



INNOVATIONS FOR LIVING™

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Owens Corning is a global company that builds market-leading businesses. The company is a world leader in building materials systems and composite solutions, delivering a broad range of high-quality products and services. Owens Corning's products range from insulation, roofing, siding and manufactured stone veneer used in residential, commercial and industrial applications, to glass composite materials used in transportation, electronics, marine, wind energy and other high-performance markets.

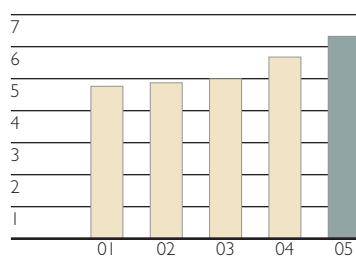
This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Further information on factors that could affect the company's financial and other results is included in the company's Forms 10-Q and 10-K, filed with the Securities and Exchange Commission.

financial highlights

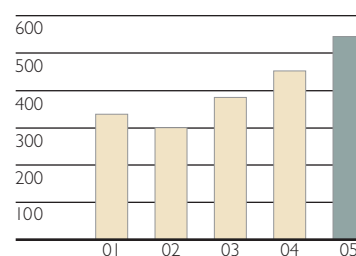
for the third quarter and year-to-date 2006 (in millions of dollars, except where noted)

| | year-to-date | third quarter |
|---|----------------|---------------|
| Net sales | \$4,984 | \$1,661 |
| Gross margin | 858 | 293 |
| As a percent of sales | 17.2% | 17.6% |
| Marketing, administrative and other expenses | 412 | 141 |
| As a percent of sales | 8.3% | 8.5% |
| Income (loss) from operations* | 442 | 159 |
| Income (loss) before income tax expense (benefit) | 220 | 88 |
| Income tax expense (benefit) | (154) | 25 |
| Net income (loss) | 376 | 62 |
| Net cash flow from operations | 244 | 165 |
| Income (loss) from operations as a percent of sales | 8.9% | 9.6% |

sales
(in billions)



*income from operations**
(in millions)



*Adjusted income from operations excludes certain items, including those related to the company's Chapter 11 proceedings, asbestos liabilities, restructuring and other activities, so as to improve comparability over time.

ceo/chairman message



left: David T. Brown, President and Chief Executive Officer

*right: Michael H. Thaman, Chairman of the Board and
Chief Financial Officer*

As a FORTUNE 500 company for more than 50 consecutive years, consistent growth has been a hallmark throughout our history. We continued that heritage during the past several years by remaining focused on productivity and delivering strong financial results. At Owens Corning, we are proud of our business today, and where we're going tomorrow.

our commitment

Our management team set five clear goals to guide our path to the future through our asbestos-related Chapter 11.

Our first commitment was to fairly compensate all individuals who were harmed in any way by exposure to our asbestos-containing products. A separate 524(g) Trust has been established and funded to ensure that we met that commitment. Our asbestos liability has been resolved with finality.

Second, we were committed to treating each of our creditors fairly and equitably.

Third, to make our Chapter 11 restructuring virtually invisible to our customers. Record sales and earnings are evidence of the long-standing customer relationships that have continued to grow.

Fourth, emerge from Chapter 11 as a stronger company than when we entered.

Finally, use our emergence as a platform for future growth.

Owens Corning's profit has nearly doubled in the last four years and we've gained market share in virtually every market that we serve.

Our employee safety performance has improved by 70 percent during the same time period. We've generated cash while reinvesting billions of dollars in our people, plants and equipment. We've made acquisitions and formed joint-ventures around the world to better serve customers.

Today, Owens Corning is a strong company with a healthy balance sheet. We have met the goals that we set six years ago and formed a solid foundation for the future.

competitive strength

In 2007, we plan to capitalize on our competitive strengths to deliver continued global growth.

Today, we maintain leading market share positions within all of our major product categories, including the number one market position in many of our product lines. Our customers use our materials, products and services in more than 40,000 applications in nearly every corner of the world.

Owens Corning's strong brand recognition differentiates our company in the marketplace with some of the most widely recognized brands and trademarks in the building products industry. Our brand equity continues to make Owens Corning a supplier of choice.

Our competitive position is enhanced by devoted customer relationships that have been developed through a focus on best-in-class customer service and delivering the right products, through the right channels at the right price.

our bright future

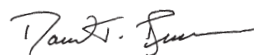
We will work to build market-leading businesses that meet customer needs by delivering trusted solutions, innovations, energy conservation and respected performance.

Owens Corning's focus on eliminating waste – which we define as anything that does not add value for the customer – is driving continuous improvement in productivity, which translates into lower costs.

Our employees are the reason that our company has met its goals, maintains its market leadership position, and is poised for future success. Our quality products and services, along with our commitments to safety, diversity and community service, make Owens Corning an attractive workplace for extraordinary talent.

We are confident in Owens Corning's bright future. Our success will result from 20,000 employees striving each day to deliver on our company's purpose – Delivering Solutions, Transforming Markets and Enhancing Lives.

Thank you for your interest in Owens Corning.



David T. Brown
President
and Chief Executive Officer



Michael H. Thaman
Chairman of the Board
and Chief Financial Officer

company overview

Owens Corning is comprised of market-leading businesses that have strong, defensible market positions in brand, distribution, knowledge, innovation and scale.

Owens Corning operates four reportable segments:

Insulating Systems, Roofing and Asphalt, Other Building Materials and Services, and Composite Solutions. The four are related by market (three are in building materials) and technology. They are integrated through global information and supply chain management and a “One Company” approach to business strategy, decision-making, investment, innovation and growth.

| | <i>business segments</i> | <i>leading market share</i> |
|---|--|--|
|  | <i>insulating systems</i> | #1 producer of residential insulation #1 producer of commercial and industrial insulation #2 producer of extruded polystyrene foam |
|  | <i>roofing and asphalt</i> | #2 producer of residential shingles #1 producer of roofing asphalts |
|  | <i>other building materials and services</i> | A leading producer of manufactured stone veneer Emerging producer of remodeling, preparation and installation construction services |
|  | <i>composite solutions</i> | #1 producer of glass fiber reinforcements |

strong financial performance:

Owens Corning has significantly strengthened its financial performance since 2002.

- Increased sales at a compound annual growth rate of 9%
- Reduced selling, general and administrative (SG&A) expense as a percentage of sales from 11 to 9%
- Increased earnings before interest, taxes, depreciation and amortization (EBITDA) at a compound annual growth rate of 15%
- Increased the return on net assets (RONA) from 10 to 17%



global presence:

Owens Corning has more than 20,000 employees in more than 300 locations in 26 countries on six continents.

consistent growth:

Owens Corning has been a Fortune 500 company for more than 50 years, one of only 75 companies to earn that distinction.

opportunities for growth

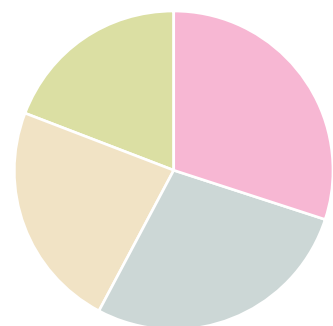
The consumer's desire to conserve energy in the face of rising energy costs, more stringent building codes and noise reduction in the home provides the opportunity to pursue market-growth initiatives for our insulation products.

