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Owens Corning  
Form 10-Q  
October 25, 2017  
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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 September 30, 2017

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)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 16, 2017, 111,240,955 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 amounts)

|                                                         | Three Months Ended |         | Nine Months Ended |         |
|---------------------------------------------------------|--------------------|---------|-------------------|---------|
|                                                         | September 30,      |         | September 30,     |         |
|                                                         | 2017               | 2016    | 2017              | 2016    |
| NET SALES                                               | \$1,703            | \$1,518 | \$4,778           | \$4,294 |
| COST OF SALES                                           | 1,279              | 1,144   | 3,602             | 3,232   |
| Gross margin                                            | 424                | 374     | 1,176             | 1,062   |
| OPERATING EXPENSES                                      |                    |         |                   |         |
| Marketing and administrative expenses                   | 160                | 141     | 457               | 426     |
| Science and technology expenses                         | 22                 | 20      | 64                | 60      |
| Other expenses, net                                     | 15                 | 6       | 68                | 13      |
| Total operating expenses                                | 197                | 167     | 589               | 499     |
| EARNINGS BEFORE INTEREST AND TAXES                      | 227                | 207     | 587               | 563     |
| Interest expense, net                                   | 28                 | 28      | 81                | 80      |
| Loss on extinguishment of debt                          | 71                 | 1       | 71                | 1       |
| EARNINGS BEFORE TAXES                                   | 128                | 178     | 435               | 482     |
| Income tax expense                                      | 32                 | 65      | 142               | 172     |
| Equity in net earnings of affiliates                    | —                  | —       | —                 | 1       |
| NET EARNINGS                                            | 96                 | 113     | 293               | 311     |
| Net earnings attributable to noncontrolling interests   | —                  | 1       | —                 | 4       |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING              | \$96               | \$112   | \$293             | \$307   |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO OWENS CORNING |                    |         |                   |         |
| COMMON STOCKHOLDERS                                     |                    |         |                   |         |
| Basic                                                   | \$0.86             | \$0.98  | \$2.63            | \$2.67  |
| Diluted                                                 | \$0.85             | \$0.97  | \$2.59            | \$2.65  |
| Dividend                                                | \$0.20             | \$0.18  | \$0.60            | \$0.54  |
| WEIGHTED AVERAGE COMMON SHARES                          |                    |         |                   |         |
| Basic                                                   | 111.0              | 114.1   | 111.6             | 114.9   |
| Diluted                                                 | 112.7              | 115.4   | 113.2             | 116.0   |

The accompanying Notes to the Consolidated Financial Statements are an integral part of this Statement.

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OWENS CORNING AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS  
(unaudited)  
(in millions)

|                                                                                                                                                                                                                       | Three<br>Months<br>Ended<br>September<br>30,<br>2017 | 2016  | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 | 2016  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------|-----------------------------------------------------|-------|
| NET EARNINGS                                                                                                                                                                                                          | \$96                                                 | \$113 | \$293                                               | \$311 |
| Currency translation adjustment (net of tax of \$3 and \$2 for the three months ended September 30, 2017 and 2016, respectively, and \$9 and \$3 for the nine months ended September 30, 2017 and 2016, respectively) | 27                                                   | (2)   | 92                                                  | 19    |
| Pension and other postretirement adjustment (net of tax of \$(1) for the three months ended September 30, 2017 and 2016, and \$(9) and \$2 for the nine months ended September 30, 2017 and 2016, respectively)       | 2                                                    | 4     | 16                                                  | 14    |
| Hedging adjustment (net of tax of \$0 for the three months ended September 30, 2017 and 2016, and \$2 and \$(2) for the nine months ended September 30, 2017 and 2016, respectively)                                  | —                                                    | 1     | (3)                                                 | 5     |
| COMPREHENSIVE EARNINGS                                                                                                                                                                                                | 125                                                  | 116   | 398                                                 | 349   |
| Comprehensive earnings attributable to noncontrolling interests                                                                                                                                                       | —                                                    | 1     | —                                                   | 4     |
| COMPREHENSIVE EARNINGS ATTRIBUTABLE TO OWENS CORNING                                                                                                                                                                  | \$125                                                | \$115 | \$398                                               | \$345 |

The accompanying Notes to the Consolidated Financial Statements are an integral part of this Statement.

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OWENS CORNING AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(unaudited)

(in millions, except per share amounts)

|                                                                                         | September 30,<br>2017 | December 31,<br>2016 |
|-----------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                                                           |                       |                      |
| <b>CURRENT ASSETS</b>                                                                   |                       |                      |
| Cash and cash equivalents                                                               | \$ 168                | \$ 112               |
| Receivables, less allowances of \$22 at September 30, 2017 and \$9 at December 31, 2016 | 916                   | 678                  |
| Inventories                                                                             | 793                   | 710                  |
| Assets held for sale                                                                    | 12                    | 12                   |
| Other current assets                                                                    | 74                    | 74                   |
| Total current assets                                                                    | 1,963                 | 1,586                |
| Property, plant and equipment, net                                                      | 3,314                 | 3,112                |
| Goodwill                                                                                | 1,513                 | 1,336                |
| Intangible assets, net                                                                  | 1,367                 | 1,138                |
| Deferred income taxes                                                                   | 297                   | 375                  |
| Other non-current assets                                                                | 202                   | 194                  |
| <b>TOTAL ASSETS</b>                                                                     | <b>\$ 8,656</b>       | <b>\$ 7,741</b>      |
| <b>LIABILITIES AND EQUITY</b>                                                           |                       |                      |
| <b>CURRENT LIABILITIES</b>                                                              |                       |                      |
| Accounts payable and accrued liabilities                                                | \$ 1,180              | \$ 960               |
| Short-term debt                                                                         | 2                     | —                    |
| Long-term debt – current portion                                                        | 3                     | 3                    |
| Total current liabilities                                                               | 1,185                 | 963                  |
| Long-term debt, net of current portion                                                  | 2,539                 | 2,099                |
| Pension plan liability                                                                  | 316                   | 367                  |
| Other employee benefits liability                                                       | 239                   | 221                  |
| Deferred income taxes                                                                   | 65                    | 36                   |
| Other liabilities                                                                       | 198                   | 164                  |
| Redeemable equity                                                                       | —                     | 2                    |
| <b>OWENS CORNING STOCKHOLDERS' EQUITY</b>                                               |                       |                      |
| Preferred stock, par value \$0.01 per share (a)                                         | —                     | —                    |
| Common stock, par value \$0.01 per share (b)                                            | 1                     | 1                    |
| Additional paid in capital                                                              | 3,995                 | 3,984                |
| Accumulated earnings                                                                    | 1,603                 | 1,377                |
| Accumulated other comprehensive deficit                                                 | (605)                 | (710)                |
| Cost of common stock in treasury (c)                                                    | (920)                 | (803)                |
| Total Owens Corning stockholders' equity                                                | 4,074                 | 3,849                |
| Noncontrolling interests                                                                | 40                    | 40                   |
| Total equity                                                                            | 4,114                 | 3,889                |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                     | <b>\$ 8,656</b>       | <b>\$ 7,741</b>      |

(a) 10 shares authorized; none issued or outstanding at September 30, 2017 and December 31, 2016

(b) 400 shares authorized; 135.5 issued and 111.2 outstanding at September 30, 2017; 135.5 issued and 112.7 outstanding at December 31, 2016

(c)

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24.3 shares at September 30, 2017, and 22.8 shares at December 31,  
2016

The accompanying Notes to the 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)

