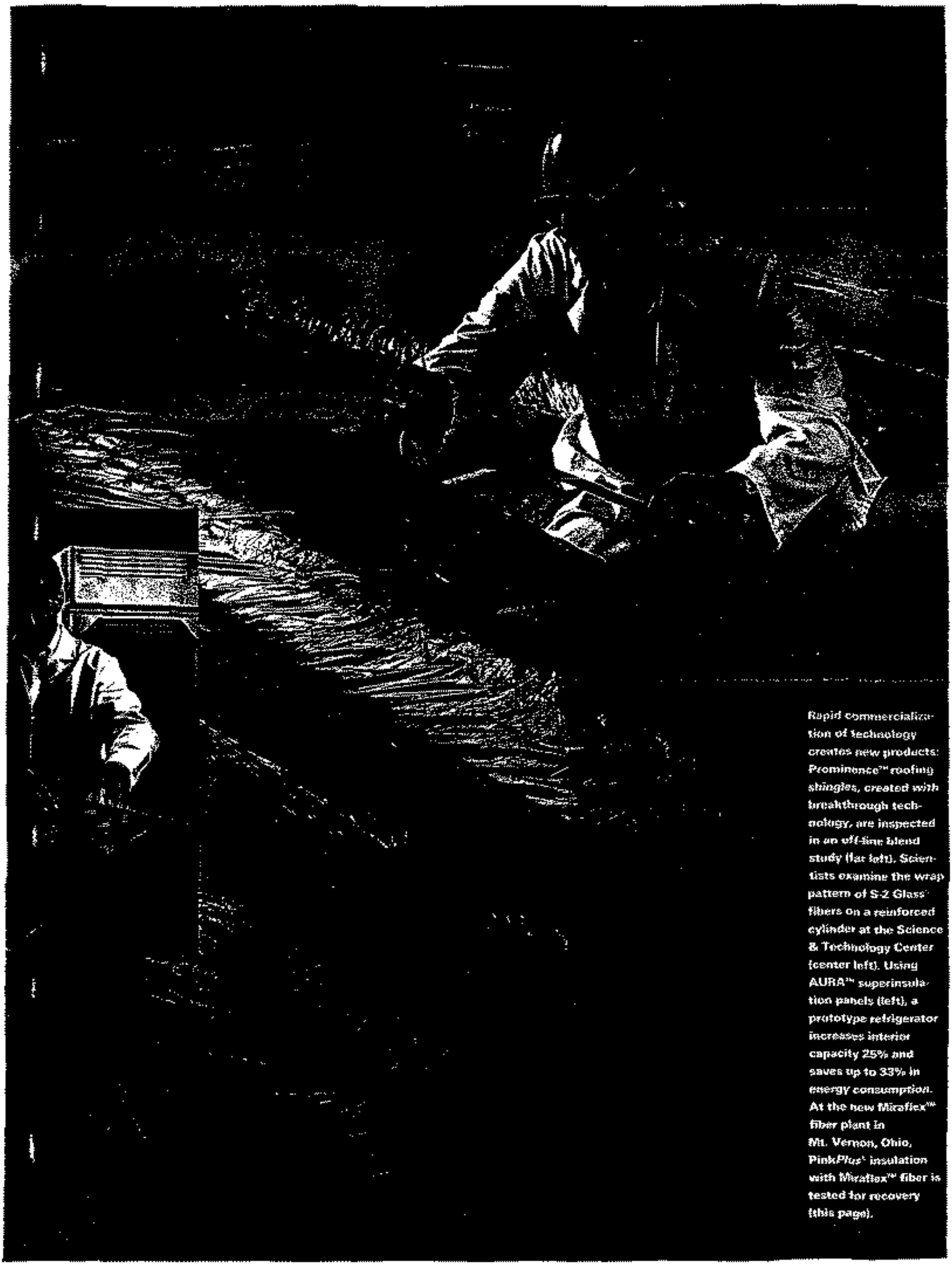
Composite Applications

The Company continues to develop diverse composite applications with advanced glass fiber technology,

ranging from *Shakespeare utility poles* to snow skis made with Advantex™ glass fibers.

Looking Ahead

Owens-Corning's Alpha Laboratory was created to advance quantum leap achievements, explore new commercial applications and reduce cycle time for introducing new products to market. Engineering partnerships with world-class firms will ensure further productivity enhancements and standardize construction and replicability *of facilities around the world in record time.*



Rapid commercialization of technology creates new products: *Prominence™ roofing shingles*, created with breakthrough technology, are inspected in an off-line blend study (far left). Scientists examine the wrap pattern of S-2 Glass® fibers on a reinforced cylinder at the Science & Technology Center (center left). Using AURA™ superinsulation panels (left), a prototype refrigerator increases interior capacity 25% and saves up to 33% in energy consumption. At the new Miraflex™ fiber plant in Mt. Vernon, Ohio, Pink*Plus*® insulation with Miraflex™ fiber is tested for recovery (this page).

wens-Corning home building products build "pink" houses from he top down. "Do-it-yourself" consumers (ar right), upgrade heir home with PinkPlus attic insulation, poly-wrapped for asier handling. Owens-Corning brand windows add value to a ew house constructed with PinkWrap™ house-wrap (center right), designed to prevent air nfiltration into the home. Roofing shingles, oth traditional three-tab and architectural high-style, are created with glass fiber mat for superior weatherability, right). Contractors choose FOAMULAR rigid foam panels (this page), as a final insulating layer in construction of today's energy-efficient homes.

Building "Pink" Houses Around the World

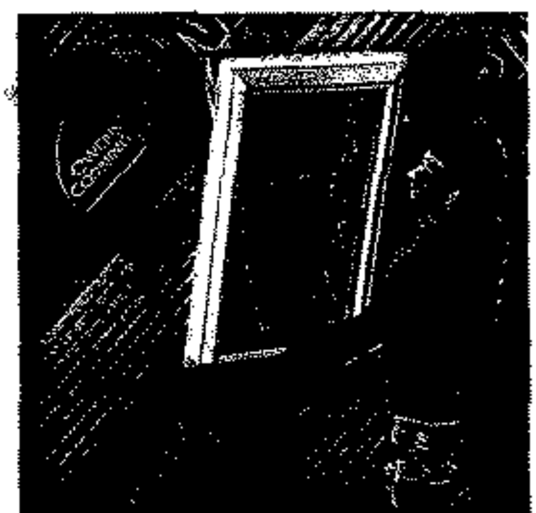
© 1995 UAP

Owens-Corning is widely recognized for its Pink Panther icon, trademark color Pink and famous pink Fiberglas® insulation. In the home building products market, the Company's reach extends to roofing shingles, pink foam insulation, pink housewrap, windows and other home building products.

With 75% of retail sales driven by home improvement trends, demand for home building products is on the rise. The $247 billion global home improvement market is expected to grow 7% in 1995 and over 50% in the U.S. over the next five years, surpassing new construction sales for the first time in 1995. The Baby Boom population, the aging housing market in North America, enhanced emphasis on quality of life, comfort and security and growing awareness of energy conservation around the world are driving consumer demands to which Owens-Corning is responding.

Strategic Positioning

In 1994, Owens-Corning implemented a building products expansion strategy to continue to aggressively respond to consumer needs and increase market share,



both in variety of products offered and in global markets served. The Company's strategy is to leverage and build on Owens-Corning's strong brand equity, taking full advantage of its extensive retail distribution network to move new products to markets around the world.

As do-it-yourself customers increase in number, Owens-Corning continues to expand its presence with national and independent retail chains and home centers. The Company sells to 60% of all major retail outlets in North America and through 10 of the top 15 home centers worldwide. The 1994 acquisition of U.S.-based UC Industries, Inc., increased global presence with a line of pink, extruded polystyrene, foam insulation products licensed for manufacture in nine other locations around the world, including Canada, Europe, the Middle East and Asia.

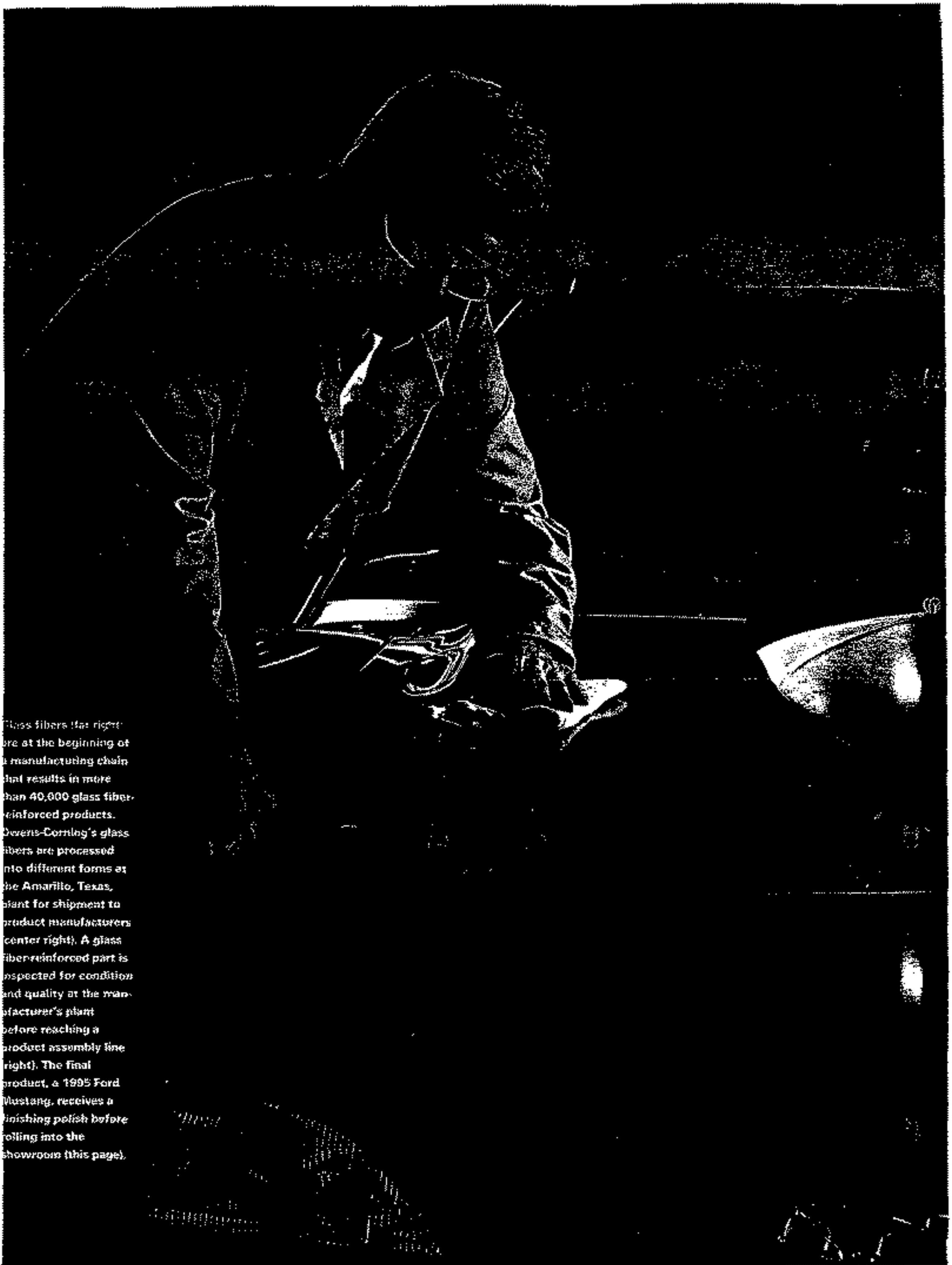
Emphasis on customer support includes in-store training, database marketing and the Company's 1-800-GET-PINK hotline, providing solutions for the do-it-yourselfer and professional contractor.

New Product Launches

Owens-Corning is introducing new product lines and categories through product development, acquisitions and rebranding of products manufactured to the Company's rigid specifications, including:

- Pink*Plus*® insulation featuring Miraflex™ fiber. Extremely resilient, the insulation can be compressed into rolls 75% smaller than standard insulation, making it easier to store, transport and install.
- FOAMULAR® pink, extruded polystyrene, rigid foam insulation. Produced with the proprietary HYDROVAC™ process, foam products come in a variety of R-values and strengths for residential, commercial and industrial insulation and for non-insulation purposes.
- Prominence™, a new roofing shingle, combining the aesthetic appeal and performance of a laminate shingle with the value and practicality of a three-tab.
- PinkWrap™, a housewrap product designed to prevent air infiltration into the home.

- A new line of Owens-Corning branded vinyl windows, extending the Company's product offering for residential and light commercial applications.



Glass fibers (far right) are at the beginning of a manufacturing chain that results in more than 40,000 glass fiber-reinforced products. Owens-Corning's glass fibers are processed into different forms at the Amarillo, Texas, plant for shipment to product manufacturers (center right). A glass fiber-reinforced part is inspected for condition and quality at the manufacturer's plant before reaching a product assembly line (right). The final product, a 1995 Ford Mustang, receives a finishing polish before rolling into the showroom (this page).

Expanding the Demand for Products that Last

As world economies develop, markets merge and consumers' tastes become ever-discerning, Owens-Corning, long known as a producer of premium building materials, is in a unique position to capitalize on its position as a leading producer of glass fibers used in composites. Found in everything from computers to municipal water pipes, composites contribute to better products and higher living standards the world over.