Demand is driven primarily by residential repair and remodeling, rather than new construction. Roofing is less sensitive to new construction cycles. Aesthetic and application leadership are opportunities for growth.

Manufactured stone veneer has experienced strong demand propelled by customer preference. The construction services and franchising markets continue to deliver solid growth.

Composite materials offer lighter weight and improved strength over traditional materials like aluminum, wood and steel. Global demand is expected to grow at more than five percent per year:

2005 revenues by business segment⁽¹⁾



2005 revenue: \$6.3 billion

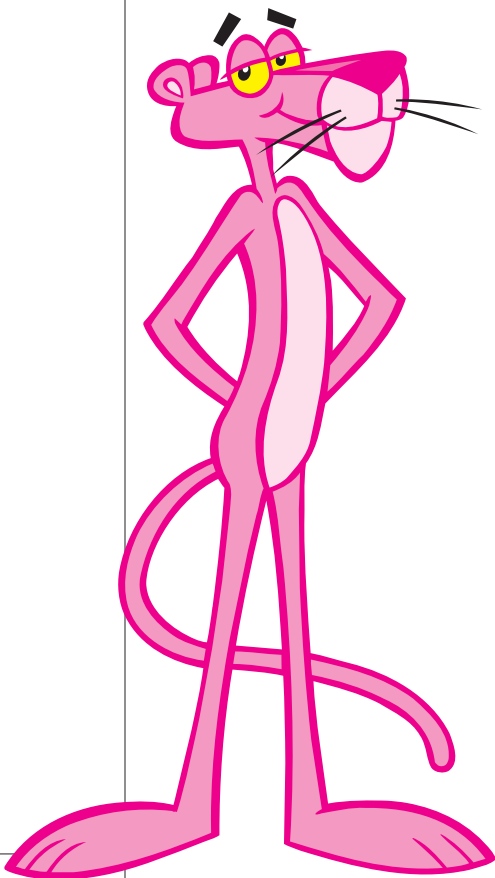
- 30% Insulating Systems
- 28% Roofing and Asphalt
- 23% Composite Solutions
- 19% Other Building Materials

⁽¹⁾ Percentages by segment based on revenue of \$6.5B before corporate eliminations

The Owens Corning brand is a valuable asset that represents customer preference.

powerful brand: Owens Corning has three highly recognizable and powerful brands – its trusted Owens Corning name and mark, the color PINK and the Pink Panther™. Surveys have consistently found that the Owens Corning brand of insulation is recognized by a factor of seven-to-one over the next closest competitor:

The Pink Panther™ is our Owens Corning “spokescat.” He is extraordinarily helpful in promoting our products, services and special events to every audience. He can turn up anywhere and be instantly recognized. His fame stretches across all generations and national boundaries.



environmental stewardship: Owens Corning makes a significant contribution to the environment every day as it makes products that increase energy efficiency and reduce the use of natural resources. The company's commitment to the environment includes taking measures to conserve natural resources and minimize the environmental impact of manufacturing. As one example, our PINK FIBERGLAS® insulation is made from 35 percent recycled glass.

energy conservation: Owens Corning is a leader in energy conservation. Our people help conserve energy each day as we produce, sell and deliver products that are energy efficient, reduce the use of natural resources, minimize waste and reduce pollution. Glass fiber and foam insulation products have a profound impact on energy conservation. According to The Alliance to Save Energy, a typical pound of glass fiber insulation saves 12 times more energy in its first year in place than the amount of energy used to produce it. Insulation continues to save energy every day throughout the life of the home or building in which it is installed.

By 1987, the link between the color PINK and the company's core insulation products had become so strong that Owens Corning became the first company to trademark a color. The color PINK is now registered as an Owens Corning trademark for insulation.



embracing diversity: Diversity at Owens Corning is about becoming a stronger team by leveraging the power of our individual differences. With this mindset, the company strives to respect and appreciate individual differences in its employees, customers, partners and suppliers.

focus on safety and waste elimination: Owens Corning has taken a stand on safety and waste elimination. Our commitment to safety is unconditional. Our philosophy that all accidents are preventable has substantially reduced workplace injuries in recent years. At Owens Corning, waste is anything that does not add value for our customers. The company's goal is to become waste free. Ongoing programs throughout the company are working to improve productivity toward that goal.

purpose and values: The company's purpose is Delivering Solutions, Transforming Markets and Enhancing Lives. We are guided by a set of values that define how we operate as individuals and as a company – integrity, respect, accountability, fun, sharing, candor and innovation.

innovation: Owens Corning has a 67-year history of innovation, which fuels our business today. Innovation is about meeting customer needs with new products, services and technologies. It is also about having science and technology resources strategically located around the world. Today, Owens Corning has a global network of technology centers that work every day to deliver innovations to our customers.

community relations: Owens Corning understands that community support helps drive success, which is why it encourages employees to be engaged in their communities. From its partnership with Habitat for Humanity to support for education, Owens Corning aims to help families live well, learn and thrive.

leveraging information technology: An integrated Information Technology and Supply Chain management structure is focused on serving customers at the lowest possible cost. Owens Corning manages an enterprise-wide information technology platform that is secure, predictable and reliable. This common platform has helped achieve world-class costs of less than one percent of sales.

extraordinary talent: Owens Corning is an enterprise of extraordinary talent, which the company defines as people who redefine what is possible and consistently elevate their performance and the results of the team as a whole. Recruiting focuses on attracting people who bring that definition to life.

Insulating Systems is well positioned to outperform the industry by helping builders and customers meet the challenges of higher energy costs, increasing concern for the environment and more stringent building codes.

PINK FIBERGLAS® insulation contains 35 percent recycled content
and PINK FOAMULAR® insulation contains 15 percent recycled content.



market-leading positions: Owens Corning has earned the insulation industry's leading market share and is well positioned to service the home-center and direct builder channels. It has forged solid relationships with leading builders and contractors. Owens Corning has a strong franchise with the color PINK, and the company's manufacturing expertise has earned one of the industry's premier cost positions. Additional components of the company's proprietary, state-of-the-art manufacturing platform continue to be added to production lines to improve productivity and overall output.

emerging global presence: In addition to its strong U.S. manufacturing base, Insulating Systems also has a growing presence around the world. The company started its first plant in China in 1995 and now has four facilities serving this emerging market. The company has a fiberglass insulation facility in Mexico and affiliate operations in several other countries.



insulating systems
2005 revenue by end market



energy opportunity: Fiberglass and foam insulation incorporate proven performance that is familiar to architects, engineers, builders and contractors. Yet despite being readily available and widely used for many years, the products are still underutilized in relation to their potential to save energy and lower energy costs. The use of insulation per new home has increased steadily in recent years and the company expects that trend to continue. Our insulation products are also used in the retrofitting of existing homes for increased energy efficiency. As the recognized leader in energy conservation, our expertise puts the company in a strong position to capitalize on the Energy Policy Act of 2005.