|                                                                                 | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 | 2016   |
|---------------------------------------------------------------------------------|-----------------------------------------------------|--------|
| NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES                                  |                                                     |        |
| Net earnings                                                                    | \$293                                               | \$311  |
| Adjustments to reconcile net earnings to cash provided by operating activities: |                                                     |        |
| Depreciation and amortization                                                   | 269                                                 | 242    |
| Deferred income taxes                                                           | 88                                                  | 127    |
| Provision for pension and other employee benefits liabilities                   | 34                                                  | 6      |
| Stock-based compensation expense                                                | 30                                                  | 25     |
| Other non-cash                                                                  | 17                                                  | (7 )   |
| Loss on extinguishment of debt                                                  | 71                                                  | 1      |
| Changes in operating assets and liabilities                                     | (17 )                                               | 27     |
| Pension fund contributions                                                      | (68 )                                               | (60 )  |
| Payments for other employee benefits liabilities                                | (13 )                                               | (14 )  |
| Other                                                                           | (10 )                                               | 21     |
| Net cash flow provided by operating activities                                  | 694                                                 | 679    |
| NET CASH FLOW USED FOR INVESTING ACTIVITIES                                     |                                                     |        |
| Cash paid for property, plant and equipment                                     | (249 )                                              | (281 ) |
| Proceeds from the sale of assets or affiliates                                  | 3                                                   | —      |
| Investment in subsidiaries and affiliates, net of cash acquired                 | (566 )                                              | (450 ) |
| Other                                                                           | 2                                                   | 2      |
| Net cash flow used for investing activities                                     | (810 )                                              | (729 ) |
| NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES                                  |                                                     |        |
| Proceeds from long-term debt                                                    | 588                                                 | 395    |
| Proceeds from senior revolving credit and receivables securitization facilities | 869                                                 | 574    |
| Proceeds from term loan borrowing                                               | —                                                   | 300    |
| Payments on term loan borrowing                                                 | —                                                   | (300 ) |
| Payments on senior revolving credit and receivables securitization facilities   | (736 )                                              | (514 ) |
| Payments on long-term debt                                                      | (351 )                                              | (160 ) |
| Net increase (decrease) in short-term debt                                      | 2                                                   | (5 )   |
| Dividends paid                                                                  | (67 )                                               | (61 )  |
| Purchases of treasury stock                                                     | (159 )                                              | (176 ) |
| Other                                                                           | 8                                                   | 10     |
| Net cash flow provided by financing activities                                  | 154                                                 | 63     |
| Effect of exchange rate changes on cash                                         | 19                                                  | 1      |
| Net increase in cash, cash equivalents and restricted cash                      | 57                                                  | 14     |
| Cash, cash equivalents and restricted cash at beginning of period               | 118                                                 | 96     |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD                     | \$175                                               | \$110  |

The accompanying Notes to the Consolidated Financial Statements are an integral part of this Statement.

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

1. GENERAL

Unless the context requires otherwise, the terms “Owens Corning,” “Company,” “we” and “our” in this report refer to Owens Corning, a Delaware corporation, and its subsidiaries.

The Consolidated Financial Statements included in this report are unaudited, pursuant to certain rules and regulations of the Securities and Exchange Commission, and include, in the opinion of the Company, normal recurring adjustments necessary for a fair statement of the results for the periods indicated, which, however, are not necessarily indicative of results which may be expected for the full year. The December 31, 2016 balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States (“U.S.”). In connection with the Consolidated Financial Statements and Notes included in this report, reference is made to the Consolidated Financial Statements and Notes contained in the Company’s Form 10-K for the year ended December 31, 2016 (the “2016 Form 10-K”). Certain reclassifications have been made to the periods presented for 2016 to conform to the classifications used in the periods presented for 2017.

Cash, Cash Equivalents and Restricted Cash

On the Consolidated Statements of Cash Flows, the total of Cash, cash equivalents and restricted cash includes restricted cash of \$7 million and \$6 million as of September 30, 2017 and December 31, 2016, respectively. Restricted cash primarily represents amounts received from a counterparty related to its performance assurance on an executory contract, and is included in Other current assets on the Consolidated Balance Sheets. These amounts are contractually required to be set aside, and the counterparty can exchange the cash for another form of performance assurance at its discretion. There were no restricted cash amounts for the previous time periods presented in the Consolidated Statements of Cash Flows.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable and short-term debt approximate fair value because of the short-term maturity of the instruments. Please refer to Notes 4 and 10 for additional fair value disclosure of derivative financial instruments and long-term debt, respectively.

2. SEGMENT INFORMATION

The Company has three reportable segments: Composites, Insulation and Roofing. Accounting policies for the segments are the same as those for the Company. The Company’s three reportable segments are defined as follows:

Composites – The Composites segment includes vertically integrated downstream activities. The Company manufactures, fabricates and sells glass reinforcements in the form of fiber. Glass reinforcement materials are also used downstream by the Composites segment to manufacture and sell glass fiber products in the form of fabrics, non-wovens and other specialized products.

Insulation – Within our Insulation segment, the Company manufactures and sells fiberglass insulation into residential, commercial, industrial and other markets for both thermal and acoustical applications. It also manufactures and sells glass fiber pipe insulation, flexible duct media, bonded and granulated mineral wool insulation, cellular glass and foam insulation used in above- and below-grade construction applications.

Roofing – Within our Roofing segment, the Company manufactures and sells residential roofing shingles, oxidized asphalt materials, roofing components used in residential and commercial construction and specialty applications, and synthetic packaging materials.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 2. SEGMENT INFORMATION (continued)

## NET SALES

The following table summarizes our net sales by segment and geographic region (in millions). Corporate eliminations (shown below) largely reflect intercompany sales from Composites to Roofing. External customer sales are attributed to geographic region based upon the location from which the product is shipped to the external customer.

|                           | Three Months<br>Ended<br>September 30,<br>2017 |         | Nine Months<br>Ended<br>September 30,<br>2017 |         |
|---------------------------|------------------------------------------------|---------|-----------------------------------------------|---------|
|                           | 2016                                           |         | 2016                                          |         |
| Reportable Segments       |                                                |         |                                               |         |
| Composites                | \$514                                          | \$496   | \$1,562                                       | \$1,486 |
| Insulation                | 568                                            | 476     | 1,406                                         | 1,275   |
| Roofing                   | 682                                            | 603     | 1,993                                         | 1,711   |
| Total reportable segments | 1,764                                          | 1,575   | 4,961                                         | 4,472   |
| Corporate eliminations    | (61)                                           | (57)    | (183)                                         | (178)   |
| NET SALES                 | \$1,703                                        | \$1,518 | \$4,778                                       | \$4,294 |

## External Customer Sales by Geographic Region

|               |         |         |         |         |
|---------------|---------|---------|---------|---------|
| United States | \$1,197 | \$1,068 | \$3,387 | \$3,010 |
| Europe        | 194     | 136     | 481     | 422     |
| Asia Pacific  | 167     | 174     | 505     | 493     |
| Other         | 145     | 140     | 405     | 369     |
| NET SALES     | \$1,703 | \$1,518 | \$4,778 | \$4,294 |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 2. SEGMENT INFORMATION (continued)

## EARNINGS BEFORE INTEREST AND TAXES

Earnings before interest and taxes (“EBIT”) by segment consist of net sales less related costs and expenses and are presented on a basis that is used internally for evaluating segment performance. Certain items, such as general corporate expenses or income and certain other expense or income items, are excluded from the internal evaluation of segment performance. Accordingly, these items are not reflected in EBIT for our reportable segments and are included in the Corporate, Other and Eliminations category.

The following table summarizes EBIT by segment (in millions):

|                                                         | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |       | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |       |
|---------------------------------------------------------|------------------------------------------------------|-------|-----------------------------------------------------|-------|
| Reportable Segments                                     |                                                      |       |                                                     |       |
| Composites                                              | \$62                                                 | \$61  | \$217                                               | \$199 |
| Insulation                                              | 64                                                   | 38    | 98                                                  | 83    |
| Roofing                                                 | 147                                                  | 146   | 427                                                 | 388   |
| Total reportable segments                               | 273                                                  | 245   | 742                                                 | 670   |
| Restructuring costs                                     | (8)                                                  | (5)   | (37)                                                | (8)   |
| Acquisition-related costs                               | (1)                                                  | (4)   | (12)                                                | (8)   |
| Recognition of acquisition inventory fair value step-up | (5)                                                  | (2)   | (5)                                                 | (10)  |
| Litigation settlement gain, net of legal fees           | —                                                    | —     | 29                                                  | —     |
| Pension settlement gain (loss)                          | 2                                                    | —     | (28)                                                | —     |
| General corporate expense and other                     | (34)                                                 | (27)  | (102)                                               | (81)  |
| Total Corporate, other and eliminations                 | (46)                                                 | (38)  | (155)                                               | (107) |
| EBIT                                                    | \$227                                                | \$207 | \$587                                               | \$563 |

## 3. INVENTORIES

Inventories consist of the following (in millions):

|                        | September<br>30, 2017 | December<br>31, 2016 |
|------------------------|-----------------------|----------------------|
| Finished goods         | \$ 528                | \$ 482               |
| Materials and supplies | 265                   | 228                  |
| Total inventories      | \$ 793                | \$ 710               |

## 4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to, among other risks, the impact of changes in commodity prices, foreign currency exchange rates, and interest rates in the normal course of business. The Company’s risk management program is

designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks, and does not enter into such transactions for trading purposes.

The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties. Contracts with counterparties generally contain right of offset provisions. These provisions effectively reduce the Company's exposure to credit risk in situations where the Company has gain and loss positions

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

outstanding with a single counterparty. It is the Company's policy to offset on the Consolidated Balance Sheets the amounts recognized for derivative instruments with any cash collateral arising from derivative instruments executed with the same counterparty under a master netting agreement. As of September 30, 2017 and December 31, 2016, the Company did not have any amounts on deposit with any of its counterparties, nor did any of its counterparties have any amounts on deposit with the Company.