Composites are fabricated materials comprised of two or more components, such as plastic resin and glass fiber, and used to replace traditional materials like wood, aluminum and steel, in myriad applications.

Responding to worldwide demand for products that last, this materials combination provides numerous advantages, from design flexibility to improvements in durability, energy savings and cost reduction.

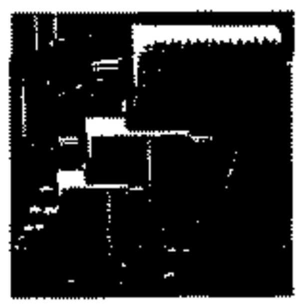
40,000 End-Use Products

Glass fiber composites are found in more than 40,000 end-use products. The advantages are so dramatic that, typically, once a product or industry converts to use of composites, the change is permanent. Glass fiber composites virtually surround us, from cars, boats and airplanes, to everyday uses including vinyl flooring, vertical blinds, small appliances, utility poles, roofing shingles and packaging tape. Because of their relatively simple manufacturing process, tubs, showers and related building products are often among the first successful applications for composites in developing countries.

In 1994, Owens-Corning expanded its strong number one position in the $3.7 billion glass fiber industry, propelled by its global manufacturing and materials sourcing network, technical expertise, low cost production, strong distribution channels and brand recognition. Owens-Corning's glass fiber business also enjoys operating synergies within the Company, supplying its pipe, windows and roofing operations.

Powerful Brands

To underscore innovation and versatility, an ingredient branding strategy was launched in 1994, beginning with a joint effort with the maker of K2 skis. K2's recent introduction of the new Missile Ski, tagged to identify



Owens-Corning's Advantex™ fiber, was the most successful launch in K2's history. The Company also is a co-sponsor of the 1994/95 Freestyle World Cup skiing competition, helping to generate awareness of skis and equipment made with glass fiber and underscoring the performance and durability of Owens-Corning products. The Company's Advantex™, S-2 Glass®, Hollex™ and ECRGLAS® brands of glass fiber are synonymous with top quality composite materials.

Continued Leadership

As a world leader, Owens-Corning is working to develop innovative initiatives to recycle glass composites and reduce solid waste. The Company recently acquired an equity position in and management responsibility for Phoenix Fibreglass, a Canadian-based recycling entity, and is working closely with an industry recycling coalition in Europe called ERCOM.

Use of composites within the developed markets of Europe and North America continues to rise and demand in Asia/Pacific and Latin America represents significant growth opportunity. The Company is poised to meet this growth through expansion of its capacity for production worldwide, led by the re-opening of its model plant in Jackson, Tennessee. Owens-Corning is expanding the boundaries of the composites industry, with confidence that the long-term potential for new applications and new materials is virtually limitless.

Working Toward a Common Good

The spirit of Owens-Corning reaches far into the global communities with which it works. The Company strives to enhance and enrich these communities through a variety of civic and environmental projects, through monetary contributions, donations of materials, expertise and volunteer time.

The largest share of the annual giving budget is designated to health and human services, with the United Way receiving over $1 million dollars in Company and employee contributions in 1994. Over 30 other health and human services organizations receive support as well. The Company also supports cultural programs encompassing public television, museums, music, ballet and the arts.

Think Globally, Act Locally

Though increasingly global in scope, Owens-Corning realizes local facilities often know best the needs of their communities. At the local level, homeless and low-income housing projects generate considerable support. Employee volunteer teams worked with Habitat for Humanity, building and insulating dozens of homes around the country,

including part of an Indian Reservation and flood-damaged homes in southeast Texas and the Midwest. Shingles and insulation went to the mountains of Kentucky through the Christian Appalachian Project. Also in 1994, a donation of over $1.8 million worth of Pink*Plus*® insulation, nearly 160,000 rolls, was delivered to Gifts In Kind America to insulate more than 5,000 homes.

Support of education is also a major priority. Local facilities participate in Adopt-A-School and Junior Achievement programs, where volunteers develop school programs, read to and tutor students. The focus is on "at-risk" students — those most likely to drop out before graduation. College-bound children of employees benefit from an Owens-Corning scholarship foundation.

The World Around Us

Owens-Corning is firmly committed to the environment, through education and action. In one of 1994's most successful programs, an elementary school reader titled *A Raindrop's Journey* teaches awareness of the environment and our interdependence with earth. More than 40,000 copies have been donated in North America and Europe and the book has been translated into French and soon Spanish.

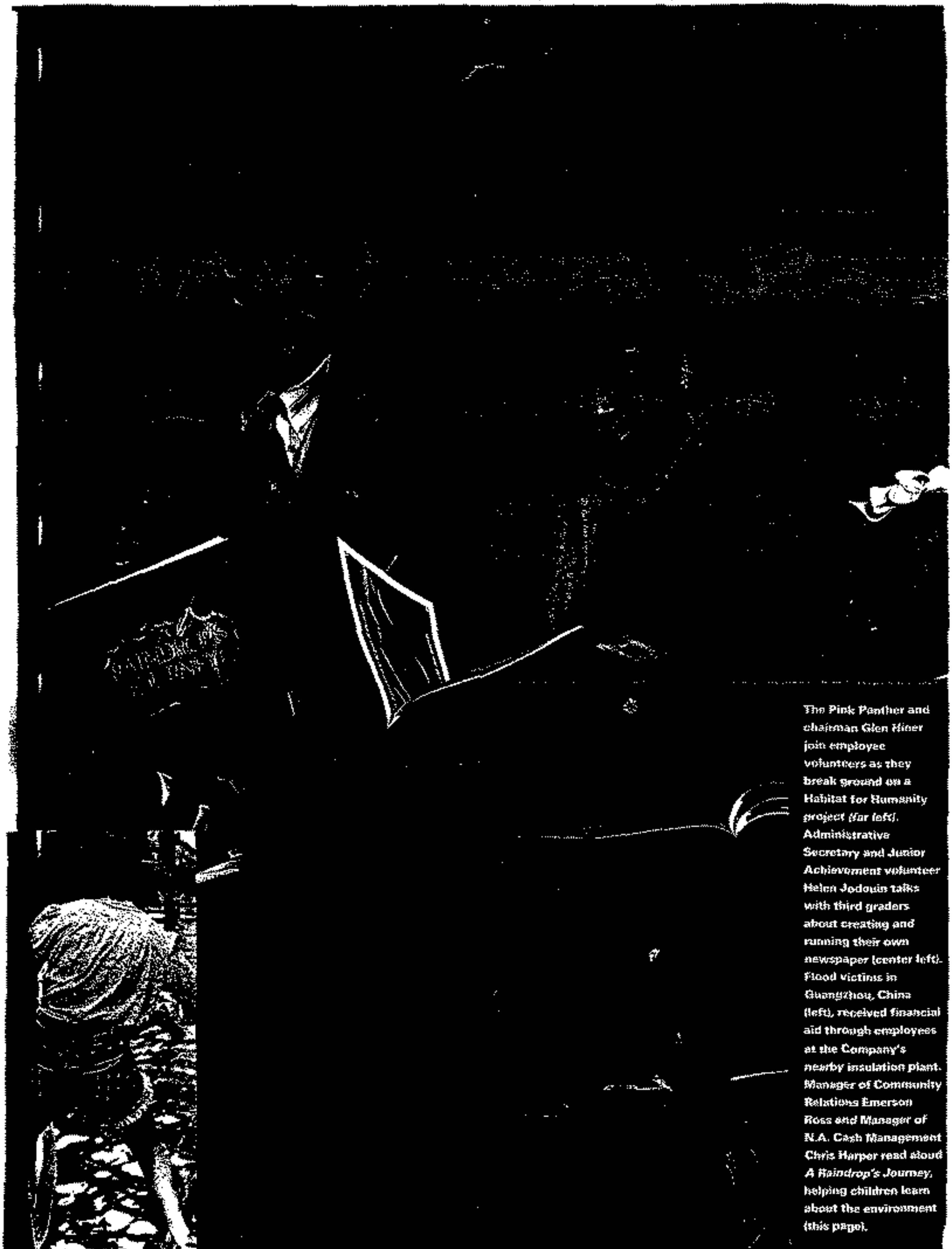
Corporate support continues for environmental programs, including recycling, beautification and clean-up projects and environmental grants. A wetlands regentrification received $30,000 and volunteer labor. From selecting environmentally friendly raw materials to generating less waste at each plant, Owens-Corning takes seriously its commitment to environmental stewardship.

A Global Community Toward A Common Good

Corporate giving and responsibility doesn't stop at the shores of North America. Owens-Corning facilities around the world are active and generous contributors to an emerging global society.

The Company and its employees provide help wherever and whenever they can, from refrigerator donations in Brazil to flood relief in China. In Botswana, Owens-Corning has committed $75,000 to a hospital near

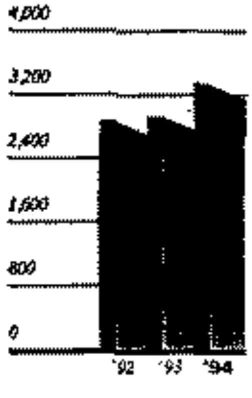
its new Gabarone pipe plant, for medical equipment, renovation and staff training. In 1994, Owens-Corning's corporate giving program surpassed all goals in outreach to world communities. The Company, together with its employees around the world, strives to make a difference toward the common good.



The Pink Panther and chairman Glen Hiner join employee volunteers as they break ground on a Habitat for Humanity project *(far left)*. Administrative Secretary and Junior Achievement volunteer Helen Jodouin talks with third graders about creating and running their own newspaper (center left). Flood victims in Guangzhou, China (left), received financial aid through employees at the Company's nearby insulation plant. Manager of Community Relations Emerson Ross and Manager of N.A. Cash Management Chris Harper read aloud *A Raindrop's Journey*, helping children learn about the environment (this page).

Management's Discussion and Analysis

Net Sales
(In millions of dollars)



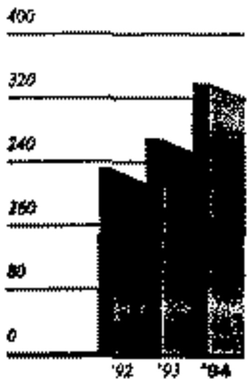
Results of Operations

Net income for the year ended December 31, 1994 was $159 million, or $3.35 per share, compared to net income of $131 million, or $2.81 per share, and net income of $73 million, or $1.67, for the years ended December 31, 1993 and 1992, respectively. The 1994 earnings growth reflects volume, price and productivity gains, as well as the benefits of 1994 acquisitions.

Net income of $159 million for the year ended December 31, 1994 includes the following offsetting special items from the first quarter: an after-tax gain of $123 million, or $2.45 per share, reflecting a change to the capital method of accounting for the rebuilding of glass melting facilities; an after-tax charge of $85 million, or $1.69 per share, for productivity initiatives and other actions; a non-cash, after-tax charge of $10 million, or $.20 per share, to reflect adoption of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for plans outside the United States; and a non-cash, after-tax charge of $28 million, or $.56 per share, to reflect adoption of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Please see notes 5, 6 and 7 to the Consolidated Financial Statements.

Excluding special items, net income for the year ended December 31, 1993 was $118 million, or $2.56 per share. The 1993 special items included: a credit of $26 million, or $.53 per share, for the cumulative effect of adopting the accounting standard for income taxes (SFAS No. 109); a one-time gain of $14 million, or $.29 per share, reflecting a tax benefit resulting from a revaluation of deferred taxes, offset, in part, by an increase in the Company's corporate tax liability, necessitated by the increase in the federal statutory tax rate; an after-tax charge of $5 million, or $.10 per share, for the write-down of the Company's hydrocarbon ventures to their net realizable value; and a charge of $23 million, or $.47 per share, for the restructuring of the Company's European operations. Please see notes 5 and 9 to the Consolidated Financial Statements.

Income from Ongoing Operations*
(In millions of dollars)

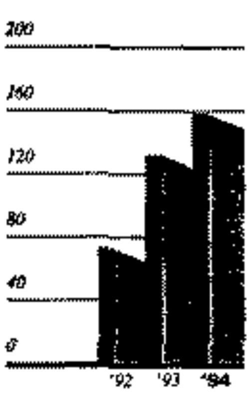


*Excluding special items

Excluding special items, net income for the year ended December 31, 1992 was $83 million, or $1.87 per share. The 1992 special items included an after-tax charge of $11 million, or $.22 per share, to reorganize the Company's Building Products segment and to centralize the Company's accounting and information systems, and a net extraordinary gain of $1 million, or $.02 per share, resulting from the utilization of tax loss carryforwards, partially offset by a loss on the early retirement of debt. Please see notes 2, 5 and 9 to the Consolidated Financial Statements.

Net sales were $3.351 billion for the year ended December 31, 1994, reflecting a 14% increase from the 1993 level of $2.944 billion. Net sales in 1992 were $2.878 billion. Approximately 10% of the 1994 growth in sales resulted from volume and pricing gains, while the balance came from acquisitions. Please see note 4 to the Consolidated Financial Statements. Gross margin for the year ended December 31, 1994 increased to 24%, compared to 23% and 22% in 1993 and 1992, respectively, reflecting volume and pricing gains, as well as productivity improvements. Earnings before interest and taxes (EBIT) from ongoing operations increased to $343 million in 1994, from $267 million in 1993 and $229 million in 1992.