I insulating systems

residential insulation

PINK FIBERGLAS insulation is the company's best-known product and continues to be one of the best-selling building materials on the market. The residential insulation business also provides a wide range of other insulating products and systems for existing and new homes. Products include thermal and acoustical batts and loosefill insulation for wall and attic, and accessory products such as housewrap, construction and window flashing tape. Foam accessory products include sheathing, attic rafter vents and attic stair insulators.



In a recent survey, 78 percent of new home buyers have issues with noise in their homes while less than five percent of the homes being built today include any noise control solutions.

QuietZone® residential noise control

In response to growing concerns about noise in the home, Owens Corning developed a new category of structural noise control solutions under its QuietZone® insulation brand which can reduce noise transmission through walls, ceilings and floors by up to 85 percent. Utilized in the building or remodeling of a home, QuietZone products work to absorb, block, break and isolate sound waves that travel from room to room. Installed between floors and walls, the products reduce the amount of noise heard outside of the treated room. Noise control is one area where Owens Corning is growing demand for insulation products.

innovative residential products

To improve productivity for contractors and builders, Owens Corning developed a series of innovative high-performance residential insulation products including **PROPINK Complete™** loosefill insulation and **PROPINK FastBatt®** insulation.



Owens Corning was the first insulation manufacturer to qualify for a stringent new GREENGUARD Product Emission Standard for Children and Schools. The Greenguard Environmental Institute developed the school certification in response to rising concern over illnesses that are sometimes associated with poor indoor air quality.



extruded foam insulation

Through a series of acquisitions beginning in 1994, Owens Corning has become a global leader in the extruded polystyrene (XPS) foam insulation market. This family of products and systems complements our FIBERGLAS insulation and leverages the company's PINK brand icon. FOAMULAR® Insulation contains hundreds of millions of densely packed air cells. Since trapped air is an excellent insulator, the thermal performance of the rigid foam panels is exceptional. Extruded polystyrene foam's very high compression strength and moisture resistance make it a material of choice for insulating residential foundation walls and slabs, commercial walls and roofs.

commercial and industrial insulation

The commercial and industrial insulation business holds strong positions in many market segments. Commercial and industrial insulating systems save energy, absorb noise and control condensation to help lower operating costs, increase thermal efficiency and enhance occupant comfort. Products include glass fiber insulation for air-handling systems, molded fiber glass insulation for both hot and cold pipes, extruded foam insulation for concrete wall systems, glass fiber and extruded foam insulation for exterior and interior walls, and pre-engineered metal building insulation with a patented system for installing it safely and efficiently.



I insulating systems

innovative commercial and industrial products

VaporWick® pipe insulation is designed for below-ambient-temperature applications in severe hot and humid environments. QuietR™ Acoustic Duct Liner has enhanced acoustical performance and meets all national and state building code thermal requirements while providing outstanding abuse resistance.

OEM solutions

The OEM Solutions Group designs and fabricates thermal and acoustical insulation for Original Equipment Manufacturers. With facilities in the U.S., Mexico and Canada, the business fabricates parts to solve noise and thermal issues for original equipment manufacturers in four key markets – automotive and heavy truck, appliances, commercial interiors, and heating, ventilating and air conditioning. This business will use the material or process that best meets the requirements of each customer's application. Fabrication processes include die-cutting, stamping, molding, forming, thermoforming, facing, laminating, assembling, surface finishing, notching, drilling, heat sealing, water jet cutting, encapsulating, slitting and tooling.



According to The Alliance to Save Energy, a typical pound of glass fiber insulation saves 12 times more energy in its first year in place than the energy used to produce it.

calculating savings

Owens Corning developed three proprietary calculators to help builders and consumers quantify energy efficiency. The Owens Corning Builder Energy Solutions Calculator helps determine the most cost-effective way to build an energy-efficient home and take advantage of the Energy Policy Act of 2005. The company's commercial calculator tool helps design professionals and contractors identify how to reduce energy costs that qualify for tax incentives. The Duct Energy Efficiency Calculator quantifies the money consumers can save by incorporating fiberglass duct solutions.



01



energy star® certification:

Owens Corning World Headquarters in Toledo, Ohio has earned the Environmental Protection Agency's Energy Star certification. This means the building is in the top 25 percent of energy-efficient buildings in the U.S. During the past eight years, the company has reduced energy use at its Toledo, Ohio headquarters by 25 percent, saving more than \$1.7 million in electricity costs.

save energy blog: In celebration of Earth Day, Owens Corning honored the Pink Panther™ with the new title of CEO – Chief Energy Officer – and his very own Pink Panther™ Save Energy Blog. The weblog addresses energy issues, provides information on energy-saving tips and products, and answers customer questions – all while having a little fun. The interactive blog is available at saveenergy.owenscorningblog.com and can be accessed through the Owens Corning Web site by clicking on a Pink Panther™ icon on the home page.

innovative foam product: A growing application for foam insulation is the Fold-Form® insulated concrete wall systems. The panels replace traditional concrete forms in above- and below-ground poured concrete walls. The foam is designed to be left in place to create an R-value of 20.

leveraging the brand: Owens Corning is a preferred provider of building materials to the highly-rated ABC television reality show Extreme Makeover: Home Edition. The show's goal is to rebuild a deserving family's home to meet its unique needs and, in so doing, change the lives of families and communities. Owens Corning products featured on the show include PINK FIBERGLAS® insulation, roofing shingles, PinkWRAP® housewrap, Cultured Stone® manufactured stone veneer, vinyl siding, BASEMENT FINISHING SYSTEM™, QuietZone® residential noise control products and HOMExperts® Life of the Home® services.



02



03

Roofing and Asphalt leverages the knowledge that comes with scale and many years of market leadership. Employee engagement translates into a great customer experience with sound financial results.

Roofing and Asphalt is vertically integrated from glass fiber through asphalt coating to finished roofing shingles.



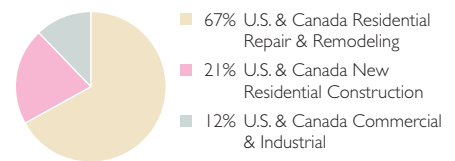
nationwide network: Owens Corning operates a broad network of shingle and asphalt manufacturing plants throughout the United States. The company's regional network of plants is well positioned to cost effectively serve local, regional and national customers. The business is using the company's full resources, including its buying power and technology, to drive productivity. Manufacturing improvement programs are focused on increasing throughput, using lean processes to eliminate bottlenecks and standardizing operating procedures.

aesthetics and performance:

Owens Corning is focused on the aesthetic and application appeal of residential roofing shingles. A strong relationship with contractors and builders helps the business to understand their unmet needs and innovate to address them. An example of this is the rugged appearance of WOODMOOR® and WOODCREST® shingles.



roofing & asphalt
2005 revenue by end market



leading market shares:

Owens Corning has been a leader in residential roofing for more than 25 years. The company offers a broad line of architectural and traditional shingle styles and colors to enhance a home's aesthetic style and features. Its products are widely available through multiple channels of distribution in the U.S. The company's Trumbull Asphalt business is a leading manufacturer of industrial-grade asphalt products. Its processing plants make high-quality asphalt for home roofing shingle and underlayment products, as well as commercial roofing. The company also supplies asphalt for non-roofing applications that include batteries, light ballasts, auto interiors, undercoatings and salt containers.





residential roofing

Owens Corning makes residential roofing shingles that provide aesthetic appeal and ease of application. A current trend among homeowners is trading up to higher style shingles for improved performance and aesthetics. Owens Corning is well positioned to capitalize on this trend because the company's brand is recognized and trusted by the homeowner.