Our derivatives consist of natural gas forward swaps, cross currency swaps and foreign exchange forward contracts, all of which are over-the-counter and not traded through an exchange. The Company uses widely accepted valuation tools to determine fair value, such as discounting cash flows to calculate a present value for the derivatives. The models use Level 2 inputs, such as forward curves and other commonly quoted observable transactions and prices. The fair value of our derivatives and hedging instruments are all classified as Level 2 investments within the three-tier hierarchy.

The following table presents the fair value of derivatives and hedging instruments and the respective location on the Consolidated Balance Sheets (in millions):

|                                                               |                                          | Fair Value at      |                   |
|---------------------------------------------------------------|------------------------------------------|--------------------|-------------------|
|                                                               | Location                                 | September 30, 2017 | December 31, 2016 |
| Derivative assets designated as hedging instruments:          |                                          |                    |                   |
| Net investment hedges:                                        |                                          |                    |                   |
| Cross currency swaps                                          | Other current assets                     | \$ 3               | \$ 4              |
| Cross currency swaps                                          | Other non-current assets                 | \$ —               | \$ 6              |
| Cash flow hedges:                                             |                                          |                    |                   |
| Natural gas forward swaps                                     | Other current assets                     | \$ —               | \$ 4              |
| Derivative liabilities designated as hedging instruments:     |                                          |                    |                   |
| Net investment hedges:                                        |                                          |                    |                   |
| Cross currency swaps                                          | Other liabilities                        | \$ 19              | \$ —              |
| Cash flow hedges:                                             |                                          |                    |                   |
| Natural gas forward swaps                                     | Accounts payable and accrued liabilities | \$ 1               | \$ —              |
| Derivative assets not designated as hedging instruments:      |                                          |                    |                   |
| Natural gas forward swaps                                     | Other current assets                     | \$ —               | \$ 1              |
| Foreign exchange forward contracts                            | Other current assets                     | \$ 2               | \$ 1              |
| Derivative liabilities not designated as hedging instruments: |                                          |                    |                   |
| Foreign exchange forward contracts                            | Accounts payable and accrued liabilities | \$ —               | \$ 2              |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the notional amount of derivatives and hedging instruments on the Consolidated Balance Sheet (in millions):

|                                            | Unit of Measure    | Notional<br>Amount<br>September 30,<br>2017 |
|--------------------------------------------|--------------------|---------------------------------------------|
| Net investment hedges:                     |                    |                                             |
| Cross currency swaps                       | U.S. Dollars       | \$ 250                                      |
| Cash flow hedges:                          |                    |                                             |
| Natural gas forward swaps U.S. indices     | MMBtu              | 8                                           |
| Natural gas forward swaps European indices | MMBtu (equivalent) | 2                                           |

The Company had notional amounts of \$103 million for derivative financial instruments related to non-designated foreign currency exposures in U.S. Dollars primarily related to Brazilian Real, Chinese Yuan, Indian Rupee, Japanese Yen, and South Korean Won. In addition, the Company had notional amounts of \$40 million for derivative financial instruments related to non-designated foreign currency exposures in European Euro primarily related to the Russian Ruble. Please refer to the Other Derivatives section below for more detail on these instruments.

The following table presents the impact and respective location of derivative activities on the Consolidated Statements of Earnings (in millions):

|                                                                               | Location              | Three<br>Months<br>Ended<br>September<br>30,<br>2017 | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |
|-------------------------------------------------------------------------------|-----------------------|------------------------------------------------------|-----------------------------------------------------|
| Derivative activity designated as hedging instruments:                        |                       |                                                      |                                                     |
| Natural gas:                                                                  |                       |                                                      |                                                     |
| Amount of loss/(gain) reclassified from OCI into earnings (effective portion) | Cost of sales         | \$ — \$ 1                                            | \$ (2 ) \$ 7                                        |
| Foreign currency:                                                             |                       |                                                      |                                                     |
| Amount of loss reclassified from OCI into earnings (effective portion)        | Other expenses, net   | \$ — \$ —                                            | \$ — \$ 1                                           |
| Interest rate:                                                                |                       |                                                      |                                                     |
| Amount of loss recognized in earnings                                         | Interest expense, net | \$ — \$ —                                            | \$ 1 \$ 1                                           |
| Derivative activity not designated as hedging instruments:                    |                       |                                                      |                                                     |
| Natural gas:                                                                  |                       |                                                      |                                                     |
| Amount of (gain)/loss recognized in earnings                                  | Other expenses, net   | \$ — \$ (1 )                                         | \$ 1 \$ (1 )                                        |
| Foreign currency:                                                             |                       |                                                      |                                                     |
| Amount of loss/(gain) recognized in earnings (a)                              | Other expenses, net   | \$ 2 \$ (1 )                                         | \$ 6 \$ 5                                           |

(a) Losses and gains related to foreign currency derivatives were substantially offset by net revaluation impacts on foreign currency denominated balance sheet exposures, which were also recorded in Other expenses, net.

Cash Flow Hedges

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The Company uses a combination of derivative financial instruments, which qualify as cash flow hedges, and physical contracts to manage forecasted exposure to electricity and natural gas prices. The Company's policy for electricity exposure is to hedge up to 75% of its total forecasted exposure for the current calendar year and up to 65% of its total forecasted exposure for the first calendar year forward. The Company's policy for natural gas exposure is to hedge up to 75% of its total forecasted exposure for

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

the next two months and up to 60% of its total forecasted exposure for the following four months, and lesser amounts for the remaining periods. Based on market conditions, approved variation from these standard policies may occur. Currently, the Company is managing risk associated with electricity prices only through physical contracts and has natural gas derivatives designated as hedging instruments that mature within 15 months.

The Company performs an analysis for effectiveness of its derivatives designated as hedging instruments at the end of each quarter based on the terms of the contracts and the underlying items being hedged. The effective portion of the change in the fair value of cash flow hedges is deferred in accumulated OCI and is subsequently recognized in Cost of sales on the Consolidated Statements of Earnings for commodity hedges, when the hedged item impacts earnings. Changes in the fair value of derivative assets and liabilities designated as hedging instruments are shown in the Other non-cash line within operating activities on the Consolidated Statements of Cash Flows. Any portion of the change in fair value of derivatives designated as hedging instruments that is determined to be ineffective is recorded in Other expenses, net on the Consolidated Statements of Earnings.

As of September 30, 2017, less than \$1 million of losses included in accumulated OCI on the Consolidated Balance Sheets relate to natural gas contracts that are expected to impact earnings during the next 12 months. Transactions and events that are expected to occur over the next 12 months that will necessitate recognizing these deferred amounts include the recognition of the hedged item through earnings.

## Net Investment Hedges

The Company uses cross currency forward contracts to hedge a portion of the net investment in foreign subsidiaries against fluctuations in foreign exchange rates (primarily the European Euro). For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, settlements and changes in fair values of the derivative instruments are recognized in Currency translation adjustment, a component of Accumulated OCI, to offset the changes in the values of the net investments being hedged. Any portion of net investment hedges that is determined to be ineffective is recorded in Other expenses, net on the Consolidated Statements of Earnings. Cash settlements are included in Other investing activities in the Consolidated Statements of Cash Flows.

## Other Derivatives

The Company uses forward currency exchange contracts to manage existing exposures to foreign exchange risk related to assets and liabilities recorded on the Consolidated Balance Sheets. Gains and losses resulting from the changes in fair value of these instruments are recorded in Other expenses, net on the Consolidated Statements of Earnings.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets and goodwill consist of the following (in millions):

| September 30, 2017                  | Weighted<br>Average<br>Useful Life | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
|-------------------------------------|------------------------------------|-----------------------------|-----------------------------|------------------------|
| Amortizable intangible assets:      |                                    |                             |                             |                        |
| Customer relationships              | 20                                 | \$ 362                      | \$ (105)                    | ) \$ 257               |
| Technology                          | 18                                 | 254                         | (112)                       | ) 142                  |
| Other                               | 8                                  | 47                          | (25)                        | ) 22                   |
| Indefinite-lived intangible assets: |                                    |                             |                             |                        |
| Trademarks                          |                                    | 946                         | —                           | 946                    |

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|                         |          |         |            |
|-------------------------|----------|---------|------------|
| Total intangible assets | \$ 1,609 | \$ (242 | ) \$ 1,367 |
| Goodwill                | \$ 1,513 |         |            |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

| December 31, 2016                   | Weighted<br>Average<br>Useful Life | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
|-------------------------------------|------------------------------------|-----------------------------|-----------------------------|------------------------|
| Amortizable intangible assets:      |                                    |                             |                             |                        |
| Customer relationships              | 22                                 | \$ 252                      | \$ (94 )                    | \$ 158                 |
| Technology                          | 19                                 | 216                         | (103 )                      | 113                    |
| Other                               | 9                                  | 45                          | (23 )                       | 22                     |
| Indefinite-lived intangible assets: |                                    |                             |                             |                        |
| Trademarks                          |                                    | 845                         | —                           | 845                    |
| Total intangible assets             |                                    | \$ 1,358                    | \$ (220 )                   | \$ 1,138               |
| Goodwill                            |                                    | \$ 1,336                    |                             |                        |