Net Income
(In millions of dollars)

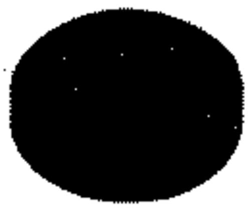


Operating expenses increased by $147 million in 1994 due to restructure costs of $89 million, final costs of approximately $20 million associated with the administration of the Company's former commercial roofing business, marketing and administrative costs from acquired businesses of approximately $20 million, marketing costs associated with the Company's new global brand awareness program, and additional costs of expanding into new global markets.

In the Building Products segment, sales increased 17% for the year ended December 31, 1994 compared to 1993. This growth reflects increased demand and pricing, as well as increased sales ($134 million) resulting from the second quarter 1994 acquisitions of UC Industries, Inc. and the United Kingdom-based insulation and industrial supply businesses of Pilkington plc ("the U.K. acquisition"). Excluding the charge for restructure and other initiatives, income from operations for Building Products increased 47 percent in 1994, reflecting earnings growth in the United States, Europe and Canada.

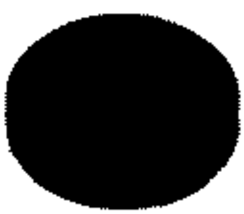
Industry Segment Data
(In millions of dollars)

Net Sales **$3,351**



Building Products $2,273
Industrial Materials $1,078

Income from Operations* **$298**



Building Products $189
Industrial Materials $109

**Includes intersegment transactions*

Building Products sales in the United States increased 15% over the 1993 level, led by an increase in the Company's home improvement and new construction insulation businesses. The Company is completing the integration of its June 1994 U.K. acquisition, and is adding a second production line at its insulation plant in Visé, Belgium, which is scheduled for completion during the first half of 1995. In January 1994, the Company exchanged its commercial roofing business for Schuller International's residential roofing business. This transaction tripled the Company's capacity to produce high-style laminate shingles. Roofing sales volume increased during 1994 while earnings were disappointing due to price weakness in that market. The window business achieved sales gains and productivity improvements during the year, but has not yet reached break-even. During the second quarter of 1994, the Company established a joint venture to manufacture insulation products in Guangzhou, The People's Republic of China.

In the Industrial Materials segment, sales increased 8% during 1994 compared to the 1993 level. U. S. composites sales grew 13%, driven by continued demand in the automotive sector and a broad range of the Company's industrial markets. While the April 1994 reactivation of the Company's Jackson, Tennessee plant increased the Company's capacity, the Company continues to import products into the U.S. from other worldwide operations, in order to meet North American demand for the Company's glass fiber reinforcements. During the third quarter of 1994, the Company entered into a joint venture with Alpha Corporation of Tennessee, whereby the two companies combined their existing resin businesses to form Alpha/Owens-Corning, L.L.C., the largest manufacturer of polyester resins in North America. The Company contributed two manufacturing plants (Valparaiso, Indiana and Guelph, Ontario) and owns a fifty percent interest in the joint venture. Please see note 4 to the Consolidated Financial Statements.

In Europe, the Company's composites operations benefited from economic improvement. Increased demand and the effects of productivity initiatives resulted in positive income from operations for the fourth quarter of 1994. The Company expects the European economic recovery to continue in 1995.

During the second quarter of 1994 the Company dedicated a new joint venture manufacturing plant for glass-reinforced plastic pipe in Mochau, Germany. Construction is currently underway on a new manufacturing plant for glass-reinforced plastic pipe in Changchun, The People's Republic of China. The Company also announced the formation of a new joint venture manufacturing plant for glass-reinforced plastic pipe in Camarles, Spain.

Late in the fourth quarter of 1994, the Company completed the sale of its underground storage tank manufacturing business. This sale, combined with the closing of the Company's Resol product line, the exchange of the commercial roofing business for Schuller International's residential roofing business, and the establishment of a resins and coatings joint venture, completes the Company's previously announced portfolio realignment and allows the Company to focus its resources and attention on core businesses and global growth. Please see note 4 to the Consolidated Financial Statements.

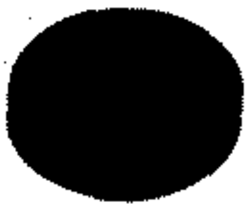
The Company's cost of borrowed funds for the year ended December 31, 1994 was $5 million higher than 1993 due to increased borrowing and higher interest rates during 1994. Please see notes 2 and 3 to the Consolidated Financial Statements.

During 1994, the Company's Canadian operations generated operating income sufficient to utilize all Canadian tax net operating loss carryforwards. At December 31, 1994, certain of the Company's foreign subsidiaries have tax net operating loss carryforwards of approximately $27 million. At December 31, 1994, the Company has $464 million in net deferred tax assets, all of which management expects to realize through income from future operations. Please see note 9 to the Consolidated Financial Statements.

In September 1994, the Company announced the development of Miraflex™ fiber, a new form of glass fiber developed by combining two different glass compositions into one fiber. Miraflex™ fibers are flexible, soft to the touch, virtually itch-free, resilient and form-filling, characteristics not normally associated with glass

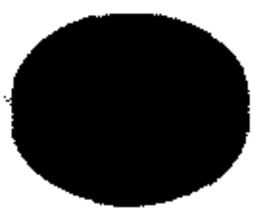
Geographic Segment Data
(In millions of dollars)

Net Sales **$3,351**



United States	$2,547
Europe	$537
Canada and Other	$267

Income from Operations* **$298**



United States	$253
Europe	$18
Canada and Other	$27

**Includes intersegment transactions*

or inorganic fibers. The first application of Miraflex™ fiber is a home attic insulation and is being introduced in select North American markets during the first quarter of 1995.

During the first quarter of 1994, the Company announced productivity initiatives and other actions aimed at reducing costs and enhancing speed, focus and efficiency. These initiatives included eliminating nearly 400 positions worldwide, consolidating the corporate engineering and research and development functions at the Company's Science and Technology Center in Granville, Ohio, and consolidating the Company's field sales and administrative operations. Other actions included exiting approximately 60 leased facilities worldwide, continuing the realignment of the Company's product lines and manufacturing facilities worldwide, outsourcing various corporate activities, and exiting non-strategic businesses. The Company expects to realize the full benefit of these initiatives beginning in 1995. Please see notes 1 and 5 to the Consolidated Financial Statements.

Liquidity, Capital Resources and Other Related Matters

Cash flow from operations, excluding asbestos-related activities, was $361 million for 1994, compared to $312 million for 1993. Total receivables at December 31, 1994 were $5 million higher than the December 31, 1993 level due to an increase in sales, offset in part by the sale of $50 million in receivables which occurred late in December 1994. An additional sale of $50 million in receivables was completed early in 1995. Please see note 20 to the Consolidated Financial Statements.

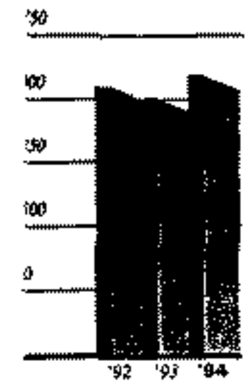
At December 31, 1994, the Company's net working capital was negative $143 million and its current ratio was .87 compared to negative $49 million and .94 at December 31, 1993, and $123 million and 1.2 at December 31, 1992, respectively. The decrease in 1994 was primarily due to increased short-term borrowings to finance the U.K. acquisition. Excluding the impact of the short-term borrowings to finance the U.K. acquisition, the Company's net working capital was negative $33 million and its current ratio was .97 at December 31, 1994.

The Company's total borrowings at December 31, 1994 were $208 million higher than at year-end 1993, primarily due to the U.K. acquisition, capital expenditures, and asbestos payments (net of insurance proceeds and taxes). In connection with the second quarter 1994 U.K. acquisition, the Company established, effective June 1, 1994, a $110 million 364-day credit facility with a syndicate of banks led by the Bank of New York. In the third quarter of 1994, the Company amended its long-term U.S. loan facility, led by Credit Suisse, to increase the available lines of credit by $100 million and also established a Canadian credit facility with a syndicate of banks, led by Credit Suisse Canada, serving as agent, replacing the previous facility which expired in July 1994. The new facility has a commitment of 95 million Canadian dollars (68 million U.S. dollars) and expires in October 1997. As of December 31, 1994, the Company had unused lines of credit of $293 million available under long-term bank loan facilities and an additional $91 million under short-term facilities, compared to $376 million and $115 million, respectively, at year-end 1993. The decline in unused available lines of credit reflects the Company's higher borrowings and an increase in outstanding letters of credit, supporting appeals from asbestos trials, which reduce credit availability under the Company's long-term U.S. loan facility. During the fourth quarter, the Company issued $140 million in 25-year bonds at an interest rate of 9.814%. Subsequently, in a separate transaction, the Company sold a put option to the holder of the bonds allowing the option holder to require the Company to purchase a portion of the bonds for $79 million on May 28, 1995. During January 1995, the Company received, from an option holder, a notice of intent to exercise approximately 30% of these put options. Please see notes 2, 3 and 16 to the Consolidated Financial Statements.

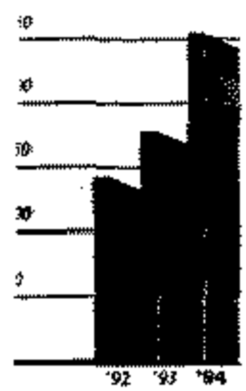
Capital spending for property, plant and equipment, excluding acquisitions, was $258 million during 1994. At the end of 1994, approved capital projects were $98 million. The Company expects that funding for these expenditures will be from the Company's operations and external sources as required.

Gross payments for asbestos litigation claims during 1994, including $56 million in defense costs, were $215 million. Proceeds from insurance were $87 million, resulting in a net pretax cash outflow of $128

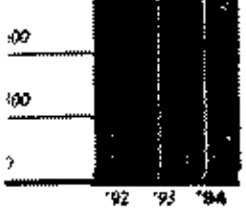
tal Assets
millions of dollars)



apital Spending
millions of dollars)



otal Debt
(in millions of dollars)



million, or $77 million after-tax. During 1994, the Company received approximately 27,500 new asbestos personal injury cases and closed approximately 18,300 cases. Over the next twelve months, the Company's total payments for asbestos litigation claims, including defense costs, are expected to be approximately $300 million. Proceeds from insurance of $125 million are expected to be available to cover these costs, resulting in a net pretax cash outflow of $175 million, or $105 million after-tax. Please see note 21 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.

The Company's 8% Convertible Junior Subordinated Debentures (Debentures), $172.5 million of which were outstanding at December 31, 1994, are redeemable, at a premium, at the Company's option. The Debentures are also convertible, at the holder's option, into shares of Company common stock at a conversion price of $29.75 per share until maturity or earlier redemption. In total, the Debentures are convertible into approximately 5.8 million shares of common stock, which shares are already reflected in the Company's fully diluted earnings per share calculation. In February 1995, the Company announced its call for redemption on March 13, 1995 of the $50 million bearer tranche of the Debentures (Bearer Tranche). Provided the price of Company common stock exceeds $31.90 (Cash Equivalent Price) at the time of conversion, Bearer Tranche holders who convert will receive stock (plus cash for fractional shares) with a market value greater than the cash payable upon redemption. To fund any cash redemptions of the Bearer Tranche, the Company entered into an arrangement with an unaffiliated financial institution (Backup Facility) giving the Company the option to sell to such institution, at the Cash Equivalent Price, any balance of the common shares into which the Bearer Tranche is convertible (approximately 1.7 million shares) which are not used for conversion. The Company will consider on an ongoing basis whether to call any additional Debentures for redemption. As part of such consideration, the Company will evaluate sources of funding for the redemption costs of any Debentures that are not converted, including use of arrangements like the Backup Facility or otherwise involving issuance of equity securities.