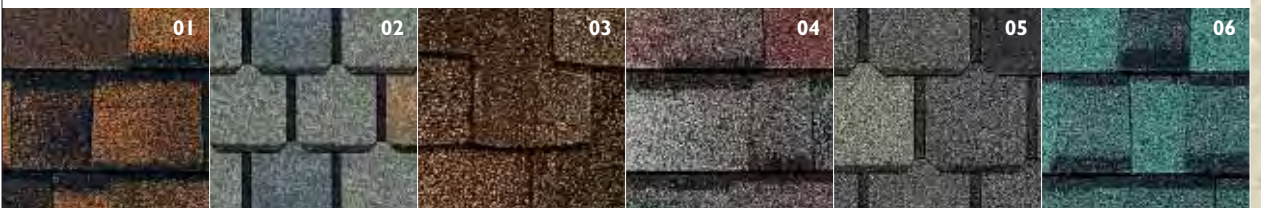


Asphalt roofing represents the most affordable roofing product per square foot compared to any other roofing.

Asphalt shingles today represent 85 percent of the market. As the housing stock increases, so does demand for the company's products. Owens Corning also stands ready to quickly supply roofing products that are needed to rebuild storm-impacted areas. About 75 percent of Owens Corning shingle products are used to reroof existing homes, with 25 percent used in new construction.

beauty more than skin deep

With Owens Corning asphalt shingles, beauty is more than skin deep. They all have a tough *Fiberglas* mat core that won't absorb moisture. Glass fiber mat has become the standard of the industry since Owens Corning led the change from paper-based mat beginning in the 1970s. The result is enhanced performance against premature aging, weathering and risk of fire.





The catastrophic storms of 2005 are focusing attention on improving building codes, and in particular, wind-load ratings.



fastest-growing segment

Laminate shingles are the fastest-growing segment of the shingle industry and Owens Corning is a style leader with deep shadow lines and rich color blends to maximize depth and dimension. The company has an increasing number of plants with the ability to make laminated shingles.

going global

Owens Corning sells shingle products into Canada, Latin America and Asia, and the company operates roofing plants near Shanghai, China, and Seoul, Korea. The biggest short-term growth opportunity outside the U.S. is in Canada where most roofs use organic-based asphalt shingles.

growth strategy

The Owens Corning growth strategy for residential roofing has four components – pull product demand through distribution channels by having the brand that is best known and most trusted; convert consumers to more aesthetically pleasing, higher performing and higher-margin laminated shingles; focus on aesthetic leadership with preferred styles and colors; and appeal to contractors with ease of application and performance. Owens Corning is also pursuing market-growth initiatives through its industry-leading preferred contractor program, which gives peace of mind to consumers selecting a contractor. Industry-leading literature and merchandising tools also help drive product conversion in the market.

2

roofing & asphalt



Owens Corning recently introduced WeatherGuard® HP Shingles, a high-performance line of shingles with a high hail-resistance rating for storm-impacted areas.

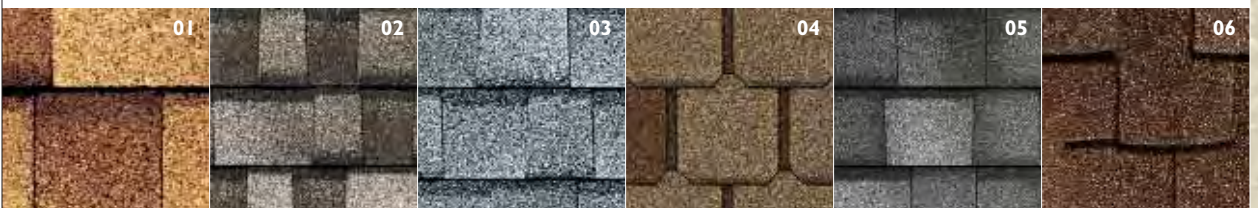
Owens Corning's strategy for growing sales of residential roofing shingles is based on maintaining a leadership position in both shingle aesthetics and ease of application.

fast installation

SureNail® Technology from Owens Corning offers faster and more accurate installation with a product that has a wider nailing area and the industry's most clearly defined nailing zone.

application leader

Owens Corning recently introduced new shingle technology that offers faster installation and helps roofing contractor customers enhance their productivity, making Owens Corning a supplier of choice. By providing innovative technology that allows faster and more profitable installation, the business is delivering solutions that truly make a difference to its customers.



01 Oakridge PRO 50® Desert Tan Roofing Shingle 02 Oakridge PRO 50® Driftwood Roofing Shingle 03 Oakridge PRO 50® Sierra Gray Roofing Shingle 04 Berkshire® Sherwood Beige Roofing Shingle 05 Oakridge PRO 50® Quarry Gray Roofing Shingle 06 Woodcrest® Timber Roofing Shingle 07 Oakridge PRO 50® Driftwood Roofing Shingle 08 Owens Corning Trumbull PermaMop® Modified Roofing Asphalt 09 Owens Corning Trumbull Products



07

Trumbull strengths include its sourcing reach, processing expertise and a national facility network.



trumbull® asphalt: The Owens Corning Trumbull Asphalt business oxidizes asphalt materials for shingles, commercial roofing, waterproofing and industrial applications. A substantial portion of asphalt produced by the Trumbull business is used to make shingles. The business supplies coating asphalt to Owens Corning roofing shingle manufacturing facilities and other roofing shingle manufacturers.

Trumbull is also a leader in built-up roofing asphalt for commercial applications. An innovative product in this category is PermaMop® built-up roofing asphalt, a low-fuming, superior-performing all-slope asphalt. To make the product, the company takes the industry's best built-up roofing asphalt and adds a technologically advanced polymer that creates a skim layer to trap fumes and odor.

low fuming technology: Asphalt can be applied to the roofs of restaurants, schools and hospitals during peak hours, thanks to TruLo® built-up roofing asphalts which feature the company's patented low-fuming technology. *TruLo* asphalt is made by adding a technologically advanced polymer to Trumbull's already-high-performing roofing asphalts. When the product is heated, the polymer floats to the surface and creates a skim layer on the kettle that traps the fumes and odor inside – without affecting the asphalt or disrupting kettle operation.

benefits of built-up roofing:

Owens Corning's Built-Up Roofing system has earned a great reputation with building owners, architects, engineers and contractors.

Each layer of a Built-Up Roofing system contains a mat of glass fiber or other reinforcements. When multiple layers are combined and sandwiched between layers of water-resistant asphalt, the result is a long-lasting roof.