## Other Intangible Assets

The Company expects the ongoing amortization expense for amortizable intangible assets to be approximately \$35 million for fiscal years 2018 through 2020, \$34 million in 2021 and \$30 million in 2022, including approximately \$8 million of annual amortization expense from the preliminary purchase price allocation of the acquisition of Pittsburgh Corning Corporation and Pittsburgh Corning Europe NV (collectively "Pittsburgh Corning"); see Note 7 for more details of this acquisition. The Other category below primarily includes franchise agreements and emission rights. The changes in the gross carrying amount of intangible assets by asset group are as follows (in millions):

|                               | Customer<br>Relationships | Technology | Trademarks | Other | Total    |
|-------------------------------|---------------------------|------------|------------|-------|----------|
| Balance at December 31, 2016  | \$ 252                    | \$ 216     | \$ 845     | \$ 45 | \$ 1,358 |
| Acquisitions (see Note 7)     | 107                       | 37         | 101        | —     | 245      |
| Foreign currency translation  | 3                         | 1          | —          | 2     | 6        |
| Balance at September 30, 2017 | \$ 362                    | \$ 254     | \$ 946     | \$ 47 | \$ 1,609 |

## Goodwill

During the first nine months of 2017, goodwill increased by \$165 million as a result of the acquisition of Pittsburgh Corning. The Company tests goodwill and indefinite-lived intangible assets for impairment during the fourth quarter of each year, or more frequently should circumstances change or events occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. No testing was deemed necessary in the first nine months of 2017. The changes in the net carrying amount of goodwill by segment are as follows (in millions):

|                               | Composites | Insulation | Roofing | Total    |
|-------------------------------|------------|------------|---------|----------|
| Balance at December 31, 2016  | \$ 55      | \$ 888     | \$ 393  | \$ 1,336 |
| Acquisitions (see Note 7)     | 2          | 165        | —       | 167      |
| Foreign currency translation  | 1          | 3          | 6       | 10       |
| Balance at September 30, 2017 | \$ 58      | \$ 1,056   | \$ 399  | \$ 1,513 |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (in millions):

|                                      | September 30, 2017 | December 31, 2016 |
|--------------------------------------|--------------------|-------------------|
| Land                                 | \$ 249             | \$ 189            |
| Buildings and leasehold improvements | 924                | 874               |
| Machinery and equipment              | 4,167              | 3,818             |
| Construction in progress             | 225                | 250               |
|                                      | 5,565              | 5,131             |
| Accumulated depreciation             | (2,251)            | (2,019)           |
| Property, plant and equipment, net   | \$ 3,314           | \$ 3,112          |

Machinery and equipment includes certain precious metals used in our production tooling, which comprise approximately 12% and 14% of total machinery and equipment as of September 30, 2017 and December 31, 2016, respectively. Precious metals used in our production tooling are depleted as they are consumed during the production process, which typically represents an annual expense of less than 3% of the outstanding carrying value.

## 7. ACQUISITIONS

During the first nine months of 2017, the Company completed acquisitions with an aggregate purchase price of \$570 million, net of cash acquired.

## Pittsburgh Corning Acquisition

On June 27, 2017, the Company acquired all the outstanding equity of Pittsburgh Corning, the world's leading producer of cellular glass insulation systems for commercial and industrial markets, for approximately \$563 million, net of cash acquired. This acquisition expands the Company's position in commercial and industrial product offerings and grows its presence in Europe and Asia. Pittsburgh Corning's operating results since the date of acquisition and a preliminary purchase price allocation have been included in the Company's Insulation segment in the Consolidated Financial Statements. The Company is continuing to obtain information to complete its valuation of certain assets and liabilities including intangible assets and tax assets. During the quarter ended September 30, 2017, the Company recorded measurement period adjustments to the purchase price allocation.

The following table details the identifiable indefinite and definite-lived intangible assets acquired, their preliminary fair values and estimated weighted average useful lives (in millions):

| Type of Intangible Asset | Preliminary Fair Value | Weighted Average Useful Life |
|--------------------------|------------------------|------------------------------|
| Customer relationships   | \$ 107                 | 19                           |
| Technology               | 37                     | 15                           |
| Trademarks               | 101                    | indefinite                   |
| Total                    | \$ 245                 |                              |

During the first nine months of 2017, the Consolidated Statements of Earnings included \$73 million in Net sales attributable to the acquisition and a \$5 million charge related to inventory fair value step-up in Cost of sales. Goodwill has been initially valued at approximately \$165 million, with none of the amount expected to be tax-deductible. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the Pittsburgh Corning acquisition and will accelerate making the Company the

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leading provider of insulation solutions by building on core glass technologies. The acquisition also included cash of approximately \$50 million. The Company expects to complete its valuations no later than one year from the acquisition date and adjustments will continue to be made to the fair value of the identifiable assets acquired and liabilities assumed. Those adjustments may or may not be material. The pro forma effect of this acquisition on Net sales and Net earnings attributable to Owens Corning was not material.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 7. ACQUISITIONS (continued)

## InterWrap Acquisition

On April 21, 2016, the Company acquired all outstanding shares of InterWrap Holdings, Inc. ("InterWrap"), a leading manufacturer of roofing underlayment and packaging materials, for approximately \$452 million, net of cash acquired. This acquisition expands the Company's position in roofing components, strengthens the Company's capabilities to support the conversion from organic to synthetic underlayment and accelerates its growth in the roofing components market. Interwrap's operating results have been included in the Roofing segment of the Company's Consolidated Financial Statements since the date of the acquisition. During the nine months ended September 30, 2017, the Consolidated Statements of Earnings included \$86 million in Net sales attributable to the InterWrap acquisition (related to the one-year post-acquisition period). The pro forma effect of this acquisition on Net sales and Net earnings attributable to Owens Corning was not material.

## 8. WARRANTIES

The Company records a liability for warranty obligations at the date the related products are sold. Adjustments are made as new information becomes available. A reconciliation of the warranty liability is as follows (in millions):

|                                  |                                                  |
|----------------------------------|--------------------------------------------------|
|                                  | Nine<br>Months<br>Ended<br>September<br>30, 2017 |
| Beginning balance                | \$ 52                                            |
| Amounts accrued for current year | 16                                               |
| Settlements of warranty claims   | (12 )                                            |
| Ending balance                   | \$ 56                                            |

## 9. RESTRUCTURING AND ACQUISITION-RELATED COSTS

The Company may incur restructuring, transaction and integration costs related to acquisitions, and may incur restructuring costs in connection with its global cost reduction and productivity initiatives.

## Acquisition-Related Costs

During the first nine months of 2017, the Company incurred \$12 million of transaction and integration costs related to its announced acquisitions. Please refer to Note 7 of the Consolidated Financial Statements for further information on these acquisitions. These costs are recorded in the Corporate, Other and Eliminations category. See the Restructuring Costs paragraph below for detail on additional costs related to these acquisitions. The following table presents the impact and respective location of acquisition-related costs for the first nine months of 2017 on the Consolidated Statements of Earnings (in millions):

| Location                              | InterWrap<br>Acquisition | Pittsburgh<br>Corning<br>Acquisition | Total |
|---------------------------------------|--------------------------|--------------------------------------|-------|
| Marketing and administrative expenses | \$ 1                     | \$ 2                                 | \$ 3  |
| Other expenses, net                   | —                        | 9                                    | 9     |

|                                 |    |   |    |    |    |    |
|---------------------------------|----|---|----|----|----|----|
| Total acquisition-related costs | \$ | 1 | \$ | 11 | \$ | 12 |
|---------------------------------|----|---|----|----|----|----|

#### Restructuring Costs

##### Pittsburgh Corning Acquisition-Related Restructuring

Following the acquisition of Pittsburgh Corning into the Company's Insulation segment, the Company took actions to realize expected synergies from the newly acquired operations. During the first nine months of 2017, the Company recorded \$15 million of severance charges related to these actions. The Company expects to incur an immaterial amount of incremental costs in the remainder of 2017 related to these actions.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 9.RESTRUCTURING AND ACQUISITION-RELATED COSTS (continued)

## 2017 Cost Reduction Actions

During the second quarter of 2017, the Company took actions to avoid future capital outlays and reduce costs in its Composites segment, mainly through decisions to close certain sub-scale manufacturing facilities in Asia Pacific (including Doudian, Peoples Republic of China) and North America (Mexico City, Mexico and Brunswick, Maine) and to reposition assets in its Chambéry, France operation. During the first nine months of 2017, the Company recorded \$20 million of charges, comprised of \$11 million of severance, \$8 million of accelerated depreciation and \$1 million of exit costs associated with these actions. The Company expects to recognize approximately \$30 million of incremental costs in 2017 and 2018, of which about \$15 million is accelerated depreciation.