The Company has been deemed by the Environmental Protection Agency (EPA) to be a potentially responsible party (PRP) with respect to certain sites under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). The Company has also been deemed a PRP under similar state or local laws, including two state Superfund sites where the Company is the primary generator. In other instances, other PRPs have brought suits or claims against the Company as a PRP for contribution under such federal, state or local laws. During 1994, the Company was designated as a PRP in such federal, state, local or private proceedings for five additional sites. At December 31, 1994, a total of 38 such PRP designations remained unresolved by the Company, some of which designations the Company believes to be erroneous. The Company is also involved with environmental investigation or remediation at a number of other sites at which it has not been designated a PRP. The Company has established a $23 million reserve for its Superfund (and similar state, local and private action) contingent liabilities. 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 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 developed, the Company cannot determine the extent to which the Act will affect it. The Company anticipates that its sources to be regulated will include glass fiber 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 materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

Nine-Year Summary of Operations

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

	1994(a)	1993(b)	1992(c)	1991(d)	1990(e)	1989(f,g)	1988(h)	1987(i)	1986(j)
Net Sales	**$3,351**	$ 2,944	$ 2,878	$ 2,783	$ 3,069	$ 2,964	$ 2,798	$ 2,857	$ 3,609
Cost of Sales	**2,536**	2,266	2,234	2,186	2,304	2,161	1,999	2,129	2,756
Marketing, Administrative and Other Expenses	**518**	373	366	1,171	414	323	278	258	619
Science and Technology Expenses	**71**	69	65	54	58	48	44	43	90
Income (Loss) from Operations	**226**	236	213	(628)	293	432	477	427	144
Cost of Borrowed Funds	**94**	89	110	131	165	166	170	221	94
Income (Loss) before Provision for Income Taxes	**132**	147	103	(759)	128	266	301	343	36
Provision (Credit) for Income Taxes	**58**	47	33	(238)	58	103	127	136	30
Net Income (Loss)	**159**	131	73	(742)	73	172	189	200	16
Net Income (Loss) per Share (Fully Diluted)	**3.35**	2.81	1.67	(18.13)	1.73	4.08	4.51	4.81	0.49
Weighted Average Number of Fully Diluted Shares Outstanding (in Thousands)	**50,025**	49,410	48,844	40,924	42,019	42,170	41,856	41,583	31,776
Net Cash Flow from Operations	**361**	312	184	264	361	395	360	290	416
Capital Spending	**258**	178	144	114	146	143	145	106	177
Total Assets (k)	**3,274**	3,013	3,162	3,511	1,807	1,924	1,596	1,590	2,187
Total Debt	**1,212**	1,004	1,099	1,172	1,300	1,482	1,444	1,635	2,469
Average Number of Employees (in Thousands)	**17**	17	17	17	18	20	20	21	30

(a) During the first quarter of 1994, the Company recorded a $117 million charge ($85 million after-tax) for productivity initiatives and other actions. The Company also recorded a $10 million after-tax charge for the adoption of SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" for its non-U.S. plans, a $28 million after-tax charge for the adoption of SFAS 112, "Employers' Accounting for Postemployment Benefits," and a $123 million after-tax credit for the change in accounting method for rebuilding furnaces.

(b) During 1993, the Company recorded a $23 million charge for the restructuring of its European operations, an $8 million charge ($5 million after-tax) for the writedown of its hydrocarbon ventures to their net realizable value, a $26 million credit for the adoption of SFAS 109, "Accounting for Income Taxes," and a $14 million credit for the revaluation of deferred taxes.

(c) During 1992, the Company recorded a $16 million charge ($11 million after-tax) to reorganize the Company's Building Products segment and to centralize the Company's accounting and information systems. The Company also recorded a net extraordinary gain of $1 million resulting from the utilization of tax loss carryforwards, partially offset by a loss on the early retirement of debt.

(d) During 1991, the Company recorded a non-recurring $800 million charge for unasserted asbestos litigation claims and a $227 million after-tax charge, or $5.55 per share, for the adoption of SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" for its U.S. plans.

(e) During 1990, the Company recorded a $65 million restructuring charge.

(f) During 1989, the Company recorded an additional $50 million in its existing asbestos-related claims reserves, a $50 million credit resulting from a settlement reached with the IRS, and a restructuring charge of $30 million.

(g) Beginning in the fourth quarter of 1989, the Company's consolidated financial statements include the results of Fiberglas Canada, Inc.

(h) During 1988, the Company recorded an $8 million extraordinary loss resulting from the early retirement of debt.

(i) During 1987, the Company recorded a gain of $141 million resulting from the sale of the Aerospace and Strategic Materials Group and a $20 million extraordinary loss resulting from the early retirement of debt.

(j) During 1986, the Company recorded a restructuring charge of $200 million.

(k) During 1993, the Company adopted the provisions of FIN 39 which require the Company to present separately in its balance sheet its estimated contingent liabilities and related insurance assets. 1992 and 1991 assets have been restated to conform with the 1994 and 1993 presentations.

Price Range of Common Stock

	1994		1993		1992	
	High	Low	High	Low	High	Low
First Quarter	**46**	**33½**	47	34⅜	39¾	22¼
Second Quarter	**36⅞**	**30½**	45¼	36¼	37¼	29¼
Third Quarter	**36¼**	**30⅛**	45¾	40¼	36⅜	29⅝
Fourth Quarter	**33½**	**27¼**	49⅝	42½	36⅝	27¼

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, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994. 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, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 6, 7, and 9 to the consolidated financial statements, effective January 1, 1994, the Company changed its methods of accounting for furnace rebuilds, postretirement benefits other than pensions for its non-U.S. plans, and postemployment benefits, and effective January 1, 1993, the Company changed its method of accounting for income taxes.

Arthur Andersen LLP

January 21, 1995
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

David W. Devonshire
Senior Vice President and
Chief Financial Officer

Domenico Cecere
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
Primary net income per share is computed using the weighted average number of common shares outstanding and common equivalent shares during the period. Fully diluted net income per share reflects the dilutive effect of increased shares that would result from the conversion of debt and equity securities which are not treated as common stock equivalents. Unless otherwise indicated, all per share information included in the notes to the Company's consolidated financial statements is presented on a fully diluted basis.

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.

Intangible Assets
Intangible assets consist primarily of goodwill, patents, and covenants not to compete and are carried at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over a period of forty years. Other intangible assets are amortized over their estimated useful lives or actual contractual lives. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of intangible assets may warrant revision or that the remaining balance of these intangible assets may not be recoverable. When factors indicate that intangible assets should be evaluated for possible impairment, the Company uses an estimate of the related business segment's undiscounted net income over the remaining life of the intangible asset in measuring whether the intangible asset is recoverable.

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

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.

Rebuilding of Glass Melting Furnaces
The Company's glass melting furnaces periodically require substantial rebuilding. As discussed in Note 6 to the consolidated financial statements, effective January 1, 1994, the Company adopted the capital method of accounting for the cost of rebuilding glass melting furnaces. Under this method, costs are capitalized when incurred and depreciated over the estimated useful lives of the rebuilt furnaces.

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

Reclassifications
Certain reclassifications have been made to 1993 and 1992 to conform with the classifications used in 1994.

Consolidated Statement of Income

For the years ended December 31, 1994, 1993 and 1992 (In millions of dollars, except share data)

	1994	1993	1992
Net Sales	**$3,351**	$ 2,944	$ 2,878
Cost of Sales	**2,536**	2,266	2,234
Gross margin	**815**	678	644
Operating Expenses			
Marketing and administrative expenses	**386**	324	334
Science and technology expenses (Note 11)	**71**	69	65
Restructure costs (Note 5)	**89**	23	16
Other (Note 5)	**43**	26	16
Total operating expenses	**589**	442	431
Income from Operations	**226**	236	213
Cost of borrowed funds (Notes 2 and 3)	**94**	89	110
Income before Provision for Income Taxes	**132**	147	103
Provision for income taxes (Note 9)	**58**	47	33
Income before Equity in Net Income of Affiliates	**74**	100	70
Equity in net income of affiliates (Note 13)	**—**	5	2
Income before Extraordinary Items and Cumulative Effect of Accounting Changes	**74**	105	72
Extraordinary items (Notes 2 and 9)	**—**	—	1
Cumulative effect of accounting changes (Notes 6, 7, and 9)	**85**	26	—
Net Income	**$ 159**	$ 131	$ 73
Net Income per Common Share			
Primary:			
Income before extraordinary items and cumulative effect of accounting changes	**$ 1.70**	$ 2.40	$ 1.68
Extraordinary items	**—**	—	.02
Cumulative effect of accounting changes	**1.91**	.60	—
Net Income per Share	**$ 3.61**	$ 3.00	$ 1.70
Assuming Full Dilution:			
Income before extraordinary items and cumulative effect of accounting changes	**$ 1.66**	$ 2.28	$ 1.65
Extraordinary items	**—**	—	.02
Cumulative effect of accounting changes	**1.69**	.53	—
Net Income per Share	**$ 3.35**	$ 2.81	$ 1.67
Weighted average number of common shares outstanding and common equivalent shares during the period (in millions):			
Primary	**44.2**	43.6	43.0
Assuming full dilution	**50.0**	49.4	48.8

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

Consolidated Balance Sheet

December 31, 1994 and 1993 (In millions of dollars)

Assets	**1994**	1993
Current		
Cash and cash equivalents	**$ 69**	$ 3
Receivables, less allowances of $16 million in 1994 and 1993 (Note 20)	**329**	324
Inventories (Note 12)	**223**	221
Deferred income taxes (Note 9)	**156**	136
Insurance for asbestos litigation claims		
– current portion (Note 21)	**125**	125
Other current assets	**38**	18
Total current	**930**	827
Other		
Goodwill, less accumulated amortization of $14 million in 1994 and $12 million in 1993 (Note 4)	**151**	77
Investments in affiliates (Note 13)	**74**	63
Deferred income taxes (Note 9)	**308**	428
Insurance for asbestos litigation claims (Note 21)	**556**	643
Other noncurrent assets	**122**	81
Total other	**1,211**	1,292
Plant and Equipment, at Cost		
Land	**51**	44
Buildings and leasehold improvements	**553**	559
Machinery and equipment (Note 6)	**2,172**	1,978
Construction in progress	**125**	88
	2,901	2,669
Less: Accumulated depreciation (Note 6)	**(1,768)**	(1,775)
Net plant and equipment	**1,133**	894
Total Assets	**$3,274**	$ 3,013

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

Consolidated Balance Sheet

December 31, 1994 and 1993 (In millions of dollars)

Liabilities and Stockholders' Equity	**1994**	1993
Current		
Accounts payable and accrued liabilities (Note 14)	**$ 598**	$ 495
Reserve for asbestos litigation claims – current portion (Note 21)	**300**	275
Short-term debt (Note 3)	**155**	77
Long-term debt – current portion (Note 2)	**20**	29
Total current	**1,073**	876
Long-Term Debt (Note 2)	**1,037**	898
Other		
Reserve for asbestos litigation claims (Note 21)	**1,145**	1,385
Other employee benefits liability (Note 7)	**390**	346
Reserve for rebuilding furnaces (Note 6)	**—**	124
Pension plan liability (Note 8)	**77**	78
Other	**232**	175
Total other	**1,844**	2,108
Commitments and Contingencies (Notes 16, 19, and 21)		
Stockholders' Equity		
Preferred stock, no par value; authorized 8 million shares, none outstanding (Note 18)		
Common stock, par value $.10 per share; authorized 100 million shares; issued* *1994 – 44.2 million and 1993 – 43.2 million shares (Notes 4 and 17)*	**348**	315
Deficit	**(1,012)**	(1,171)
Foreign currency translation adjustments	**(1)**	5
Other (Note 8)	**(15)**	(18)
Total stockholders' equity	**(680)**	(869)
Total Liabilities and Stockholders' Equity	**$3,274**	$ 3,013

Consolidated Statement of Stockholders' Equity

For the years ended December 31, 1994, 1993 and 1992 (In millions of dollars)

	1994	1993	1992
Common Stock			
Balance beginning of year	**$ 315**	$ 299	$ 285
Issuance of stock, including awards under stock compensation plans (Notes 4 and 17)	**33**	16	14
Balance end of year	**348**	315	299
Deficit			
Balance beginning of year	**(1,171)**	(1,302)	(1,375)
Net income	**159**	131	73
Balance end of year	**(1,012)**	(1,171)	(1,302)
Foreign Currency Translation Adjustments			
Balance beginning of year	**5**	4	24
Translation adjustments	**(6)**	1	(20)
Balance end of year	**(1)**	5	4
Other			
Balance beginning of year	**(18)**	(9)	(10)
Net increase (decrease)	**3**	(9)	1
Balance end of year	**(15)**	(18)	(9)
Stockholders' Equity	**$ (680)**	$ (869)	$ (1,008)

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, 1994, 1993 and 1992 (In millions of dollars)

	1994	1993	1992
Net Cash Flow from Operations			
Net income	$ 159	$ 131	$ 73
Reconciliation of net cash provided by operating activities:			
Noncash items:			
Cumulative effect of accounting changes (Notes 6, 7, and 9)	(85)	(26)	—
Provision for depreciation, amortization, and rebuilding furnaces (Notes 6 and 10)	118	121	150
Provision (credit) for deferred income taxes (Note 9)	59	10	(21)
Other	9	10	5
(Increase) decrease in receivables (Note 20)	21	(22)	(9)
(Increase) decrease in inventories	17	4	(17)
Increase (decrease) in accounts payable and accrued liabilities	53	114	(9)
Increase (decrease) in accrued income taxes	(8)	(21)	(2)
Other	18	(9)	14
Net cash flow from operations	361	312	184
Net Cash Flow from Investing			
Additions to plant and equipment (Note 6)	(258)	(178)	(144)
Investment in subsidiaries, net of cash acquired (Note 4)	(120)	—	—
Other	23	—	10
Net cash flow from investing	(355)	(178)	(134)
Net Cash Flow from Financing (Notes 2 and 3)			
Net additions (reductions) to long-term credit facilities	10	(90)	(123)
Other additions to long-term debt	145	—	337
Other reductions to long-term debt	(51)	(21)	(330)
Net increase in short-term debt	69	26	50
Other	5	11	7
Net cash flow from financing	178	(74)	(59)
Net Cash Flow from Asbestos-Related Activities (Note 21)			
Proceeds from insurance for asbestos litigation claims	87	224	413
Payments for asbestos litigation claims	(215)	(283)	(405)
Net cash flow from asbestos-related activities	(128)	(59)	8
Net increase (decrease) in cash and cash equivalents	56	1	(1)
Cash and cash equivalents at beginning of year	3	2	3
Cash and cash equivalents at end of year (Note 15)	$ 59	$ 3	$ 2

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

Notes to Consolidated Financial Statements

1. Segment Data

The Company operates in two industry segments, Building Products and Industrial Materials, and reports its results in two ways: by industry segment and by geographic segment. See Note 4 for detail of 1994 acquisitions and divestitures of businesses.