08

09



Owens Corning operates a group of businesses serving the building materials market. This group of businesses leverages our North American building materials presence to establish a broader access to the marketplace.

Owens Corning provides a broad selection of siding colors, textures and thicknesses.



emerging businesses: Through a combination of acquisitions and organic growth, Owens Corning has assembled a suite of other building materials and services businesses with exciting prospects for growth. The largest is the Siding Solutions Business, comprised of our vinyl products and building material distribution businesses. While vinyl siding is certainly not new, innovations in insulated panels and darker colors, new installation programs for builders, and expanded product logistic services for Big Box and Lumber Yard retailers, provide an opportunity to outperform the market.

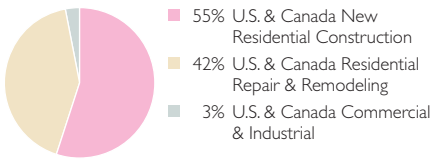
The Cultured Stone® and Construction Services businesses have experienced substantial growth in recent years and plans are in place to extend their positive track records.



the siding of choice

When compared to wood, brick or stucco, vinyl siding has grown in popularity around the country for homes of all sizes and styles. Vinyl siding is the siding of choice in 44 percent of installations today.

other building materials & services 2005 revenue by end market



siding solutions growth:

The Siding Solutions business has a unique manufacturing and distribution business model with several growth opportunities that include:

- Driving the growth of composite building materials by combining technical and marketing support along with distribution capabilities
- Expanding building materials sales to Big Box and LumberYard customers who value a just-in-time service model
- Developing new exterior cladding products to include energy-efficient offerings
- Developing new vinyl extruded products utilizing our technical and manufacturing core competencies
- Using our 300-person sales staff to identify market trends and unmet market needs





TruColor® Protection Technology and COLORHOLD® Limited Lifetime Fade Protection allow the deep rich colors that many homeowners want in siding, along with the assurance that color will endure. The wide variety of colors, styles and accessories allow builders to differentiate their homes by offering buyers many choices.

siding solutions

The Siding Solutions Business includes the production of vinyl siding and the distribution of "below the roof" exterior products for residential and commercial applications. The business also installs some products primarily for new construction customers.

Owens Corning is a large distributor of windows and a leading producer of vinyl siding. The company has a broad network of Norandex/Reynolds distribution branches, making it the second-largest vinyl siding distributor in the United States.

Polar Wall® Plus!

Insulated siding is a superior vinyl with an extra heavy-duty BEARHUG® locking system and foam insulation laminated to each panel. The product provides exceptional strength, rigidity and resistance to hail, deadens sound and gives an extra layer of insulation to help manage energy costs.

cost-effective vinyl solution

About 80 percent of the company's vinyl siding is sold through company-owned distribution; the rest goes to market through independent distributors. Vinyl siding is a low-maintenance, cost-effective solution for builders and homeowners that meets a market need for durable home exterior products.



A typical BASEMENT FINISHING SYSTEM™ can be installed in seven to 10 days, compared with several weeks for a traditional finishing.



cultured stone®

Cultured Stone® manufactured stone veneer is a leader in a rapidly growing market segment. The business has a leading share of an \$800 million market in the United States that has grown by more than 15 percent per year during the past seven years, and is starting to grow in other markets around the world.

Manufactured stone veneer replicates the shapes, textures and colors of natural stone while being lighter, easier to install and more cost efficient. The aesthetics and realistic look of Cultured Stone® products make Owens Corning Cultured Stone® the preferred brand of manufactured stone veneer. The product's aesthetic appeal delivers the customer value that differentiates Owens Corning in the marketplace.

improving financial performance

Cultured Stone® is also strengthening its financial performance. As the world's largest manufacturer of manufactured stone veneer, Owens Corning continues to improve its manufacturing capability and is focused on increasing the productivity of its facilities.



01 Great Lakes Split Face Cultured Stone® Garden
02 Bucks County Dressed Fieldstone Cultured Stone®
03 Caramel Country Ledge Stone Cultured Stone®
04 Lakeshore River Rock Cultured Stone®



3

other building materials & services



With new production in China and the recent acquisition of three manufacturing facilities in Europe, Owens Corning is increasing its market leadership in manufacturing stone veneer worldwide.

manufactured stone opportunity

With its rapid growth, manufactured stone veneer represents nearly three percent of the wall cladding market in the U.S., leaving plenty of opportunity for continued growth. Owens Corning expects low- to mid-double-digit growth through the current business cycle of three to five years. Market research indicates that manufactured stone veneer's "share of wall" is increasing as the number of homes using the product and the amount of product-used-per-home are both increasing.

potential for big growth in interiors

The bulk of the current market for manufactured stone veneer is in exterior cladding for residential and light commercial applications. There is potential for big growth in interior use and outdoor living spaces like patio kitchens and fireplaces where masonry is used.

setting the standard

The Cultured Stone® brand sets the standard for quality and innovative new uses for manufactured stone veneer. The company recently helped establish an industry association designed to set codes and standards for the product and its application.





Cultured Stone® veneers are approximately one-quarter of the weight of full-thickness stone and can be adhered to most wall surfaces.



construction services

The Construction Services Business has two segments – Franchising Services and HOMExperts® Builder Services – that provide construction services and solutions to builders, retailers and homeowners across the United States. The company's vision is to build and sustain an industry-leading business in these rapidly growing segments.

franchising services

This service started with the BASEMENT FINISHING SYSTEM™, developed by Owens Corning and now marketed and installed through a network of more than 27 franchises covering 90 territories. The system enables remodeling contractors to install a complete insulated and finished basement in less time than conventional construction techniques. Owens Corning recently expanded its franchise offering to include SunSuites™ Home Additions.

HOMExperts® builder services

This segment allows builders to enhance their customer experience by offering services from Owens Corning. Builders can use Owens Corning's expertise to increase productivity and enhance the overall builder/homeowner relationship. HOMExperts production teams from Owens Corning allow builders to reduce cycle time and fixed labor costs while maintaining production capacity during high demand periods. The Life of the Home® program is an annual maintenance program builders use to extend their services beyond the home sale. Warranty Services enhance buyer satisfaction by improving response time to their needs, reducing future problems and saving money. Other services include pre-close preparation and detail work, move-in assistance, post-close home warranty fulfillment and installation services for builders and retailers.

The Composite Solutions business is the world's leading producer of glass fiber reinforcements with manufacturing and market development facilities in developed and emerging markets.



In May, three of the company's early inventors were inducted into the National Inventors Hall of Fame for inventing the process that made glass fiber insulation in commercial quantities and led to the formation of Owens Corning.



strong global demand: The composite market has historically grown faster than the overall economy – five percent compound annual growth rate during the last 25 years – and that trend is expected to continue. Composite materials hold only a small portion of the total materials market so the opportunity for conversions remains strong. Composite use per capita in the U.S. suggests there is a market opportunity for worldwide growth. U.S. consumption of composites is 8.5 pounds per capita, compared with only 1.2 pounds per capita consumed in the rest of the world.