## Other Restructuring Actions

During the remainder of 2017, the Company expects to incur an immaterial amount of incremental costs related to its 2016 cost reduction actions and InterWrap acquisition-related restructuring. Please refer to Note 11 of our 2016 Form 10-K for more information about these restructuring actions.

## Consolidated Statements of Earnings Classification

The following table presents the impact and respective location of total restructuring costs on the Consolidated Statements of Earnings, which are included in our Corporate, Other and Eliminations category (in millions):

| Type of cost              | Location            | Three Months Ended September 30, 2017 |      | Nine Months Ended September 30, 2016 |      |
|---------------------------|---------------------|---------------------------------------|------|--------------------------------------|------|
|                           |                     | 2017                                  | 2016 | 2017                                 | 2016 |
| Accelerated depreciation  | Cost of sales       | \$ 7                                  | \$ 1 | \$ 9                                 | \$ 2 |
| Other exit costs          | Cost of sales       | —                                     | 2    | 2                                    | 4    |
| Severance                 | Other expenses, net | 1                                     | 1    | 26                                   | 1    |
| Other exit costs          | Other expenses, net | —                                     | 1    | —                                    | 1    |
| Total restructuring costs |                     | \$ 8                                  | \$ 5 | \$ 37                                | \$ 8 |

## Summary of Unpaid Liabilities

The following table summarizes the status of the unpaid liabilities from the Company's restructuring activity (in millions):

|                               | 2017 Cost Reduction Actions |    | Pittsburgh Corning Acquisition-Related Restructuring |    | 2016 Cost Reduction Actions |    | InterWrap Acquisition-Related Restructuring |   | 2014 Cost Reduction Actions |    | Total |
|-------------------------------|-----------------------------|----|------------------------------------------------------|----|-----------------------------|----|---------------------------------------------|---|-----------------------------|----|-------|
| Balance at December 31, 2016  | \$                          | —  | \$                                                   | —  | \$                          | 1  | \$                                          | — | \$                          | 1  | \$2   |
| Restructuring costs           | 20                          |    | 15                                                   |    | 1                           |    | 1                                           |   | —                           |    | 37    |
| Payments                      | —                           |    | (6                                                   | )  | —                           |    | —                                           |   | (1                          | )  | (7 )  |
| Non-cash items                | (9                          | )  | —                                                    |    | (1                          | )  | (1                                          | ) | —                           |    | (11 ) |
| Balance at September 30, 2017 | \$                          | 11 | \$                                                   | 9  | \$                          | 1  | \$                                          | — | \$                          | —  | \$21  |
| Cumulative charges incurred   | \$                          | 20 | \$                                                   | 15 | \$                          | 19 | \$                                          | 4 | \$                          | 45 | \$103 |

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As of September 30, 2017, the remaining liability balance is comprised of \$21 million of severance, inclusive of \$7 million of non-current severance and \$14 million of severance the Company expects to pay over the next twelve months.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 10. DEBT

Details of the Company's outstanding long-term debt, as well as the fair values, are as follows (in millions):

|                                                                   | September<br>30, 2017 |               | December 31,<br>2016 |               |
|-------------------------------------------------------------------|-----------------------|---------------|----------------------|---------------|
|                                                                   | Carrying<br>Value     | Fair<br>Value | Carrying<br>Value    | Fair<br>Value |
| 9.00% senior notes, net of discount and financing fees, due 2019  | \$—                   | — %           | \$143                | 114 %         |
| 4.20% senior notes, net of discount and financing fees, due 2022  | 597                   | 106 %         | 596                  | 104 %         |
| 4.20% senior notes, net of discount and financing fees, due 2024  | 392                   | 105 %         | 391                  | 102 %         |
| 3.40% senior notes, net of discount and financing fees, due 2026  | 395                   | 99 %          | 395                  | 95 %          |
| 7.00% senior notes, net of discount and financing fees, due 2036  | 400                   | 129 %         | 536                  | 118 %         |
| 4.30% senior notes, net of discount and financing fees, due 2047  | 588                   | 96 %          | —                    | — %           |
| Accounts receivable securitization facility, maturing in 2020 (a) | 133                   | 100 %         | —                    | — %           |
| Various capital leases, due through and beyond 2050 (a)           | 31                    | 100 %         | 33                   | 100 %         |
| Unamortized interest rate swap basis adjustment                   | 6                     | n/a           | 8                    | n/a           |
| Total long-term debt                                              | 2,542                 | n/a           | 2,102                | n/a           |
| Less – current portion (a)                                        | 3                     | 100 %         | 3                    | 100 %         |
| Long-term debt, net of current portion                            | \$2,539               | n/a           | \$2,099              | n/a           |

(a) The Company determined that the book value of the above noted long-term debt instruments approximates fair value.

The fair values of the Company's outstanding long-term debt instruments were estimated using market observable inputs, including quoted prices in active markets, market indices and interest rate measurements. Within the hierarchy of fair value measurements, these are Level 2 fair values.

## Senior Notes

The Company issued \$600 million of 2047 senior notes on June 26, 2017 subject to \$12 million of discounts and issuance costs. Interest on the 2047 senior notes is payable semiannually in arrears on January 15 and July 15 each year, beginning on January 15, 2018. A portion of the proceeds from the 2047 senior notes was used to fund the purchase of Pittsburgh Corning in the second quarter of 2017 and for general corporate purposes. In the third quarter of 2017, a portion of the proceeds was used by the Company, in addition to borrowings on the Receivables Securitization Facility (as defined below), to repay portions of the Company's outstanding 2019 senior notes and 2036 senior notes. The Company issued a make-whole call to repay the remaining portion of its outstanding 2019 senior notes, and the redemption was completed in the third quarter of 2017. The Company recognized approximately \$71 million of loss on extinguishment of debt in the third quarter of 2017 associated with these actions.

The Company issued \$400 million of 2026 senior notes on August 8, 2016. Interest on the notes is payable semiannually in arrears on February 15 and August 15 each year, beginning on February 15, 2017. A portion of the proceeds from these notes was used to redeem \$158 million of our 2016 senior notes. The remaining proceeds were used to pay down portions of our Receivables Securitization Facility and for general corporate purposes.

The Company issued \$400 million of 2024 senior notes on November 12, 2014. Interest on the notes is payable semiannually in arrears on June 1 and December 1 each year, beginning on June 1, 2015. A portion of the proceeds

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from these notes were used to repay \$242 million of our 2016 senior notes and \$105 million of our 2019 senior notes. The remaining proceeds were used to pay down our Senior Revolving Credit Facility (as defined below), finance general working capital needs, and for general corporate purposes.

The Company issued \$600 million of 2022 senior notes on October 17, 2012. Interest on the notes is payable semiannually in arrears on June 15 and December 15 each year, beginning on June 15, 2013. The proceeds of these notes were used to refinance

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OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

10. DEBT (continued)

\$250 million of our 2016 senior notes and \$100 million of our 2019 senior notes and pay down our Senior Revolving Credit Facility.

The Company issued \$350 million of 2019 senior notes on June 3, 2009. On October 31, 2006, the Company issued \$650 million of 2016 senior notes and \$540 million of 2036 senior notes. The proceeds of these notes were used to pay certain unsecured and administrative claims, finance general working capital needs and for general corporate purposes.

Collectively, the senior notes above are referred to as the "Senior Notes." The Senior Notes are general unsecured obligations of the Company and rank pari passu with all existing and future senior unsecured indebtedness of the Company.

The Senior Notes are fully and unconditionally guaranteed by certain of the Company's current and future domestic subsidiaries that are borrowers or guarantors under the Company's credit agreement ("Credit Agreement"). The guarantees are unsecured and rank equally in right of payment with all other existing and future senior unsecured indebtedness of the guarantors. The guarantees are effectively subordinated to existing and future secured debt of the guarantors to the extent of the assets securing that indebtedness.

The Company has the option to redeem all or part of the Senior Notes at any time at a "make-whole" redemption price.

The Company is subject to certain covenants in connection with the issuance of the Senior Notes that it believes are usual and customary. The Company was in compliance with these covenants as of September 30, 2017.

In the first quarter of 2016, the Company terminated interest rate swaps designated to hedge a portion of the 4.20% senior notes due 2022. The residual fair value of the swaps are recognized in Long-term debt, net of current portion on the Consolidated Balance Sheets as an unamortized interest rate swap basis adjustment.

Senior Revolving Credit Facility

The Company has an \$800 million multi-currency senior revolving credit facility that has been amended from time to time (the "Senior Revolving Credit Facility") with a maturity date in November 2020 and uncommitted incremental loans permitted under the facility of \$600 million. The Senior Revolving Credit Facility includes both borrowings and letters of credit. Borrowings under the Senior Revolving Credit Facility may be used for general corporate purposes and working capital. The Company has the discretion to borrow under multiple options, which provide for varying terms and interest rates including the United States prime rate or LIBOR plus a spread.