The industry segments are defined as follows:

Building Products

Production and sale of glass wool fibers formed into thermal and acoustical insulation and air ducts; extruded polystyrene insulation; roofing shingles and asphalt materials; underground storage tanks; windows; and patio doors.

Industrial Materials

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

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

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

During the first quarter of 1994, the Company recorded a $117 million pretax charge for productivity initiatives and other actions. The impact of this charge was to reduce income from operations for Building Products and Industrial Materials by $70 million and $22 million, respectively, and to increase general corporate expense by $25 million. Geographically, income from operations in the United States, Canada and other, and Europe was reduced by $56 million, $23 million, and $13 million, respectively. During the first quarter of 1993, the Company recorded a $23 million charge to reorganize its European operations, the full impact of which was reflected as a reduction to income from operations for the Industrial Materials segment. In addition, the 1993 change in estimate of fixed asset lives reduced 1993 depreciation expense for Building Products, Industrial Materials, and general corporate expense by $9 million, $4 million, and $1 million, respectively. During the fourth quarter of 1992, the Company recorded a $16 million charge to reorganize its Building Products segment and to centralize its accounting and information systems. The impact of this charge was to reduce income from operations for Building Products by $9 million and to increase general corporate expense by $7 million. Geographically, income from operations in the United States and Canada and other was reduced by $8 million and $1 million, respectively (Notes 5 and 10).

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

(In millions of dollars)	**1994**	*1993*	*1992*
Net Sales			
Industry Segments			
Building Products			
United States	**$1,952**	$ 1,699	$ 1,636
Europe	**182**	97	91
Canada and other	**139**	150	172
Total Building Products	**2,273**	1,946	1,899
Industrial Materials			
United States	**595**	528	479
Europe	**355**	346	373
Canada and other	**128**	124	127
Total Industrial Materials	**1,078**	998	979
Intersegment sales			
Building Products	**—**	—	—
Industrial Materials	**99**	85	88
Eliminations	**(99)**	(85)	(88)
Net sales	**$3,351**	$ 2,944	$ 2,878
Geographic Segments			
United States	**$2,547**	$ 2,227	$ 2,115
Europe	**537**	443	464
Canada and other	**267**	274	299
	3,351	2,944	2,878
Intersegment sales			
United States	**43**	42	42
Europe	**22**	15	7
Canada and other	**91**	66	42
Eliminations	**(156)**	(123)	(91)
Net sales	**$3,351**	$ 2,944	$ 2,878

1. Segment Data (Continued)

(in millions of dollars)	**1994**	1993	1992
Income (Loss) from Operations			
Industry Segments			
Building Products			
United States	**$ 145**	$ 153	$ 94
Europe	**26**	16	10
Canada and other	**18**	6	5
Total Building Products	**189**	175	109
Industrial Materials			
United States	**108**	101	99
Europe	**(8)**	(15)	26
Canada and other	**9**	12	13
Total Industrial Materials	**109**	98	138
General corporate expense	**(72)**	(37)	(34)
Income from operations	**226**	236	213
Cost of borrowed funds	**(94)**	(89)	(110)
Income before provision for income taxes	**$ 132**	$ 147	$ 103
Geographic Segments			
United States	**$ 253**	$ 254	$ 193
Europe	**18**	1	36
Canada and other	**27**	18	18
General corporate expense	**(72)**	(37)	(34)
Income from operations	**226**	236	213
Cost of borrowed funds	**(94)**	(89)	(110)
Income before provision for income taxes	**$ 132**	$ 147	$ 103

(in millions of dollars)	**1994**	1993	1992
Identifiable Assets at December 31			
Industry Segments			
Building Products			
United States	**$ 718**	$ 596	$ 580
Europe	**162**	46	35
Canada and other	**136**	155	151
Total Building Products	**1,016**	797	766
Industrial Materials			
United States	**326**	302	295
Europe	**335**	256	259
Canada and other	**160**	157	157
Total Industrial Materials	**821**	715	711
General corporate	**1,363**	1,438	1,636
	3,200	2,950	3,113
Investments in affiliates accounted for under the equity method	**74**	63	49
Total assets	**$3,274**	$ 3,013	$ 3,162
Geographic Segments			
United States	**$1,044**	$ 898	$ 875
Europe	**497**	302	294
Canada and other	**296**	312	308
General corporate	**1,363**	1,438	1,636
	3,200	2,950	3,113
Investments in affiliates accounted for under the equity method	**74**	63	49
Total assets	**$3,274**	$ 3,013	$ 3,162

(In millions of dollars)	**1994**	1993	1992
Provision for Depreciation, Amortization, and Rebuilding Furnaces			
Industry Segments			
Building Products			
United States	**$ 48**	$ 47	$ 68
Europe	**6**	2	3
Canada and other	**8**	11	10
Total Building Products	**62**	60	81
Industrial Materials			
United States	**22**	24	32
Europe	**17**	16	21
Canada and other	**8**	10	10
Total Industrial Materials	**47**	50	63
General corporate	**9**	11	6
Total provision for depreciation, amortization, and rebuilding furnaces	**$ 118**	$ 121	$ 150
Geographic Segments			
United States	**$ 70**	$ 71	$ 100
Europe	**23**	18	24
Canada and other	**16**	21	20
General corporate	**9**	11	6
Total provision for depreciation, amortization, and rebuilding furnaces	**$ 118**	$ 121	$ 150

(In millions of dollars)	**1994**	1993	1992
Additions to Plant and Equipment			
Industry Segments			
Building Products			
United States	**$ 85**	$ 82	$ 76
Europe	**41**	2	4
Canada and other	**7**	5	6
Total Building Products	**133**	89	86
Industrial Materials			
United States	**41**	31	30
Europe	**35**	32	18
Canada and other	**26**	7	5
Total Industrial Materials	**102**	70	53
General corporate	**23**	19	5
Total additions	**$ 258**	$ 178	$ 144
Geographic Segments			
United States	**$ 126**	$ 113	$ 106
Europe	**76**	34	22
Canada and other	**33**	12	11
General corporate	**23**	19	5
Total additions	**$ 258**	$ 178	$ 144

2. Long-Term Debt

(In millions of dollars)	**1994**	1993
Unsecured credit facility due in 1997, variable	**$ 35**	$ 30
Unsecured credit facility due in 1997, variable, payable in Canadian dollars	**4**	—
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**	150
Debentures due in 2012, 9.375%	**149**	149
Guaranteed bonds due in 2019, 9.814% (Note 19)	**140**	—
Guaranteed debentures due in 1998, 9.8%	**100**	100
Bonds due in 2000, 7.25%, payable in Deutsche marks (Note 19)	**50**	50
Notes due through 1997, 6.375% to 8.50%, payable in foreign currencies	**38**	77
Other long-term debt due through 2012, at rates from 5.375% to 12.47%	**68**	48
	1,057	927
Less: Current portion	**(20)**	(29)
Total long-term debt	**$1,037**	$ 898

The Company has two unsecured, variable rate, long-term bank credit facilities. The first facility was amended in July 1994 and has a maximum commitment of $475 million at December 31, 1994, of which $211 million was used for standby letters of credit and $229 million was unused. The rate of interest is either the bank's base rate, or 13/16% over the certificate of deposit rate, or 11/16% over the London Interbank Offered Rate (LIBOR). The rate of interest on borrowings under this facility was 6.8125% at December 31, 1994. A commitment fee of 1/4 of 1% is charged on the unused portions of this facility.

The second long-term facility is payable in Canadian dollars and has a maximum commitment of 95 million Canadian dollars (68 million U.S. dollars) at December 31, 1994, of which 89 million Canadian dollars (64 million U.S. dollars) was unused. This facility replaced the previous Canadian facility which expired in July 1994. The rate of interest is either 11/16% over the Canadian cost of funds rate, or 11/16% over the LIBOR rate on U.S. deposits, or .7875% over the Canadian bankers' acceptance rate. The rate of interest on borrowings under this facility was 8.0% at December 31, 1994. A commitment fee of 1/4 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, interest coverage, and minimum coverage of fixed charges; and limitations on the early retirement of subordinated debt, additional borrowings, 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.

The convertible junior subordinated debentures are subordinated to all present and future indebtedness of the Company and may be redeemed at any time, at a premium, at the option of the Company. The debentures are convertible at any time into shares of common stock of the Company at a conversion price of $29.75 per share. The Company has reserved approximately six million additional shares of common stock necessary for conversion.

In November 1994, Owens-Corning Finance (U.K.) PLC, a newly formed wholly-owned subsidiary of the Company, issued $140 million of Eurobonds. These bonds bear a coupon rate of interest of 9.814%, payable semiannually, and mature in 2019. These bonds are convertible into fixed rate preference shares of Owens-Corning Finance (U.K.) PLC in November 2004 and may be redeemed at any time, at a premium, at the option of the Company. The bonds are guaranteed by the Company as to payments of principal and interest and rank similarly with all other senior unsecured debt of the Company (Note 19). Subsequently, in a separate transaction, the Company sold a put option to the holder of the bonds allowing the option holder to require the Company to purchase a portion of the bonds for $79 million on May 28, 1995. During January 1995, the Company received, from an option holder, a notice of intent to exercise approximately 30% of these put options.

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, or $.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, or $.05 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, 1994 are:

Year	(In millions of dollars)	Credit Facilities	Other Long-Term Debt
1995		$ —	$ 20
1996		—	35
1997		39	12
1998		—	104
1999		—	3

3. Short-Term Debt

(In millions of dollars)	1994	1993
Balance outstanding at December 31	**$ 155**	$ 77
Weighted average interest rates on short-term debt outstanding at December 31	**6.6%**	6.6%

During 1994, the Company established an unsecured, variable rate, short-term bank credit facility in order to finance the 1994 acquisition of Pilkington (Note 4). This facility has a maximum commitment of $110 million at December 31, 1994, all of which was used. This facility expires on May 31, 1995 and carries an interest rate of 1/2 of 1% over the LIBOR rate. The rate of interest on borrowings under this facility was 6.6875% at December 31, 1994.

The Company had unused short-term lines of credit totalling $91 million and $115 million at December 31, 1994 and 1993, respectively.

4. Acquisitions and Divestitures of Businesses

On May 31, 1994, the Company acquired UC Industries, Inc. ("UCI"), a privately held foam board insulation manufacturer based in New Jersey. UCI has two manufacturing facilities which are located in Ohio and Illinois.

The purchase price of UCI was $45 million. This business combination was consummated by the exchange of 855,556 shares of the Company's common stock for all of the capital stock of UCI, as well as an $18 million cash payment, $6 million of which was paid to acquire the cash of UCI. The remaining $12 million cash payment represents a stock value settlement and was paid during the fourth quarter of 1994.

On June 2, 1994, the Company acquired Pilkington Insulation Limited and Kitsons Insulation Products Limited (collectively, "Pilkington"), the United Kingdom-based insulation manufacturing and distribution businesses of the Pilkington Group. With two fiber glass insulation manufacturing facilities and one rock wool manufacturing facility, Pilkington Insulation Limited is the United Kingdom's largest manufacturer of fiber glass and rock wool insulation. Kitsons Insulation Products Limited is a major supplier of thermal and acoustical insulation products to the United Kingdom construction industry and is comprised of 14 distribution centers.

The purchase price of Pilkington was $110 million and was financed with borrowings from the Company's short-term bank credit facility (Note 3).

These acquisitions were accounted for using the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed have been recorded at their fair values and the results of operations of UCI and Pilkington have been included in the Company's consolidated financial statements subsequent to May 31, 1994 and June 2, 1994, respectively.

The purchase price allocations were based on preliminary estimates of fair market value and are subject to revision. The estimated fair value of assets acquired from UCI, including goodwill and a non-competition agreement, was $72 million, and liabilities assumed, including $14 million in debt, totalled $27 million. The estimated fair value of assets acquired from Pilkington, including goodwill, was $165 million, and liabilities assumed, including $7 million in debt, totalled $55 million. Goodwill of $78 million and the non-competition agreement of $6 million are being amortized over 40 years and 7 years, respectively, on a straight-line basis.

UCI and Pilkington added $134 million in post-acquisition sales for the Company during 1994. The pro forma effect of these acquisitions was not material to net income for the year ended December 31, 1994 or 1993.

On September 30, 1994, the Company entered into a joint venture with Alpha Corporation of Tennessee, whereby the two companies combined their existing resin businesses to form Alpha/Owens-Corning, L.L.C., the largest manufacturer of polyester resins in North America. The Company contributed two manufacturing plants (Valparaiso, Indiana and Guelph, Ontario) and owns a 50 percent interest in the joint venture. This joint venture is being accounted for under the equity method. For the nine months ended September 30, 1994 and the years ended December 31, 1993 and 1992, resin sales totalled $58 million, $63 million, and $56 million, respectively, and were included in the Industrial Materials segment.