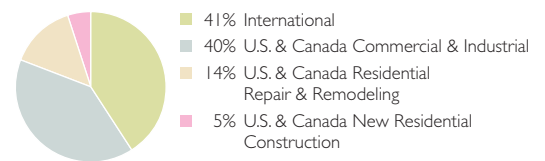
trends support growth:

Current market needs are leading material users toward composites.

The durability and light-weight characteristics of composites make it the right material solution to deliver improved performance in thousands of applications, including trains, buses, automobiles, wind energy, bridges, electronic components and much more.



composite solutions
2005 revenue by end market



what is a composite?

A composite is a glass fiber material that is combined with a metal, ceramic, glass or polymer to produce structural or functional properties that enhance performance in a wide variety of end-use applications.

a heritage of innovation:

The Composite business at Owens Corning traces its roots to the mid-1930s when company pioneers hatched an idea for making continuous glass fibers in commercial quantities. They soon had three fiber-forming positions operating at a pilot facility. That humble beginning launched a revolution in materials technology that gave birth to the global composites business. The company today continues to lead the development and growth of the composites industry worldwide.





adjacent businesses

The Composite Solutions business expects to grow through adjacent activities within Owens Corning. An example is the asphalt roofing business, which the company converted to glass fiber mat beginning in the late 1970s. Today, the Composite business is the technology leader in wet-chop mat for roofing applications, and supplies the roofing industry as well as the company's own roofing business.

A similar reinforcing product, known as glass veil, has many applications in building materials and is currently being used in an innovative water- and mold-resistant product that is changing the wallboard industry. Owens Corning also offers a full range of sophisticated knitted and woven fabrics used in a wide variety of applications around the world.



In addition to an unsurpassed range of glass fiber reinforcements, Owens Corning offers its experience and expertise to support design processes and commercialize new applications. The company is a preferred partner in the composites business.

why the market demands composites

Composite materials offer solutions that can play a crucial role in changing the sustainable future of the world by helping conserve its natural resources. Composites are more durable, light-weight, corrosion-resistant and energy efficient than traditional materials like wood, steel and aluminum.

Composites have a strength-to-weight ratio that is two to three times higher than that of steel or aluminum, and it takes half as much energy or less to produce the material. With these advantages, composites can help the world reduce its collective environmental footprint while delivering new innovations that bring value to customers and transform markets.



Owens Corning moved up eight places on the FORTUNE 500 – from 349 in 2005 to 341 in 2006

01



leading RV exterior supplier

Fabwel, a unit within our Composites Solutions business, makes products for recreational vehicles and cargo trailers and is the leading exterior panel supplier to those industries in the U.S. The business recently introduced a panel that is 20 percent lighter than traditional materials with exceptional durability. The all-composite panel reduces total vehicle weight, thereby allowing design engineers to incorporate more features and benefits.

double-digit growth in wind energy

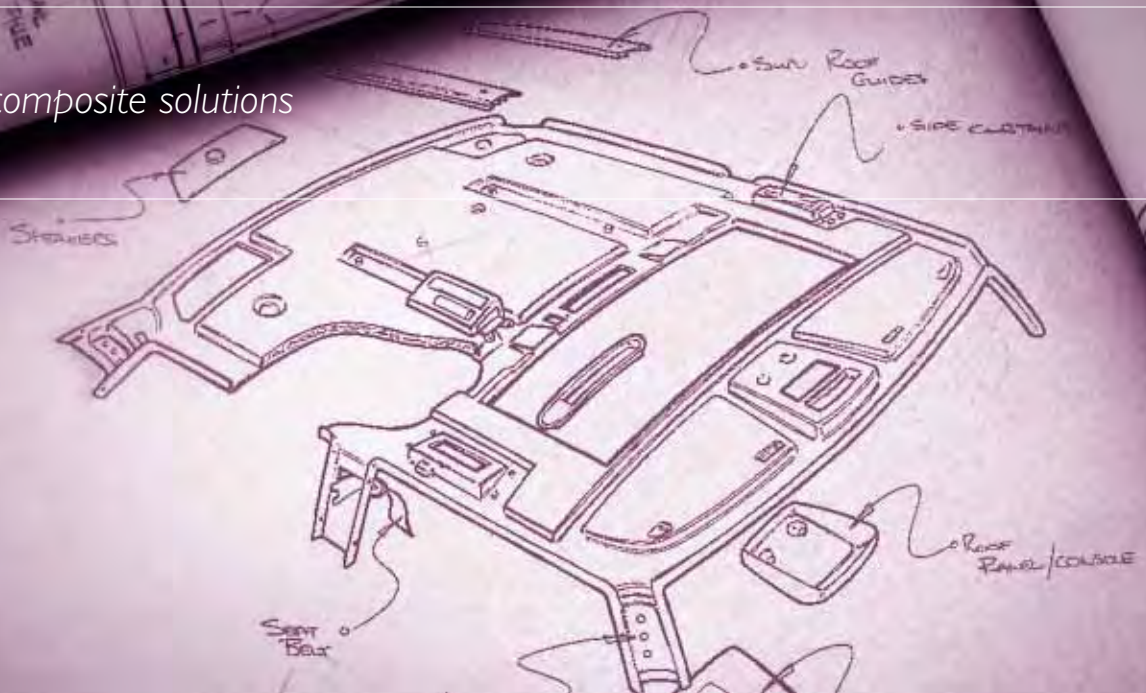
Using glass fiber reinforcement to reinforce windmill blades can decrease the cost-per-megawatt hour by increasing the efficiency of harnessing wind energy. With recent technological advancements, wind energy is beginning to compete on a large, industrialized scale with other energy sources like fossil fuel, hydro and nuclear power. The market has grown 15 to 20 percent per year during the past 10 years and is expected to continue to grow at the same rate. Glass fiber reinforcements are widely used in wind turbine blades because composites have a high strength-to-weight ratio, design flexibility and excellent fatigue and corrosion resistance.

02



03





automotive opportunity

The use of composite materials in the transportation sector makes vehicles lighter, reduces noise and greatly improves fuel efficiency, which leads to reduced emissions and a cleaner environment. Composites allow automakers to consolidate parts and reduce system costs. Automotive and overall transportation make up the second-largest composites market (only construction is larger). Despite steady progress, composites currently comprise two percent of the total opportunity, leaving plenty of room for growth.



To support the growing wind-energy market around the world, Owens Corning is adding more capacity to produce glass fiber reinforcing fabric in São Paulo, Brazil, and Taloja, India.

global growth

During the past seven years, Owens Corning has increased its global footprint with composite acquisitions in India, Korea, Mexico, Japan and the U.S. In 2006, Owens Corning continued that growth strategy by making a joint announcement with Saint-Gobain that the two companies are in discussions to merge their reinforcement businesses into a joint venture to be called Owens Corning-Vetrotex Reinforcements. The new company would be majority-owned by Owens Corning and serve customers with improved technology, an expanded product range and greater geographic reach.

global network of facilities

Company strengths include a global network of manufacturing facilities with regional application development centers focused on the needs of local markets. The company's first factory for glass fiber reinforcements outside the U.S. was opened in Battice, Belgium in 1966. The company's first satellite Science and Technology Center was added nearby to develop the regional market. Today the business operates composite manufacturing facilities in Belgium, Brazil, France, India, Korea, Norway, Japan, China, the U.K., the U.S. and Canada.