The Senior Revolving Credit Facility contains various covenants, including a maximum allowed leverage ratio and a minimum required interest expense coverage ratio, that the Company believes are usual and customary for a senior unsecured credit agreement. The Company was in compliance with these covenants as of September 30, 2017. Please refer to the Credit Facility Utilization paragraph below for liquidity information as of September 30, 2017.

Term Loan Commitment

The Company obtained a term loan commitment on June 8, 2017 for \$350 million (the "Term Loan Commitment"), separate from the \$600 million of uncommitted incremental loans permitted under the Senior Revolving Credit Facility. The Company entered into the Term Loan Commitment, in part, to potentially pay a portion of the purchase price of the Pittsburgh Corning acquisition. On July 24, 2017, the Company provided formal notification of its intent to voluntarily reduce the entire Term Loan Commitment, thus eliminating the availability of credit under the facility effective on July 31, 2017.

Receivables Securitization Facility

Included in long-term debt on the Consolidated Balance Sheets are borrowings outstanding under a Receivables Purchase Agreement (the "RPA") that are accounted for as secured borrowings in accordance with Accounting Standards Codification ("ASC") 860, "Accounting for Transfers and Servicing." Owens Corning Sales, LLC and Owens Corning Receivables LLC, each a subsidiary of the Company, have a \$250 million RPA with certain financial

institutions. The securitization facility (the "Receivables Securitization Facility") now matures in May 2020, following amendments in March 2017 and May 2017 to extend its maturity. No other significant terms impacting liquidity were amended. The Company has the ability to borrow at the lenders' cost of funds, which approximates A-1/P-1 commercial paper rates, plus a fixed spread.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 10. DEBT (continued)

The Receivables Securitization Facility contains various covenants, including a maximum allowed leverage ratio and a minimum required interest expense coverage ratio that the Company believes are usual and customary for a securitization facility. The Company was in compliance with these covenants as of September 30, 2017. Please refer to the Credit Facility Utilization section below for liquidity information as of September 30, 2017.

Owens Corning Receivables LLC's sole business consists of the purchase or acceptance through capital contributions of trade receivables and related rights from Owens Corning Sales, LLC and the subsequent retransfer of or granting of a security interest in such trade receivables and related rights to certain purchasers party to the RPA. Owens Corning Receivables LLC is a separate legal entity with its own separate creditors who will be entitled, upon its liquidation, to be satisfied out of Owens Corning Receivables LLC's assets prior to any assets or value in Owens Corning Receivables LLC becoming available to Owens Corning Receivables LLC's equity holders. The assets of Owens Corning Receivables LLC are not available to pay creditors of the Company or any other affiliates of the Company or Owens Corning Sales, LLC.

## Credit Facility Utilization

The following table shows how the Company utilized its primary sources of liquidity (in millions):

|                                  |                    |                |
|----------------------------------|--------------------|----------------|
|                                  | Balance at         |                |
|                                  | September 30, 2017 |                |
|                                  | Senior             | Receivables    |
|                                  | Revolving          | Securitization |
|                                  | Credit             | Facility       |
|                                  | Facility           |                |
| Facility size or borrowing limit | \$ 800             | \$ 250         |
| Outstanding borrowings           | —                  | 133            |
| Outstanding letters of credit    | 9                  | 2              |
| Availability on facility         | \$ 791             | \$ 115         |

## Short-Term Debt

Short-term borrowings were \$2 million and less than \$1 million as of September 30, 2017 and December 31, 2016, respectively. The short-term borrowings consisted of various operating lines of credit and working capital facilities. Certain of these borrowings are collateralized by receivables, inventories or property. The borrowing facilities are typically for one-year renewable terms. The weighted average interest rate on all short-term borrowings was approximately 4.6% and 5.4% for September 30, 2017 and December 31, 2016, respectively.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 11. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

## Pension Plans

The Company sponsors defined benefit pension plans. Under the plans, pension benefits are based on an employee's years of service and, for certain categories of employees, qualifying compensation. Company contributions to these pension plans are determined by an independent actuary to meet or exceed minimum funding requirements. In our non-U.S. plans, the unrecognized cost of any retroactive amendments and actuarial gains and losses are amortized over the average future service period of plan participants expected to receive benefits. In our U.S. plans, the unrecognized cost of any retroactive amendments and actuarial gains and losses are amortized over the average remaining life expectancy of the inactive participants as substantially all of the plan participants are inactive. During the second quarter of 2017, the Company completed two balance sheet risk mitigation actions related to certain non-U.S. pension plans. These actions included the purchase of non-participating annuity contracts from an insurance company and the payment of lump sums to retirees, which resulted in the settlement of liabilities to affected participants. As a result of these transactions, the Company recognized pension settlement losses of \$28 million during the nine months ended September 30, 2017. These losses are included in Other expenses, net on the Consolidated Statements of Earnings in our Corporate, Other and Eliminations category. These transactions did not have a material effect on the plans' funded status.

The following tables provide information regarding pension expense recognized (in millions):

|                                         | Three Months Ended September 30, |          |        |      |          |       |
|-----------------------------------------|----------------------------------|----------|--------|------|----------|-------|
|                                         | 2017                             |          |        | 2016 |          |       |
|                                         | U.S.                             | Non-U.S. | Total  | U.S. | Non-U.S. | Total |
| Components of Net Periodic Pension Cost |                                  |          |        |      |          |       |
| Service cost                            | \$2                              | \$ 1     | \$ 3   | \$2  | \$ —     | \$ 2  |
| Interest cost                           | 10                               | 2        | 12     | 11   | 4        | 15    |
| Expected return on plan assets          | (14)                             | (4)      | (18)   | (14) | (5)      | (19)  |
| Amortization of actuarial loss          | 3                                | —        | 3      | 3    | —        | 3     |
| Settlement loss                         | —                                | (2)      | (2)    | —    | —        | —     |
| Contractual termination benefit         | —                                | —        | —      | —    | —        | —     |
| Net periodic pension cost               | \$1                              | \$ (3)   | \$ (2) | \$2  | \$ (1)   | \$ 1  |

|                                         | Nine Months Ended September 30, |          |       |      |          |       |
|-----------------------------------------|---------------------------------|----------|-------|------|----------|-------|
|                                         | 2017                            |          |       | 2016 |          |       |
|                                         | U.S.                            | Non-U.S. | Total | U.S. | Non-U.S. | Total |
| Components of Net Periodic Pension Cost |                                 |          |       |      |          |       |
| Service cost                            | \$5                             | \$ 4     | \$9   | \$5  | \$ 2     | \$ 7  |
| Interest cost                           | 30                              | 10       | 40    | 33   | 13       | 46    |
| Expected return on plan assets          | (43)                            | (16)     | (59)  | (43) | (17)     | (60)  |
| Amortization of actuarial loss          | 10                              | 3        | 13    | 10   | 2        | 12    |
| Settlement loss                         | —                               | 28       | 28    | —    | —        | —     |
| Curtailment gain                        | —                               | —        | —     | —    | (6)      | (6)   |
| Contractual termination benefit         | —                               | —        | —     | —    | 2        | 2     |
| Net periodic pension cost               | \$2                             | \$ 29    | \$31  | \$5  | \$ (4)   | \$ 1  |



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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 11. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS (continued)

The Company expects to contribute approximately \$50 million in cash to the U.S. pension plans and another \$22 million to non-U.S. plans during 2017. The Company made cash contributions of \$68 million to the plans during the nine months ended September 30, 2017.

## Postemployment and Postretirement Benefits Other than Pension Plans

The Company maintains healthcare and life insurance benefit plans for certain retired employees and their dependents. The health care plans in the United States are non-funded 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.

The following table provides the components of net periodic benefit cost for aggregated U.S. and non-U.S. plans for the periods indicated (in millions):

|                                         | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |      | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |      |
|-----------------------------------------|------------------------------------------------------|------|-----------------------------------------------------|------|
| Components of Net Periodic Benefit Cost |                                                      |      |                                                     |      |
| Service cost                            | \$ —                                                 | \$ — | \$ 2                                                | \$ 1 |
| Interest cost                           | 2                                                    | 3    | 6                                                   | 7    |
| Amortization of prior service cost      | (1 )                                                 | (1 ) | (3 )                                                | (3 ) |
| Amortization of actuarial loss          | —                                                    | —    | (2 )                                                | —    |
| Net periodic benefit cost               | \$ 1                                                 | \$ 2 | \$ 3                                                | \$ 5 |

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OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

12. CONTINGENT LIABILITIES AND OTHER MATTERS

The Company may be involved in various legal and regulatory proceedings relating to employment, antitrust, tax, product liability, environmental and other matters (collectively, "Proceedings"). The Company regularly reviews the status of such Proceedings along with legal counsel. Liabilities for such Proceedings are recorded when it is probable that the liability has been incurred and when the amount of the liability can be reasonably estimated. Liabilities are adjusted when additional information becomes available. Management believes that the amount of any reasonably possible losses in excess of any amounts accrued, if any, with respect to such Proceedings or any other known claim, including the matters described below under the caption Environmental Matters (the "Environmental Matters"), are not material to the Company's financial statements. Management believes that the ultimate disposition of the Proceedings and the Environmental Matters will not have a material adverse effect on the Company's financial condition. While the likelihood is remote, the disposition of the Proceedings and Environmental Matters could have a material impact on the results of operations, cash flows or liquidity in any given reporting period.