Late in the fourth quarter of 1994, the Company completed the sale of its underground storage tank manufacturing business. Sales for this business totalled $41 million, $43 million, and $48 million in 1994, 1993, and 1992, respectively, and were included in the Building Products segment.

5. Restructuring of Operations and Other Initiatives

During the first quarter of 1994, the Company recorded a $117 million pretax charge for productivity initiatives and other actions aimed at reducing costs and enhancing the Company's speed, focus, and efficiency. This $117 million pretax charge is comprised of an $89 million charge associated with the restructuring of the Company's business segments, as well as a $28 million charge, primarily composed of final costs associated with the administration of the Company's former commercial roofing business. The components of the $89 million restructure charge include: $48 million for personnel reductions, $22 million for divestiture of non-strategic businesses and facilities, $16 million for business realignments, and $3 million for other actions. The $48 million cost for personnel reductions primarily represents severance costs associated with the elimination of nearly 400 positions worldwide. The primary employee groups affected include science and technology personnel, field sales personnel, corporate administrative personnel, and commercial roofing and resin business personnel.

As of December 31, 1994, the Company has recorded approximately $50 million in costs against its 1994 restructure reserve, of which $35 million represents actual cash expenditures and $15 million represents the non-cash effects of asset write-offs and business realignments. The $35 million cash expenditure includes personnel reduction costs of $22 million, primarily composed of partial payments of severance costs for over 300 employees. The remaining $13 million cash expenditure represents costs associated with the divestiture or realignment of businesses and facilities.

During the first quarter of 1993, the Company recorded a $23 million charge to reorganize its European operations. This charge included $17 million for personnel reductions and $6 million for the writedown of fixed assets.

During the fourth quarter of 1992, the Company recorded a $16 million charge to reorganize its Building Products segment and to centralize its accounting and information systems. This charge included $14 million for personnel reductions and $2 million for the writedown of assets.

6. Glass Melting Furnace Rebuilds

Effective January 1, 1994, the Company adopted the capital method of accounting for the cost of rebuilding glass melting furnaces. Under this method, costs are capitalized when incurred and depreciated over the estimated useful lives of the rebuilt furnaces. Previously, the Company established a reserve for the future rebuilding costs of its glass melting furnaces through a charge to earnings between dates of rebuilds. The change to the capital method provides a more appropriate measure of the Company's capital investment and is consistent with industry practice. The cumulative effect of this change in accounting method was an increase to earnings of $123 million, or $2.45 per share, net of related income taxes of $54 million. The effect of this change in accounting method was to increase depreciation expense and eliminate furnace rebuild provision. The pro forma effect of this change was not material to net income for the year ended December 31, 1993 and was $7 million, or $.15 per share, for the year ended December 31, 1992.

7. Postemployment and Postretirement Benefits Other Than Pensions

The Company and its subsidiaries maintain health care and life insurance benefit plans for certain retired employees and their dependents. The health care plans in the U.S. are unfunded and pay either 1) stated percentages of covered medically necessary expenses, after subtracting payments by Medicare or other providers and after stated deductibles have been met, or 2) fixed amounts of medical expense reimbursement. Employees become eligible to participate in the health care plans upon retirement under one of the Company's pension plans if they have accumulated 10 years of service after age 45. Some of the plans are contributory, with some retiree contributions adjusted annually. The Company has reserved the right to change or eliminate these benefit plans subject to the terms of collective bargaining agreements during their term. During 1993, the Company approved changes in its postretirement health care plans for retirees and active employees. These changes, which reduced the accumulated benefit obligation by $120 million and 1993 expense by $18 million, resulted in an unrecognized net reduction in prior service cost which will be amortized through 1999.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" for its non-U.S. plans. Accordingly, the expected cost of postretirement benefits is charged to expense during the years in which eligible employees render service. The cumulative effect of the adoption of this standard was a charge of $10 million, or $.20 per share. (The Company adopted Statement No. 106 for its U.S. plans effective January 1, 1991.)

The following table reconciles the status of the accrued postretirement benefits cost liability at October 31, 1994 and 1993, as reflected on the balance sheet as of December 31, 1994 and 1993:

(In millions of dollars)	**1994**	1993
Accumulated Postretirement		
Benefits Obligation:		
Retirees	**$ (173)**	$ (182)
Fully eligible active plan participants	**(24)**	(32)
Other active plan participants	**(46)**	(39)
Funded status	**(243)**	(253)
Unrecognized net gain	**(39)**	(12)
Unrecognized net reduction in prior service cost	**(88)**	(106)
Accrued postretirement benefits cost liability (includes current liabilities of $19 million in 1994 and $25 million in 1993)	**$ (370)**	$ (371)

The net postretirement benefits cost for 1994, 1993 and 1992 included the following components:

(In millions of dollars)	**1994**	1993	1992
Service cost	**$ 8**	$ 7	$ 7
Interest cost on accumulated postretirement benefits obligation	**19**	23	30
Net amortization and deferral	**(20)**	(13)	—
Net postretirement benefits cost	**$ 7**	$ 17	$ 37

For measurement purposes, an 11% annual rate of increase in the per capita cost of covered health care claims was assumed for 1995. The rate was assumed to decrease to 10.5% for 1996, then decrease gradually to 6% by 2005. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefits obligation as of October 31, 1994, by $13 million and the aggregate of the service and interest cost components of net postretirement benefits cost for the year then ended by $2 million. The discount rate used in determining the accumulated postretirement benefits obligation was 8.5% in 1994, 7.5% in 1993, and 8.25% in 1992.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires the Company to recognize the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. These benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care and life insurance coverage. The cumulative effect of the adoption of this standard was an undiscounted charge of $28 million, or $.56 per share, net of related income taxes of $18 million. At December 31, 1994, the Company's liability for postemployment benefits totalled $44 million, including current liabilities of $5 million, and is included in other employee benefits liability in the Company's consolidated balance sheet. Postemployment benefits expense was $3 million for the year ended December 31, 1994.

8. Pension Plans

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

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

(In millions of dollars)	**1994**	1993	1992
Service cost	**$ 22**	$ 23	$ 21
Interest cost on projected benefit obligation	**68**	62	59
Actual return on plan assets	**(13)**	(124)	(51)
Net amortization and deferral	**(64)**	50	(20)
Net pension expense	**$ 3**	$ 11	$ 9

8. Pension Plans (Continued)

The funded status at October 31, 1994 and 1993 is as follows:

(In millions of dollars)	**1994**		1993	
	Over Funded	**Under Funded**	Over Funded	Under Funded
Vested benefit obligation	**$ 310**	**$ 273**	$ 288	$ 305
Accumulated benefit obligation	**$ 341**	**$ 343**	$ 323	$ 370
Plan assets at fair value	**$ 466**	**$ 306**	$ 444	$ 335
Projected benefit obligation	**430**	**352**	398	382
Plan assets in excess of (less than) projected benefit obligation	**36**	**(46)**	46	(47)
Unrecognized loss (gain)	**8**	**55**	(12)	56
Unrecognized prior service cost	**(12)**	**(24)**	(13)	(25)
Unrecognized transition amount	**(39)**	**(13)**	(45)	(14)
Adjustment to minimum liability	**—**	**(12)**	—	(11)
Net pension liability (includes current liabilities of $8 million in 1994 and $7 million in 1993 and noncurrent assets of $38 million in 1994 and $20 million in 1993)	**$ (7)**	**$ (40)**	$ (24)	$ (41)

The 1994, 1993 and 1992 primary actuarial assumptions used for pension plans were:

	1994	1993	1991
Discount rate	**8.50%**	7.50%	8.25%
Expected long-term rate of return on plan assets	**9.50%**	10.00%	10.00%
Rate of compensation increase	**5.10%**	4.10%	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 contributions were $10 million in 1994, $9 million in 1993, and $7 million in 1992.

9. Income Taxes

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards 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. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of corresponding liabilities and assets using enacted tax rates in effect for the year in which the differences are expected to reverse. The cumulative effect of the adoption of this standard was an increase to earnings of $26 million, or $.53 per share.

(In millions of dollars)	**1994**	1993	1992
Income (loss) before provision (credit) for *income taxes:*			
U.S.	**$ 119**	$ 163	$ 107
Foreign	**13**	(16)	(4)
Total	**$ 132**	$ 147	$ 103
Provision (credit) for income taxes:			
Current			
U.S.	**$ (2)**	$ 24	$ 41
State and local	**(7)**	7	5
Foreign	**5**	6	8
Total current	**(4)**	37	54
Deferred			
U.S.	**51**	27	(5)
State and local	**13**	1	(4)
Foreign	**(2)**	(4)	(12)
Total deferred	**62**	24	*(21)*
Adjustment to deferred tax assets and liabilities for an increase in the U.S. federal statutory rate from 34% to 35%	**—**	(14)	—
Total provision for income taxes	**$ 58**	$ 47	$ 33

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

	1994	1993	1992
U.S. federal statutory rate	**35%**	35%	34%
Operating losses of foreign subsidiaries	**7**	10	6
Utilization of losses of foreign subsidiaries	**(7)**	(2)	—
Enacted federal tax rate change	**—**	(10)	—
Difference between foreign tax rates and U.S. statutory rate	**1**	—	(2)
Provision (credit) for taxes on undistributed earnings of foreign subsidiaries	**—**	(2)	(6)
State and local income taxes	**3**	3	1
Other	**5**	(2)	(1)
Effective tax rate	**44%**	32%	32%

As of December 31, 1994, the Company has not provided for withholding or U.S. federal income taxes on approximately $124 million of accumulated undistributed earnings of its foreign subsidiaries as they are considered by management to be permanently reinvested. If these undistributed earnings were not considered to be permanently reinvested, approximately $11 million of deferred income taxes would have been provided.

During 1994, the Company utilized tax net operating loss carryforwards for certain of its foreign subsidiaries of approximately $9 million. At December 31, 1994, the Company had tax net operating loss carryforwards for certain of its foreign subsidiaries of approximately $27 million, certain of which expire through 1999.

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 $.08 per share.

The cumulative temporary differences giving rise to the deferred tax assets and liabilities at December 31, 1994 and 1993 are as follows:

(In millions of dollars)	**1994**		1993	
	Deferred Tax Assets	**Deferred Tax Liabilities**	Deferred Tax Assets	Deferred Tax Liabilities
Asbestos litigation claims	**$ 306**	**$ —**	$ 363	$ —
Other employee benefits	**171**	**—**	148	—
Depreciation	**—**	**138**	—	75
Furnace rebuild reserves	**—**	**—**	45	—
Warranty and product liability reserves	**29**	**—**	25	—
Operating loss carryforwards	**27**	**—**	35	—
State and local taxes	**—**	**20**	—	23
Other	**122**	**6**	90	4
Subtotal	**655**	**164**	706	102
Valuation allowances	**(27)**	**—**	(40)	—
Total deferred taxes	**$ 628**	**$ 164**	$ 666	$ 102

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

During 1992, deferred income taxes were provided for timing differences in the recognition of certain items for income tax and financial statement purposes, in accordance with Accounting Principles Board Opinion No. 11. These items consisted of the following:

(In millions of dollars)	1992
Asbestos litigation claims	$ 2
Depreciation	(9)
Furnace rebuild reserves	(3)
Interest expense	(1)
Undistributed earnings of foreign subsidiaries	(8)
State and local taxes	2
Warranty and product liability reserves	1
Other postretirement benefits	(6)
Other	1
Deferred tax credit	$ (21)

10. Depreciation of Plant and Equipment

During 1993, the Company completed a review of its fixed asset lives. The Company determined that as a result of actions taken to increase its preventative maintenance and programs initiated with its equipment suppliers to increase the quality of their products, actual lives for certain asset categories were generally longer than the useful lives for depreciation purposes. Therefore, effective April 1, 1993, the Company extended the estimated useful lives of certain categories of plant and equipment. The effect of this change in estimate reduced depreciation expense for the year ended December 31, 1993 by $14 million and increased income before cumulative effect of accounting change by $8 million, or $.16 per share.

11. Science and Technology Expenses

Science and technology expenses include research and development costs of $64 million in 1994, $61 million in 1993, and $55 million in 1992. 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.

12. Inventories

Inventories are summarized as follows:

(In millions of dollars)	**1994**	1993
Finished goods	**$ 192**	$ 195
Materials and supplies	**118**	117
	310	312
Less: Reduction to LIFO basis	**(87)**	(91)
	$ 223	$ 221

Approximately $88 million and $87 million of net inventories were valued using the LIFO method at December 31, 1994 and 1993, respectively.

During 1994, 1993, and 1992, 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 1994, 1993, and 1992 cost of sales by $3 million, $1 million, and $4 million, respectively.