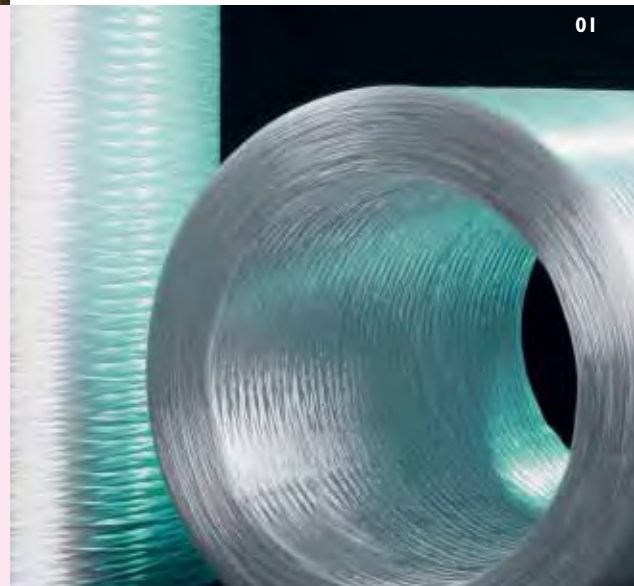
Japan: Early in 2006, Owens Corning completed the acquisition of a composites business in Japan that added new products and customers, and positioned the company as the leading glass fiber reinforcement producer in that country.

HiPer-tex™ reinforcement platform: Owens Corning developed a new reinforcement platform that will enable stronger, stiffer and more affordable applications. The first products to be made from the new platform will be WindStrand™ roving and fabrics for wind blades.

new reinforcements for high-performance electrical and electronic applications:

- *MicroMax™ Chopped Strands* – A breakthrough reinforcement that enables the continued miniaturization of electronics.
- *PerforMax® HR Chopped Strands* – Hydrolysis-resistant reinforcements that help parts stand up to the newest and most advanced long-life coolants used in today's automobile engines.
- *PerforMax® LG Chopped Strands* – A reinforcement that enhances productivity by keeping application molds cleaner.
- *PerforMax® SP Chopped Strands* – Reinforcements for Specialty Engineering Polymers that tolerate very high temperature compounding and molding processes.
- *OC Max™ Long-Fiber Thermoplastic* – A compound that will help customers bridge the performance gap between metal and reinforced thermoplastics.

These new products are examples of the innovative technology that Owens Corning and its customers can leverage to expand the market for composite materials.



01



02

consolidated statement of income (loss) unaudited

| | quarter ended September 30 | | nine months ended September 30 | |
|--|----------------------------|----------|--------------------------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| <i>(dollars in millions, except per share data)</i> | | | | |
| Net sales | \$1,661 | \$1,618 | \$4,984 | \$ 4,610 |
| Cost of sales | 1,368 | 1,315 | 4,126 | 3,760 |
| Gross margin | 293 | 303 | 858 | 850 |
| Operating expenses | | | | |
| Marketing and administrative expenses | 141 | 144 | 412 | 409 |
| Science and technology expenses | 14 | 15 | 45 | 43 |
| Restructure costs | 10 | – | 10 | – |
| Chapter 11-related reorganization items | 1 | 8 | 28 | 40 |
| Provision for asbestos litigation claims – Owens Corning | 3 | (1) | – | 3,434 |
| Provision for asbestos litigation claims – Fibreboard | (13) | – | (13) | 907 |
| Gain on sale of fixed assets and other | (22) | (2) | (66) | (10) |
| Total operating expenses | 134 | 164 | 416 | 4,823 |
| Income (loss) from operations | 159 | 139 | 442 | (3,973) |
| Interest expense, net | 71 | 539 | 222 | 540 |
| Income (loss) before income tax expense | 88 | (400) | 220 | (4,513) |
| Income tax expense (benefit) | 25 | (134) | (154) | (83) |
| Income (loss) before minority interest and equity in net earnings of affiliates | 63 | (266) | 374 | (4,430) |
| Minority interest and equity in net earnings (loss) of affiliates | (1) | (1) | 2 | (7) |
| Net income (loss) | \$ 62 | \$ (267) | \$ 376 | \$(4,437) |
| Net income (loss) per common share | | | | |
| Basic net income (loss) per share | \$ 1.13 | \$(4.82) | \$ 6.80 | \$(80.19) |
| Diluted net income (loss) per share | \$ 1.04 | \$(4.82) | \$ 6.28 | \$(80.19) |
| Weighted average number of common shares outstanding and common equivalent shares during the period | | | | |
| Basic | 55.3 | 55.3 | 55.3 | 55.3 |
| Diluted | 59.9 | 55.3 | 59.9 | 55.3 |

The accompanying notes to consolidated financial statements in the company's Form 10-Q dated Oct. 25, 2006 are an integral part of this statement.

consolidated statement of cash flows unaudited

| | nine months ended September 30 | |
|---|--------------------------------|-----------|
| (dollars in millions) | 2006 | 2005 |
| Net cash flow from operations | | |
| Net income (loss) | \$ 376 | \$(4,437) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities | | |
| Provision for asbestos litigation claims | 21 | 4,342 |
| Depreciation and amortization | 184 | 181 |
| Gain on sale of fixed assets | (49) | (3) |
| Impairment of fixed assets | 2 | 6 |
| Change in deferred taxes | (164) | (133) |
| Provision for pension and other employee benefits | 74 | 86 |
| Provision for post-petition interest/fees on pre-petition obligations | 228 | 538 |
| Increase in receivables | (99) | (205) |
| Increase in inventories | (118) | (81) |
| Increase in prepaid and other assets | (41) | (4) |
| (Decrease) increase in accounts payable and accrued liabilities | (68) | 48 |
| Proceeds from insurance for asbestos litigation claims, excluding Fibreboard | 18 | 1 |
| Pension fund contribution | (14) | (47) |
| Payments for other employee benefits | (20) | (24) |
| Increase in restricted cash – asbestos and insurance related | (17) | – |
| Increase in restricted cash, securities, and other – Fibreboard | (67) | (11) |
| Other | (2) | 9 |
| Net cash provided by operating activities | 244 | 266 |
| Net cash flow from investing | | |
| Additions to plant and equipment | (270) | (175) |
| Investment in subsidiaries, net of cash acquired | (47) | (3) |
| Proceeds from the sale of assets or affiliate | 65 | 8 |
| Net cash used for investing activities | (252) | (170) |
| Net cash flow from financing | | |
| Payment of equity commitment agreement fee | (100) | – |
| Proceeds from issuing long-term debt | 17 | 7 |
| Payments on long-term debt | (7) | (13) |
| Net decrease in short-term debt | (1) | (2) |
| Net decrease in liabilities subject to compromise | – | (3) |
| Other | – | 2 |
| Net cash used for financing activities | (91) | (9) |
| Effect of exchange rate changes on cash | 5 | 1 |
| Net (decrease) increase in cash and cash equivalents | (94) | 88 |
| Cash and cash equivalents at beginning of period | 1,559 | 1,125 |
| Cash and cash equivalents at end of period | \$1,465 | \$ 1,213 |

The accompanying notes to consolidated financial statements in the company's Form 10-Q dated Oct. 25, 2006 are an integral part of this statement.