Litigation and Regulatory Proceedings

The Company is involved in litigation and regulatory Proceedings from time to time in the regular course of its business. The Company believes that adequate provisions for resolution of all contingencies, claims and pending matters have been made for probable losses that are reasonably estimable.

Litigation Settlement Gain

In May 2017, the Company and TopBuild Corp. entered into a settlement agreement in connection with a commercial breach of contract dispute from the second quarter of 2016. Under the terms of the settlement, TopBuild Corp. paid Owens Corning \$30 million in cash in the second quarter of 2017. The settlement also resulted in the dismissal of the lawsuit filed in May 2016 in connection with the dispute. During the second quarter of 2017, a \$29 million litigation settlement gain, net of legal fees, was recorded in Other expenses, net on the Consolidated Statements of Earnings in the Corporate, Other and Eliminations category.

Environmental Matters

The Company has established policies and procedures designed to ensure that its operations are conducted in compliance with all relevant laws and regulations and that enable the Company to meet its high standards for corporate sustainability and environmental stewardship. Our manufacturing facilities are subject to numerous foreign, federal, state and local laws and regulations relating to the presence of hazardous materials, pollution and protection of the environment, including emissions to air, discharges to water, management of hazardous materials, handling and disposal of solid wastes, and remediation of contaminated sites. All Company manufacturing facilities operate using an ISO 14001 or equivalent environmental management system. The Company's 2020 Sustainability Goals require significant global reductions in energy use, water consumption, waste to landfill, and emissions of greenhouse gases, fine particulate matter and toxic air emissions.

Owens Corning is involved in remedial response activities and is responsible for environmental remediation at a number of sites, including certain of its currently owned or formerly owned plants. These responsibilities arise under a number of laws, including, but not limited to, the Federal Resource Conservation and Recovery Act ("RCRA"), and similar state or local laws pertaining to the management and remediation of hazardous materials and petroleum. The Company has also been named a potentially responsible party under the U.S. Federal Superfund law, or state

equivalents, at a number of disposal sites. The Company became involved in these sites as a result of government action or in connection with business acquisitions. As of September 30, 2017, the Company was involved with a total of 21 sites worldwide, including 8 Superfund sites and 13 owned or formerly owned sites. None of the liabilities for these sites are individually significant to the Company.

Remediation activities generally involve a potential range of activities and costs related to soil and groundwater contamination. This can include pre-cleanup activities such as fact finding and investigation, risk assessment, feasibility studies, remedial action design and implementation (where actions may range from monitoring to removal of contaminants, to installation of longer-term remediation systems). A number of factors affect the cost of environmental remediation, including the number of parties involved in a particular site, the determination of the extent of contamination, the length of time the remediation may require, the complexity of environmental regulations, variability in clean-up standards, the need for legal action, and changes in remediation technology. Taking these factors into account, Owens Corning has predicted the costs of remediation reasonably estimated to be paid over a

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 12. CONTINGENT LIABILITIES AND OTHER MATTERS (continued)

period of years. The Company accrues an amount on an undiscounted basis, consistent with the reasonable estimates of these costs when it is probable that a liability has been incurred. Actual cost may differ from these estimates for the reasons mentioned above. At September 30, 2017, the Company had an accrual totaling \$3 million for these costs. Changes in required remediation procedures or timing of those procedures, or discovery of contamination at additional sites, could result in material increases to the Company's environmental obligations.

## 13. STOCK COMPENSATION

## Stock Plans

## 2016 Stock Plan

On April 21, 2016, the Company's stockholders approved the Owens Corning 2016 Stock Plan (the "2016 Stock Plan") which authorizes grants of stock options, stock appreciation rights, restricted stock awards, restricted stock units, bonus stock awards and performance stock awards. At September 30, 2017, the number of shares remaining available under the 2016 Stock Plan for all stock awards was 3.2 million.

## Stock Options

The Company did not grant any stock options during the nine months ended September 30, 2017. The Company calculates a weighted-average grant-date fair value using a Black-Scholes valuation model for options granted. Compensation expense for options is measured based on the fair market value of the option on the date of grant, and is recognized on a straight-line basis over a four year vesting period. In general, the exercise price of each option awarded was equal to the market price of the Company's common stock on the date of grant, and an option's maximum term is 10 years.

During both the three and nine months ended September 30, 2017, the Company recognized expense of less than \$1 million and \$1 million, respectively, related to the Company's stock options. During both the three and nine months ended September 30, 2016, the Company recognized expense of less than \$1 million and \$2 million, respectively, related to the Company's stock options. As of September 30, 2017, there was less than \$1 million of total unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 0.42 years. The total aggregate intrinsic value of options outstanding as of September 30, 2017 was \$27 million.

The following table summarizes the Company's stock option activity:

|                   | Nine Months Ended<br>September 30, 2017 |                                        |
|-------------------|-----------------------------------------|----------------------------------------|
|                   | Number of<br>Options                    | Weighted-<br>Average<br>Exercise Price |
| Beginning Balance | 975,400                                 | \$ 35.14                               |
| Exercised         | (317,225)                               | 31.71                                  |
| Forfeited         | (3,250)                                 | 37.65                                  |
| Ending Balance    | 654,925                                 | \$ 36.79                               |

The following table summarizes information about the Company's options outstanding and exercisable:

| Options Outstanding | Options Exercisable |
|---------------------|---------------------|
|---------------------|---------------------|

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| Range of Exercise Prices | Weighted-Average |             |           | NumberWeighted-Average         |             |           |
|--------------------------|------------------|-------------|-----------|--------------------------------|-------------|-----------|
|                          | Options          | Remaining   | Exercise  | Exercisable                    | Remaining   | Exercise  |
|                          | Outstanding      | Contractual | LifePrice | at<br>September<br>30,<br>2017 | Contractual | LifePrice |
| \$13.89 - \$42.16        | 654,925          | 4.95        | \$ 36.79  | 587,225                        | 4.79        | \$ 36.69  |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 13. STOCK COMPENSATION (continued)

## Restricted Stock Awards and Restricted Stock Units

The Company has granted restricted stock awards and restricted stock units (collectively referred to as “restricted stock”) as a part of its long-term incentive plan. Compensation expense for restricted stock 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, which is typically three or four years. The Stock Plan allows alternate vesting schedules for death, disability, and retirement over various periods ending in 2020.

During the three and nine months ended September 30, 2017, the Company recognized expense of \$5 million and \$16 million, respectively, related to the Company's restricted stock. During the three and nine months ended September 30, 2016, the Company recognized expense of \$5 million and \$14 million, respectively, related to the Company's restricted stock. As of September 30, 2017, there was \$37 million of total unrecognized compensation cost related to restricted stock. That cost is expected to be recognized over a weighted-average period of 2.67 years. The total fair value of shares vested during the nine months ended September 30, 2017 and 2016 was \$18 million and \$15 million, respectively.

The following table summarizes the Company's restricted stock activity:

| Nine Months Ended September<br>30, 2017 |                  |                                              |
|-----------------------------------------|------------------|----------------------------------------------|
|                                         | Number of Shares | Weighted-Average<br>Grant Date<br>Fair Value |
| Beginning Balance                       | 1,800,557        | \$ 37.78                                     |
| Granted                                 | 486,774          | 56.35                                        |
| Vested                                  | (471,955)        | 38.98                                        |
| Forfeited                               | (53,913)         | 44.10                                        |
| Ending Balance                          | 1,761,463        | \$ 42.30                                     |

## Performance Stock Awards and Performance Stock Units

The Company has granted performance stock awards and performance stock units (collectively referred to as “PSUs”) as a part of its long-term incentive plan. All outstanding performance grants will fully settle in stock. The amount of stock ultimately distributed from all performance shares issued after the 2014 grants is contingent on meeting internal company-based metrics or an external-based stock performance metric. The amount of stock ultimately distributed from the 2014 grant is contingent on meeting an external-based stock performance metric.

In the nine months ended September 30, 2017, the Company granted both internal company-based and external-based metric PSUs.

## Internal based metrics

The internal company-based metrics vest after a three-year period and are based on various Company metrics. The amount of stock distributed will vary from 0% to 300% of PSUs awarded depending on each year's award design and performance versus the internal Company-based metrics.