13. Investments in Affiliates

At December 31, 1994 and 1993, the Company's affiliates, which generally are engaged in the manufacture of fibrous glass and related products for the insulation, construction, reinforcements, and textile markets, include:

	Percent Ownership	
	1994	1993
Composites:		
Alpha/Owens-Corning, L.L.C. (USA)	**50%**	—
Knytex Company, L.L.C. (USA)	**50%**	50%
Vitro-Fibras, S.A. (Mexico)	**40%**	40%
Global Pipe:		
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	**30%**	30%
Owens-Corning Eternit Rohre GmbH (Germany)	**50%**	50%
Owens-Corning Pipe Botswana (Pty.), Ltd. (Botswana)	**49%**	49%
Owens-Corning Tubs S.A. (Spain)	**50%**	—
Building Products – Europe:		
Arabian Fiberglass Insulation Company, Ltd. (Saudi Arabia)	**49%**	49%
Asia/Pacific:		
Asahi Fiber Glass Company, Ltd. (Japan)	**28%**	28%
Lucky Owens-Corning Corp. (Korea)	**30%**	30%
Siam Fiberglass Co., Ltd. (Thailand)	**20%**	20%
Building Products – North America:		
CAE Fiberglass, Ltd. (Canada)	**—**	25%

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

(In millions of dollars)	**1994**	1993	1992
At December 31:			
Current assets	**$ 328**	$ 214	$ 198
Noncurrent assets	**513**	387	320
Current liabilities	**331**	240	233
Noncurrent liabilities	**250**	147	130
For the year:			
Net sales	**630**	486	455
Gross margin	**96**	81	82
Net income	**7**	16	16

The Company's equity in undistributed net income of affiliates was $32 million at December 31, 1994.

14. Accounts Payable and Accrued Liabilities

(In millions of dollars)	**1994**	1993
Accounts payable	**$ 298**	$ 244
Payroll and vacation pay	**91**	74
Payroll, property, and miscellaneous taxes	**30**	33
Other employee benefits liability (Note 7)	**24**	25
1994 restructure reserve (Note 5)	**34**	—
Other	**121**	119
	$ 598	$ 495

15. Consolidated Statement of Cash Flows

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

(In millions of dollars)	**1994**	1993	1992
Income taxes	**$ (4)**	$ 43	$ 49
Cost of borrowed funds	**97**	95	125

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

See Note 4 for supplemental disclosure of Non-cash Investing and Financing Activities.

16. Leases

The Company leases certain manufacturing equipment and office and warehouse facilities under operating leases, some of which include cost escalation clauses, expiring on various dates through 2014. Total rental expense charged to operations was $54 million in 1994, $42 million in 1993, and $44 million in 1992. At December 31, 1994, 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
1995	$ 38
1996	32
1997	20
1998	11
1999	6
2000 through 2014	27
	$ 134

The minimum future rental commitments reflected in the above table include approximately $4 million per year for the lease of the Company's corporate headquarters facility in Toledo, Ohio through 1996. The Company is currently negotiating the lease of a new headquarters facility which would result in an operating lease beginning in late 1996, which is not reflected above. This operating lease would result in future rental commitments of approximately $12 million per year through 2006, $8 million per year through 2015, and, upon renewal, $2 million per year through 2020.

17. 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). The Company may carry forward unused shares from prior years and may increase the shares available for awards in any calendar year through an advance of up to 25% of the subsequent year's allocation (determined by using 25% of the current year's allocation). These shares are also subject to the 25% limit for restricted stock awards. During 1994, the total number of shares available for stock awards was 953,450 shares, 894,000 of which were awarded as stock options and 59,450 as restricted stock, which includes an advance of 93,478 shares from the 1995 allocation. 598,678 shares are also available to be awarded under a prior plan; however, the Company does not expect any awards to be made under that plan. Additionally, the Company has a plan to award stock options and deferred stock awards to nonemployee directors, of which 109,500 shares were available for this purpose as of December 31, 1994.

During 1993, the total number of shares available for stock awards was 868,215 shares, 813,900 of which were awarded as stock options and 54,315 as restricted stock, which included an advance of 3,149 shares from the 1994 allocation.

Stock Options

Activity during 1994 and 1993 in shares under option:

	1994		1993	
	Number of Shares	**Price Range per Share**	Number of Shares	Price Range per Share
Beginning of year	**2,560,826**	**$17.86 - 47.00**	2,171,251	$ 12.13 - 33.63
Options granted	**902,500**	**28.60 - 34.88**	845,400	39.50 - 47.00
Options exercised	**(137,059)**	**18.75 - 30.63**	(413,269)	12.13 - 30.63
Options cancelled	**(35,813)**	**28.75 - 40.50**	(42,556)	18.75 - 40.50
End of year	**3,290,454**	**$17.86 - 47.00**	2,560,826	$ 17.86 - 47.00
Exercisable	**1,619,119**	**$17.86 - 47.00**	987,089	$ 17.86 - 40.50

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 1997.

17. Stock Compensation Plans (Continued)

Deferred Stock Awards

At December 31, 1994, the Company had 16,340 shares of deferred stock outstanding, all of which were vested. During 1994, 2,000 shares of deferred stock were granted, and 16,893 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, 1994, the Company had 367,282 shares of restricted stock outstanding. Stock restrictions lapse, subject to alternate vesting plans for approved early retirement and involuntary termination, over various periods ending in 2004.

18. 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 750,000 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.

19. Derivative Financial Instruments and Fair Value of Financial Instruments

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

Foreign Exchange Risk and Interest Rate Risk Management

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

(In millions of dollars)	**Notional Amount December 31, 1994**	Notional Amount December 31, 1993
Forward currency exchange contracts	**$ 194**	$ 200
Options purchased	**22**	—
Currency swaps	**190**	50
Interest rate swaps	**150**	150

The Company enters into forward currency exchange contracts to manage its exposure against foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. As of December 31, 1994, the Company has 29 forward currency exchange contracts maturing in 1995 which exchange 4.4 billion Belgian francs, 23 million U.S. dollars, 38 million British pounds, 22 million Deutsche marks, 19 billion Italian lira, and various other currencies. As of December 31, 1993, the Company had 40 forward currency exchange contracts which matured in 1994 and exchanged 4.9 billion Belgian francs, 52 million U.S. dollars, 73 million French francs, 19 million British pounds, 30 million Dutch guilders, and various other currencies. Gains and losses on these foreign currency hedges are included in the carrying amount of the related assets and liabilities. At December 31, 1994 and 1993, deferred gains and losses on these foreign currency hedges are not material to the consolidated financial statements.

The Company has entered into forward currency exchange contracts to reduce its exposure to currency fluctuations on the anticipated 1995 earnings of certain European subsidiaries. As of December 31, 1994, the Company has 9 forward currency exchange contracts which exchange 412 million Belgian francs and 8 million British pounds against approximately 25 million U.S. dollars. Gains and losses on these foreign currency hedges are included in income in the year in which the exchange rates change. At December 31, 1994, gains on these forward currency exchange contracts are not material to the consolidated financial statements.

The Company enters into forward currency exchange contracts to hedge its equity investments in certain foreign subsidiaries and to manage its exposure against fluctuations in foreign currency rates. As of December 31, 1994, the Company has two forward currency exchange contracts maturing in 1995 which exchange 1.0 billion Belgian francs against approximately 32 million U.S. dollars to hedge its equity investments in certain of its European subsidiaries. As of December 31, 1993, the Company had three forward currency exchange contracts which matured in 1994 and exchanged 150 million Swedish krona and 1.6 billion Belgian francs against approximately 64 million U.S. dollars to hedge its equity investments in certain of its European subsidiaries. At December 31, 1994, losses of $3 million on hedges of net investments in foreign subsidiaries are included in stockholders' equity.

The Company enters into option contracts to hedge anticipated transactions with certain of its foreign subsidiaries. As of December 31, 1994, the Company has six currency option contracts maturing in 1995 which hedge the 1995 royalty payments of the Company's European subsidiaries. The six currency option contracts exchange 496 million Belgian francs and 4 million British pounds against approximately 22 million U.S. dollars. Gains on the Company's hedges of these anticipated transactions are included as deferred revenue in accounts payable and accrued liabilities. At December 31, 1994, deferred gains on option contracts are not material to the consolidated financial statements.

As of December 31, 1994, the Company has entered into two currency swap transactions to manage its exposure against foreign currency fluctuations on the principal amount of its guaranteed Eurobonds (Note 2). These currency swaps mature in 2004 and exchange 140 million U.S. dollars against approximately 89 million British pounds. Gains and losses on the currency swaps are included as deferred revenue in other liabilities. At December 31, 1994, gains on the currency swaps are not material to the consolidated financial statements.

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%.

The Company enters into interest rate swaps to manage its interest rate risk. 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 5.81% to 7.96% in 1994 and 3.5% to 5.65% in 1993. 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.

Other Financial Instruments with Off-Balance-Sheet Risk

As of December 31, 1994 and 1993, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates of $27 million. The Company is of the opinion that its unconsolidated affiliates will be able to perform under their respective payment obligations in connection with such guaranteed indebtedness and that no payments will be required and no losses will be incurred by the Company under such guarantees.

Concentrations of Credit Risk

As of December 31, 1994 and 1993, the Company has no significant group concentrations of credit risk.

Fair Value of Financial Instruments

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

Cash and short-term financial instruments

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

Long-term notes receivable

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

Long-term debt

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

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

Foreign currency swaps and interest rate swaps

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

Forward currency exchange contracts, option contracts, and financial guarantees

The fair values of forward currency exchange contracts, option contracts, and financial guarantees are based on fees currently charged for similar agreements or on the estimated cost to terminate these agreements or otherwise settle the obligations with the counter parties at the reporting date.

The estimated fair values of the Company's financial instruments as of December 31, 1994 and 1993, which have fair values different than their carrying amounts, are as follows:

	1994		1993	
(In millions of dollars)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Long-term notes receivable	**$ 20**	**$ 18**	$ 7	$ 5
Liabilities:				
Long-term debt	**1,037**	**1,076**	898	1,063
Off-Balance-Sheet				
Financial Instruments – Unrealized gains:				
Foreign currency swaps	**—**	**26**	—	17
Interest rate swaps	**—**	**4**	—	22
Option contracts	**—**	**1**	—	—

As of December 31, 1994 and 1993, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates. There is no market for these guarantees and they were issued without explicit cost. Therefore, it is not practicable to establish their fair value.

As of December 31, 1994 and 1993, the Company has also entered into certain forward currency exchange contracts, the fair values of which are not material to the consolidated financial statements.

20. Accounts Receivable Securitization

In 1994, the Company sold certain accounts receivable of its Building Products North American operations to a 100% owned subsidiary, Owens-Corning Funding Corporation (OC Funding). In December 1994, OC Funding entered into a three-year agreement whereby it can sell, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable up to a maximum of $100 million. As of December 31, 1994, $50 million has been sold under this agreement and the sale has been reflected as a reduction of accounts receivable in the Company's consolidated balance sheet. The discount recorded on the sale of receivables is recorded as an increase in other expenses on the Company's consolidated statement of income.

The Company maintains an allowance for doubtful accounts based upon the expected collectibility of all consolidated trade accounts receivable, including receivables sold by OC Funding.

21. Contingent Liabilities

Asbestos Liabilities

The Company is a co-defendant with other former manufacturers, distributors and installers of products containing asbestos and with miners and suppliers of asbestos fibers (collectively, the Producers) in personal injury 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, 1994, approximately 107,200 asbestos personal injury claims were pending against the Company, 27,500 of which were received in 1994. The Company received approximately 31,700 such claims in 1993, and 26,600 in 1992. Through December 31, 1994, the Company had resolved (by settlement or otherwise) approximately 139,000 asbestos personal injury claims, 18,300 of which were resolved in 1994. During 1992, 1993 and 1994, the Company resolved approximately 66,400 such claims and incurred total indemnity payments of $639 million (an average of about $10,000 per case). 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, sold or installed by other Producers; the number and financial resources of other Producer defendants; the jurisdiction of suit; the presence or absence of other possible causes of the claimant's illness; the availability or not of legal defenses such as the statute of limitations or state of the art; whether the claim was resolved on an individual basis or as part of a group settlement; and whether the claim proceeded to an adverse verdict or judgment.

Certain of the Company's principal co-defendants, the 20 members of the Center for Claims Resolution, have entered into a proposed "global" settlement which would require future claimants to satisfy certain medical criteria indicative of significant asbestos-related impairment as a pre-condition to their eligibility for settlement payments. The Company is using similar criteria in the implementation of its own settlement and litigation strategy and is also seeking to require more careful proof than in the past that claimants had significant exposure to the Company's asbestos-containing product or operations. The Company believes that this strategy will reduce the overall cost of asbestos personal injury claims in the long run by channeling indemnity payments to claimants who can establish significant asbestos-related impairment and exposure to the Company's asbestos-containing product or operations and by substantially reducing indemnity payments to individuals who are unimpaired or who did not have significant such exposure. The Company's strategy has resulted in an increased level of trial activity and an increase in the number and amount of compensatory and punitive damage verdicts and judgments against the Company. This strategy may have the effect of increasing average per-case indemnity costs for claims resolved with payment, while also increasing the number of claims dismissed without payment.

Insurance

As of December 31, 1994, the Company had approximately $341 million in unexhausted products hazard coverage (net of deductibles and self-insured retentions and excluding coverage issued by insolvent carriers) under its liability insurance policies applicable to asbestos personal injury claims. Of this amount, $144 million will not be available until the years 1996 through 2000 under an agreement with the carrier confirming such insurance. An additional $24 million (out of the $341 million coverage) is presently the subject of coverage litigation or alternate dispute resolution procedures. All of the Company's liability insurance policies cover indemnity payments and defense fees and expenses subject to applicable policy limits.

