

Owens Corning
Form 10-Q
July 30, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-33100

Owens Corning

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	43-2109021 (I.R.S. Employer Identification No.)
One Owens Corning Parkway, Toledo, OH (Address of principal executive offices)	43659 (Zip Code)
(419) 248-8000 (Registrant's telephone number, including area code)	

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of July 25, 2008, 129,423,970 shares of registrant's common stock, par value \$0.01 per share, were outstanding.

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PART I**ITEM 1. FINANCIAL STATEMENTS****OWENS CORNING AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS****(unaudited)****(in millions, except per share data)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
NET SALES	\$ 1,574	\$ 1,282	\$ 2,927	\$ 2,406
COST OF SALES	1,327	1,044	2,488	1,981
Gross margin	247	238	439	425
OPERATING EXPENSES				
Marketing and administrative expenses	165	136	307	263
Science and technology expenses	17	16	36	31
Restructuring costs (credits)	4		6	(2)
Chapter 11-related reorganization items				3
Employee emergence equity program expense	7	12	14	20
(Gain) loss on sale of fixed assets and other	(10)	(2)	(7)	2
Total operating expenses	183	162	356	317
EARNINGS FROM CONTINUING OPERATIONS BEFORE INTEREST AND TAXES	64	76	83	108
Interest expense, net	29	31	61	63
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	35	45	22	45
Income tax expense	2	14	4	14
EARNINGS FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST AND EQUITY IN NET EARNINGS (LOSS) OF AFFILIATES	33	31	18	31
Minority interest and equity in net earnings (loss) of affiliates	(2)	(2)	(2)	(2)
EARNINGS FROM CONTINUING OPERATIONS	31	29	16	29
Earnings from discontinued operations, net of tax of \$2 million for each of the three months and six months ended June 30, 2007				1
NET EARNINGS	\$ 31	\$ 29	\$ 16	\$ 30
BASIC EARNINGS PER COMMON SHARE				

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Earnings from continuing operations	\$ 0.24	\$ 0.23	\$ 0.12	\$ 0.23
Earnings from discontinued operations				
Basic net earnings per common share	\$ 0.24	\$ 0.23	\$ 0.12	\$ 0.23
DILUTED EARNINGS PER COMMON SHARE				
Earnings from continuing operations	\$ 0.24	\$ 0.22	\$ 0.12	\$ 0.22
Earnings from discontinued operations				0.01
Diluted net earnings per common share	\$ 0.24	\$ 0.22	\$ 0.12	\$ 0.23
WEIGHTED AVERAGE COMMON SHARES				
Basic	128.9	128.3	128.8	128.3
Diluted	130.4	129.4	129.8	129.3

The accompanying notes to consolidated financial statements are an integral part of this statement.

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OWENS CORNING AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****(unaudited)****(in millions)**

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 121	\$ 135
Receivables, less allowances of \$24 million in 2008 and \$23 million in 2007	957	721
Inventories	823	821
Restricted cash – disputed distribution reserve	31	33
Assets held for sale – current	6	53
Other current assets	141	89
Total current assets	2,079	1,852
Property, plant and equipment, net	2,804	2,772
Goodwill	1,175	1,174
Intangible assets	1,210	1,210
Deferred income taxes	504	487
Assets held for sale – non-current	8	178
Other non-current assets	238	199
TOTAL ASSETS	\$ 8,018	\$ 7,872
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,184	\$ 1,137
Accrued interest	11	12
Short-term debt	44	47
Long-term debt – current portion	7	10
Liabilities held for sale – current		40
Total current liabilities	1,246	1,246
Long-term debt, net of current portion	2,049	1,993
Pension plan liability	117	146
Other employee benefits liability	293	293
Liabilities held for sale – non-current		8
Other liabilities	215	161
Commitments and contingencies (Note 13)		
Minority interest	44	37
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.01 per share		
10 million shares authorized; none issued or outstanding at June 30, 2008 and December 31, 2007		
Common stock, par value \$0.01 per share		

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400 million shares authorized; 131.7 million and 130.8 million issued and outstanding at June 30, 2008 and December 31, 2007, respectively

	1	1
Additional paid in capital	3,807	3,784
Accumulated earnings	47	31
Accumulated other comprehensive earnings	224	173
Cost of common stock in treasury; 1.0 million shares at June 30, 2008	(25)	(1)
Total stockholders' equity	4,054	3,988
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,018	\$ 7,872

The accompanying notes to consolidated financial statements are an integral part of this statement.

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OWENS CORNING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**(unaudited)****(in millions)**

	Six Months Ended	
	June 30,	
	2008	2007
NET CASH FLOW USED FOR OPERATING ACTIVITIES		
Net earnings	\$ 16	\$ 30
Adjustments to reconcile net earnings to cash used for operating activities:		
Depreciation and amortization	156	158
Gain on sale of businesses and fixed assets	(22)	(1)
Impairment of fixed and intangible assets	11	11
Deferred income taxes	(26)	