5

consolidated balance sheet unaudited

| | September 30 | December 31 |
|---|-----------------|-----------------|
| <i>(dollars in millions)</i> | 2006 | 2005 |
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 1,465 | \$ 1,559 |
| Receivables, less allowances of \$19 million in 2006 and \$18 million in 2005 | 771 | 608 |
| Inventories | 612 | 477 |
| Other current assets | 218 | 61 |
| Total current | 3,066 | 2,705 |
| Other | | |
| Restricted cash – asbestos and insurance related | 206 | 189 |
| Restricted cash, securities, and other – Fibreboard | 1,500 | 1,433 |
| Deferred income taxes | 1,630 | 1,432 |
| Pension-related assets | 427 | 471 |
| Goodwill | 245 | 215 |
| Investment in affiliates | 83 | 77 |
| Other noncurrent assets | 218 | 201 |
| Total other | 4,309 | 4,018 |
| Plant and equipment, at cost | | |
| Land | 86 | 85 |
| Buildings and leasehold improvements | 809 | 796 |
| Machinery and equipment | 3,417 | 3,346 |
| Construction in progress | 159 | 177 |
| | 4,471 | 4,404 |
| Accumulated depreciation | (2,372) | (2,392) |
| Net plant and equipment | 2,099 | 2,012 |
| Total assets | \$ 9,474 | \$ 8,735 |

The accompanying notes to consolidated financial statements in the company's Form 10-Q dated Oct. 25, 2006 are an integral part of this statement.

consolidated balance sheet unaudited

| | September 30 | December 31 |
|--|-----------------|-----------------|
| <i>(dollars in millions)</i> | 2006 | 2005 |
| Liabilities and stockholders' deficit | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,112 | \$ 1,032 |
| Accrued post-petition interest/fees on pre-petition debt | 963 | 735 |
| Short-term debt | 6 | 6 |
| Long-term debt – current portion | 13 | 13 |
| Total current | 2,094 | 1,786 |
| Long-term debt | 46 | 36 |
| Other | | |
| Pension plan liability | 702 | 684 |
| Other employee benefits liability | 403 | 410 |
| Other | 212 | 199 |
| Total other | 1,317 | 1,293 |
| Liabilities subject to compromise | 13,539 | 13,520 |
| Company obligated securities of entities holding solely parent debentures – subject to compromise | 200 | 200 |
| Commitments and contingencies (notes 9 and 10) | | |
| Minority interest | 50 | 47 |
| Stockholders' deficit | | |
| Preferred stock, no par value 8.0 million shares authorized; none issued or outstanding at September 30, 2006 and December 31, 2005 | – | – |
| Common stock, par value \$0.10 per share 100.0 million shares authorized; 55.3 million issued and outstanding at September 30, 2006 and December 31, 2005 | 6 | 6 |
| Additional paid in capital | 692 | 692 |
| Accumulated deficit | (8,169) | (8,546) |
| Accumulated other comprehensive loss | (300) | (297) |
| Other | (1) | (2) |
| Total stockholders' deficit | (7,772) | (8,147) |
| Total liabilities and stockholders' deficit | \$ 9,474 | \$ 8,735 |

The accompanying notes to consolidated financial statements in the company's Form 10-Q dated Oct. 25, 2006 are an integral part of this statement.

five-year summary of operations

| <i>in millions of dollars</i> | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|----------------|-------|-------|---------|-------|
| Net sales | 6,323 | 5,675 | 4,996 | 4,873 | 4,762 |
| Gross margin | 1,158 | 1,026 | 826 | 742 | 824 |
| Gross margin % | 18.3% | 18.1% | 16.5% | 15.2% | 17.3% |
| Selling, general & administrative expenses | 565 | 530 | 459 | 522 | 524 |
| SG&A as a % of sales | 8.9% | 9.3% | 9.2% | 10.7% | 11.0% |
| Science & technology expenses | 58 | 47 | 43 | 42 | 37 |
| Chapter II related reorganization costs | 45 | 54 | 85 | 96 | 87 |
| Provision for asbestos litigation claims | 4,267 | (24) | (5) | 2,351 | (7) |
| Restructure costs | | | (2) | 61 | 26 |
| Other (income)/deductions | (34) | (8) | (21) | (17) | 41 |
| Income from operations | (3,743) | 427 | 267 | (2,313) | 116 |
| Net cash flow from operations | 746 | 449 | 295 | 357 | 478 |
| Investments in plant & equipment | 288 | 232 | 208 | 248 | 270 |
| Total assets | 8,735 | 7,639 | 7,358 | 6,920 | 7,041 |

Adjustments to income from operations

| <i>in millions of dollars</i> | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|----------------|------|------|---------|-------|
| Income from operations | (3,743) | 427 | 267 | (2,313) | 116 |
| Asbestos provision | (4,267) | 24 | 5 | (2,351) | 7 |
| Restructuring & other initiatives | 25 | 5 | (34) | (166) | (140) |
| Chapter II related reorganization items | (45) | (54) | (85) | (96) | (87) |
| Gain on sale of assets | | | | | |
| Adjusted income from operations | 544 | 452 | 381 | 300 | 336 |

management team

David T. Brown

President & Chief Executive Officer

Michael Thaman

Chairman & Chief Financial Officer

Joseph High

Senior Vice President,
Human Resources

David Johns

Senior Vice President, CIO &
Chief Supply Chain Officer

Stephen Krull

Senior Vice President,
General Counsel & Secretary

Sheree Bargabos

President, Roofing & Asphalt

Brian Chambers

President, Siding Solutions

Chuck Dana

President, Composite Solutions

Roy Dean

President, Insulating Systems

Bill LeBaron

President, Construction Services

Chuck Stein

President, Cultured Stone®

Frank O'Brien-Bernini

Vice President, Science & Technology
and Corporate Sustainability

Ron Ranallo

Vice President
& Corporate Controller

Ralph Than

Vice President, Finance & Treasurer

corporate information

corporate address

Owens Corning
World Headquarters
One Owens Corning Parkway
Toledo, Ohio 43659 USA

1.419.248.8000

stock exchange listing & symbol

New York Stock Exchange (OC)

transfer agent & registrar

American Stock Transfer
& Trust Company

1.800.937.5449

auditors

PricewaterhouseCoopers LLP
Toledo, Ohio

for additional information, contact

Scott Deitz
Vice President, Investor Relations

www.owenscorning.com/investors
investorrelations@owenscorning.com

product information/ literature requests

1.800.GET.PINK
(1.800.438.7465)

For more information about
Owens Corning, visit
our media room at
www.owenscorning.com/media.

internet

www.owenscorning.com



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OWENS CORNING WORLD HEADQUARTERS

ONE OWENS CORNING PARKWAY
TOLEDO, OHIO, USA 43659

1-800-GET-PINK
www.owenscorning.com

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