In addition, the Company has substantial unexhausted non-products coverage under such liability insurance policies; an as yet undetermined amount of such non-products coverage is expected to be available for payment of asbestos personal injury claims and associated defense fees and expenses. The Company has commenced arbitration with its primary level insurance carrier seeking to confirm the availability of certain of its non-products coverage for payment of certain asbestos personal injury liabilities, involving the activities of the Company's former insulation contracting business. The Company is seeking prompt rulings on the issues presented. For purposes of calculating the amount of insurance applicable to asbestos liabilities, the Company has estimated its recoveries in respect of non-products coverage for claims received through 1999 at approximately $310 million, which represents the Company's best estimate of such recoveries for such claims. The Company cautions, however, that this coverage is unconfirmed and that the actual amounts recovered by the Company could, depending upon the outcome of the arbitration, be much higher or much lower.

Reserve

The Company's estimated total liabilities in respect of indemnity and defense costs associated with pending and unasserted asbestos personal injury claims that may be received through the year 1999 (the "Liabilities"), and its estimated insurance recoveries in respect of such claims (the "Insurance"), are reported separately as follows:

	Asbestos Litigation Claims	
(In millions of dollars)	**December 31, 1994**	December 31, 1993
Reserve for asbestos litigation claims:		
Current	**$ 300**	$ 275
Other	**1,145**	1,385
Total Reserve	**1,445**	1,660
Insurance for asbestos litigation claims:		
Current	**125**	125
Other	**556**	643
Total Insurance	**681**	768
Net Asbestos Liability	**$ 764**	$ 892

21. Contingent Liabilities (Continued)

Case filing rates continued at historically high levels in 1994 (approximately 27,500 new claims) following receipt of 31,700 claims in 1993 and 26,600 claims in 1992. Many of these new claims appear to be the product of mass screening programs and not to involve significant asbestos-related impairment. The large number of recent filings and the uncertain value of these claims have added to the uncertainties involved in estimating the Company's asbestos Liabilities.

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 asbestos personal injury claims, as well as the prospects for confirming additional, applicable insurance coverage beyond the $341 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. Depending upon the outcome of the various uncertainties described above, particularly as they relate to unimpaired claims, it may be necessary at some point in the future for the Company to make additional provision for the uninsured costs of asbestos personal injury claims received through the year 1999 (although no such amounts are reasonably estimable at this time). The Company remains confident that its estimate of Liabilities and Insurance will be sufficient to provide for the costs of all such claims that involve malignancies or significant asbestos-related functional impairment. The Company has reviewed and will continue to review the adequacy of its estimate of Liabilities and Insurance on a periodic basis and make such adjustments as may be appropriate.

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.

Cash Expenditures

The Company's anticipated cash expenditures for uninsured asbestos-related costs of claims received through 1999 are expected to approximate $764 million, the Company's Liabilities, net of Insurance. Cash payments will vary annually depending upon a number of factors, including the pace of the Company's resolution of claims and the timing of 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. While such additional uninsured and unreserved costs incurred in and after the year 2000 may be substantial over time, management believes that any such additional costs will not impair the ability of the Company to meet its obligations, to reinvest in its businesses or to take advantage of attractive opportunities for growth.

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.

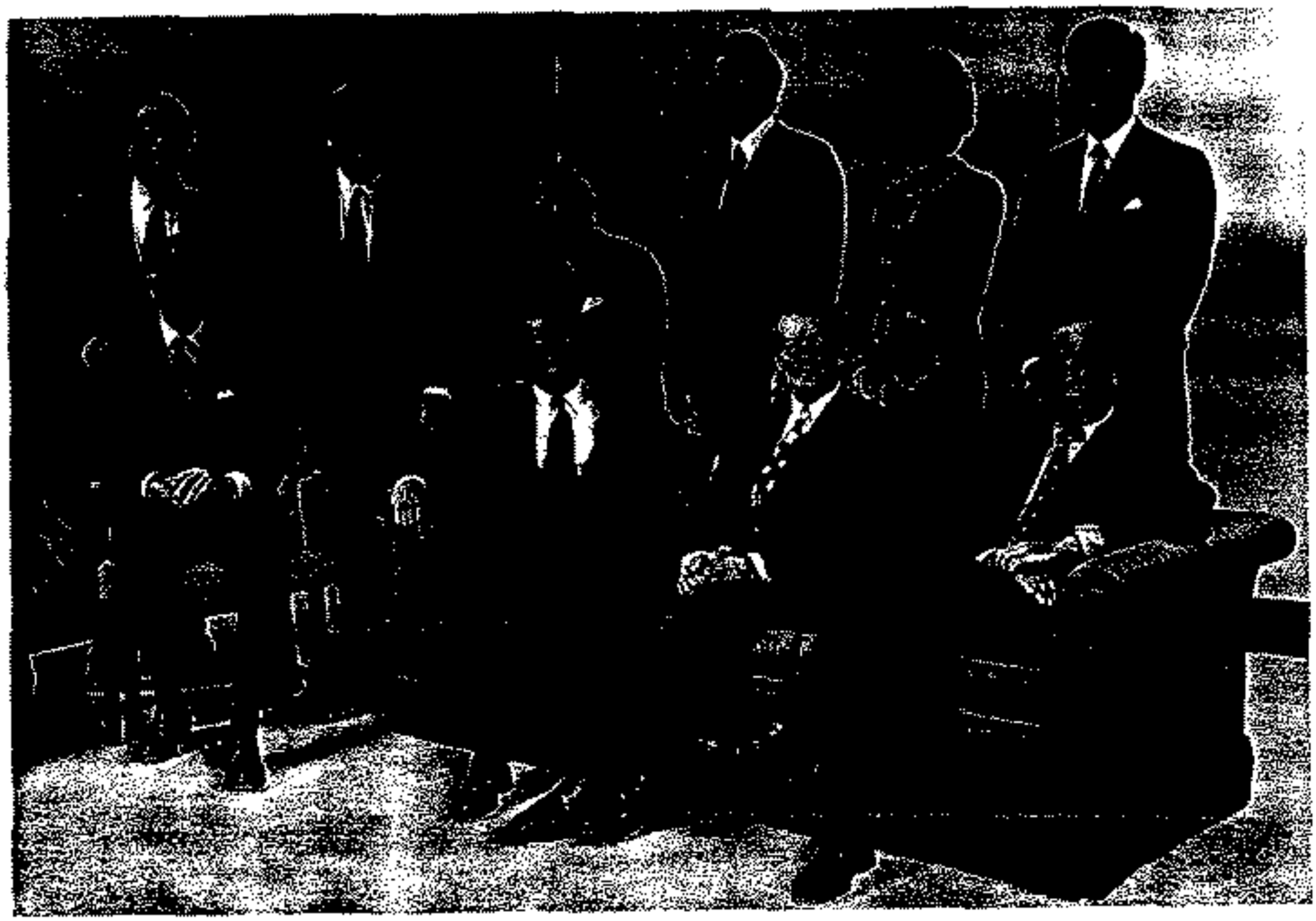
22. Quarterly Financial Information (Unaudited)

(In millions of dollars, except share data)	Quarter First	Second	Third	Fourth
1994				
Net Sales	$ 677	$ 852	$ 936	$ 886
Cost of Sales	523	644	705	664
Gross margin	$ 154	$ 208	$ 231	$ 222
Income (Loss) before Cumulative Effect of Accounting Changes	$ (67)	$ 45	$ 53	$ 43
Cumulative effect of accounting changes (Notes 6 and 7)	85	—	—	—
Net Income	$ 18	$ 45	$ 53	$ 43
Net Income per Share:				
Primary				
Income (loss) before Cumulative Effect of Accounting Changes	$ (1.52)	$ 1.03	$ 1.19	$ .98
Cumulative effect of accounting changes	1.93	—	—	—
Net Income per Share	$ .41	$ 1.03	$ 1.19	$ .98
Fully Diluted				
Income (loss) before Cumulative Effect of Accounting Changes	$ (1.30)	$ .95	$ 1.09	$ .91
Cumulative effect of accounting changes	1.70	—	—	—
Net Income per Share	$ .40	$ .95	$ 1.09	$ .91

(In millions of dollars, except share data)	Quarter First	Second	Third	Fourth
1993				
Net Sales	$ 651	$ 754	$ 785	$ 754
Cost of Sales	512	578	606	570
Gross margin	$ 139	$ 176	$ 179	$ 184
Income (loss) before Cumulative Effect of Accounting Change	$ (9)	$ 33	$ 48	$ 33
Cumulative effect of accounting change for income taxes (Note 9)	26	—	—	—
Net Income	$ 17	$ 33	$ 48	$ 33
Net Income per Share:				
Primary				
Income (loss) before Cumulative Effect of Accounting Change	$ (.20)	$ .76	$ 1.09	$ .75
Cumulative effect of accounting change for income taxes	.60	—	—	—
Net Income per Share	$ .40	$ .76	$ 1.09	$ .75
Fully Diluted				
Income (loss) before Cumulative Effect of Accounting Change	$ (.13)	$ .71	$ 1.01	$ .70
Cumulative effect of accounting change for income taxes	.53	—	—	—
Net Income per Share	$ .40	$ .71	$ 1.01	$ .70

Net income 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 per share may not equal the per share total for the year.

Directors



DIRECTORS

Front Row, Left to Right

William W. Boeschenstein 1,4,5
Retired Chairman of the Board and
Chief Executive Officer
Owens-Corning

Norman P. Blake, Jr. 1,2,3
Chairman of the Board, President
and Chief Executive Officer
USF&G Corporation

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

David T. McGovern 3,4,5
Of counsel to and former partner in
Shearman & Sterling

Back Row, Left to Right

Sir Trevor Holdsworth 2,3
Chairman
National Power plc

Glen H. Hiner 1
Chairman of the Board and
Chief Executive Officer
Owens-Corning

Landon Hilliard 2,4,5
Partner
Brown Brothers Harriman & Co.

W. Walker Lewis 3,4,5
Senior Advisor
Dillon Read & Co. Inc.

W. Ann Reynolds 3,5
Chancellor
City University of New York

Jon M. Huntsman, Jr. 1,2
Vice Chairman
Huntsman Chemical Corp.

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*
   Landon Hilliard
   Chairman

3. Audit Committee
   Norman P. Blake, Jr.
   Chairman

4. Finance Committee
   Furman C. Moseley, Jr.
   Chairman

5. Corporate Governance
   Committee
   W. Walker Lewis
   Chairman

Senior Officers

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

Charles H. Dana
Executive Vice President
Development/Planning/Sourcing

BUSINESSES

Charles R. Bland
Vice President and
President, Asia/Pacific

Alan D. Booth
Vice President and
President, Insulation–North America

David T. Brown
Vice President and
President, Roofing/Asphalt

Paula H. J. Cholmondeley
Vice President and
President, Miraflex™ Products

Robert D. Heddens
Vice President and
President, Western Fiberglass Group

Carl B. Hedlund
Vice President and
President, Retail/Distribution

Warren D. Knowlton
Vice President and
President, Building Products–Europe

Scott K. Koepke
Vice President and
President, Latin America

Patrick F. Moore
Vice President and
President, Pipe

Efthimios O. Vidalis
Vice President and
President, Composites

Jerry L. Weinstein
Vice President and
President, Specialty and Foam Products

CORPORATE

Christian L. Campbell
Senior Vice President, General Counsel and
Corporate Secretary

Domenico Cecere
Vice President and
Controller

David W. Devonshire
Senior Vice President and
Chief Financial Officer

Robert C. Lonergan
Vice President
Science & Technology

Michael I. Miller
Vice President and
Treasurer

Bradford C. Oelman
Vice President
Corporate Relations

Gregory M. Thomson
Senior Vice President
Human Resources

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 shareholders. Inquiries are welcome at the world headquarters address.

Transfer Agent and Registrar
Chemical Bank acts as primary 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 1-800-851-9677.

Auditors
Arthur Andersen L.L.P., 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 1994 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission. Requests should be addressed to Diane Dunmeade, Inquiry Department, Owens-Corning Fiberglas Corporation, Document Center 3, 801 Washington Street, Toledo, Ohio 43624.

Annual Meeting
The annual shareholders meeting of Owens-Corning Fiberglas Corporation will be held in The Peristyle, The Toledo Museum of Art, 2445 Monroe Street, Toledo, Ohio, at 2 p.m. Thursday, April 20, 1995.

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

Toll-Free Numbers and Electronic Mail Addresses
Investor Relations
1-800-403-6843
investor@owens-corning.com

Literature Requests
1-800-723-2727
doccenter@owens-corning.com

Product Information
1-800-GET-PINK

Internet
As of April 21, 1995, you can visit the Owens-Corning Home Page at our World Wide Web site using the following address: http://www.owens-corning.com

The financial section of this report is printed on recycled paper, and all papers are recyclable.

Global Branding: The Power of Pink

Owens-Corning in 1994 launched a global identity campaign, creating a "megabrand" to unify the Company's diverse businesses under a single umbrella image. A key element of the campaign includes expanded use of the Pink Panther and Company logo around the world.

High-visibility sports marketing activities reach key audiences and underscore the *durability* of Owens-Corning products. Co-sponsorship of the 1994/95 Freestyle World Cup generates awareness of skis and equipment made with glass fiber. On the Nascar Racing circuit, the Company is an associate sponsor of well-known Team Lowe's. In addition, aggressive ingredient branding promotes products such as K2 skis made with Owens-Corning Advantex™ fiber.