The initial fair value for all internal Company-based metric PSUs assumes that the performance goals will be achieved and is based on the grant date stock price. This assumption is monitored quarterly and if it becomes probable that such goals will not be achieved or will be exceeded, compensation expense recognized will be adjusted and previous surplus compensation expense recognized will be reversed or additional expense will be recognized. The expected term represents the period from the grant date to the end of the three-year performance period. Pro-rata vesting may be utilized in the case of death, disability or approved retirement and awards if earned will be paid at the end of the

three-year period.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 13. STOCK COMPENSATION (continued)

## External-based metrics

The external-based metrics vest after a three-year period. Outstanding grants issued in 2015 and thereafter are based on the Company's total stockholder return relative to the performance of the companies constituting the former S&P Building & Construction Industry Index. Outstanding grants issued prior to 2015 are based on the Company's total stockholder return relative to the performance of the companies in the S&P 500 Index. The amount of stock distributed will vary from 0% to 200% of PSUs awarded depending on the relative stockholder return performance. The Company estimated the fair value of the external-based metric performance stock grants using a Monte Carlo simulation. The external-based metric performance stock granted in 2017 uses various assumptions that include expected volatility of 26.1%, and a risk free interest rate of 1.4%, both of which were based on an expected term of 2.92 years. Expected volatility was based on a benchmark study of our peers. The risk-free interest rate was based on zero coupon U.S. Treasury bills at the time of grant. The expected term represents the period from the grant date to the end of the three-year performance period. Compensation expense for external-based metric PSUs is measured based on the grant date fair value and is recognized on a straight-line basis over the vesting period. Pro-rata vesting may be utilized in the case of death, disability or approved retirement, and awards if earned will be paid at the end of the three-year period.

During the three and nine months ended September 30, 2017, the Company recognized expense of \$4 million and \$12 million, respectively, related to the Company's PSUs. During the three and nine months ended September 30, 2016, the Company recognized expense of \$2 million and \$7 million, respectively, related to the Company's PSUs. As of September 30, 2017, there was \$18 million of total unrecognized compensation cost related to PSUs. That cost is expected to be recognized over a weighted-average period of 1.74 years.

The following table summarizes the Company's PSU activity:

|                   | Nine Months Ended<br>September 30, 2017 |                                              |
|-------------------|-----------------------------------------|----------------------------------------------|
|                   | Number<br>of PSUs                       | Weighted-Average<br>Grant-Date<br>Fair Value |
| Beginning Balance | 472,300                                 | \$ 47.19                                     |
| Granted           | 221,050                                 | 59.71                                        |
| Forfeited         | (18,052)                                | 48.98                                        |
| Ending Balance    | 675,298                                 | \$ 51.24                                     |

## Employee Stock Purchase Plan

On April 18, 2013, the Company's stockholders approved the Owens Corning Employee Stock Purchase Plan ("ESPP"). The ESPP is a tax-qualified plan under Section 423 of the Internal Revenue Code. The purchase price of shares purchased under the ESPP is equal to 85% of the lower of the fair market value of shares of Owens Corning common stock at the beginning or ending of the offering period, which is a six-month period ending on May 31 and November 30 of each year. At the approval date, 2.0 million shares were available for purchase under the ESPP. As of September 30, 2017, 1.1 million shares remain available for purchase.

During the three and nine months ended September 30, 2017, the Company recognized expense of \$1 million and \$2 million, respectively, related to the Company's ESPP. During the three and nine months ended September 30, 2016, the Company recognized expense of \$1 million and \$2 million, respectively, related to the Company's ESPP. As of September 30, 2017, there was \$1 million of total unrecognized compensation cost related to the ESPP.



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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 14. EARNINGS PER SHARE

The following table is a reconciliation of weighted-average shares for calculating basic and diluted earnings per-share (in millions, except per share amounts):

|                                                                                                                | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |        | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |        |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------|-----------------------------------------------------|--------|
| Net earnings attributable to Owens Corning                                                                     | \$96                                                 | \$112  | \$293                                               | \$307  |
| Weighted-average number of shares outstanding used for basic earnings per share                                | 111.0                                                | 114.1  | 111.6                                               | 114.9  |
| Non-vested restricted and performance shares                                                                   | 1.4                                                  | 0.9    | 1.4                                                 | 0.8    |
| Options to purchase common stock                                                                               | 0.3                                                  | 0.4    | 0.2                                                 | 0.3    |
| Weighted-average number of shares outstanding and common equivalent shares used for diluted earnings per share | 112.7                                                | 115.4  | 113.2                                               | 116.0  |
| Earnings per common share attributable to Owens Corning common stockholders:                                   |                                                      |        |                                                     |        |
| Basic                                                                                                          | \$0.86                                               | \$0.98 | \$2.63                                              | \$2.67 |
| Diluted                                                                                                        | \$0.85                                               | \$0.97 | \$2.59                                              | \$2.65 |

On October 24, 2016, the Board of Directors approved a share buy-back program under which the Company is authorized to repurchase up to 10 million shares of the Company's outstanding common stock (the "Repurchase Authorization"). The Repurchase Authorization enables the Company to repurchase shares through the open market, privately negotiated, or other transactions. The actual number of shares repurchased will depend on timing, market conditions and other factors and is at the Company's discretion. The Company repurchased 2.3 million shares of its common stock for \$142 million during the nine months ended September 30, 2017 under the Repurchase Authorization. As of September 30, 2017, 7.5 million shares remain available for repurchase under the Repurchase Authorization.

For the three and nine months ended September 30, 2017, we did not have any non-vested performance shares that had an anti-dilutive effect on earnings per share. For the three and nine months ended September 30, 2016, the number of shares used in the calculation of diluted earnings per share did not include 0.1 million non-vested performance shares due to their anti-dilutive effect.

## 15. INCOME TAXES

The following table provides the Income tax expense (in millions) and effective tax rate for the periods indicated:

|                    | Three<br>Months<br>Ended<br>September<br>30,<br>2017 |      | Nine Months<br>Ended<br>September 30,<br>2016 |       |
|--------------------|------------------------------------------------------|------|-----------------------------------------------|-------|
| Income tax expense | \$32                                                 | \$65 | \$142                                         | \$172 |
| Effective tax rate | 25 %                                                 | 37 % | 33 %                                          | 36 %  |

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The difference between the effective tax rate and the U.S. federal statutory tax rate of 35% for the three and nine months ended September 30, 2017 is primarily due to the reversal of a valuation allowance recorded in prior years against certain Asian net deferred tax assets, an increase in U.S. research and development tax credits, the benefit of lower foreign tax rates and other discrete adjustments.

The difference between the effective tax rate and the U.S. federal statutory tax rate of 35% for the three and nine months ended September 30, 2016 is primarily due to an increase in unrecognized tax benefit reserves, U.S. state and local income tax expense, the benefit of lower foreign tax rates and other discrete adjustments.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 16. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE DEFICIT

The following table summarizes the changes in accumulated other comprehensive income (deficit) ("AOCI") (in millions):

|                                                                | Three Months Ended<br>September 30,<br>2017 |         | Nine Months Ended<br>September 30,<br>2016 |         |
|----------------------------------------------------------------|---------------------------------------------|---------|--------------------------------------------|---------|
| Currency Translation Adjustment                                |                                             |         |                                            |         |
| Beginning balance                                              | \$(219)                                     | \$(226) | \$(284)                                    | \$(247) |
| Net investment hedge amounts classified into AOCI, net of tax  | (6 )                                        | (3 )    | (15 )                                      | (5 )    |
| Gain on foreign currency translation                           | 33                                          | 1       | 107                                        | 24      |
| Other comprehensive income/(loss), net of tax                  | 27                                          | (2 )    | 92                                         | 19      |
| Ending balance                                                 | \$(192)                                     | \$(228) | \$(192)                                    | \$(228) |
| Pension and Other Postretirement Adjustment                    |                                             |         |                                            |         |
| Beginning balance                                              | \$(415)                                     | \$(409) | \$(429)                                    | \$(419) |
| Amounts reclassified from AOCI to net earnings, net of tax (a) | 4                                           | 3       | 22                                         | 3       |
| Amounts classified into AOCI, net of tax                       | (2 )                                        | 1       | (6 )                                       | 11      |
| Other comprehensive income, net of tax                         | 2                                           | 4       | 16                                         | 14      |
| Ending balance                                                 | \$(413)                                     | \$(405) | \$(413)                                    | \$(405) |
| Hedging Adjustment                                             |                                             |         |                                            |         |
| Beginning balance                                              | \$—                                         | \$—     | \$3                                        | \$(4 )  |
| Amounts reclassified from AOCI to net earnings, net of tax (b) | —                                           | 1       | (1 )                                       | 5       |
| Amounts classified into AOCI, net of tax                       | —                                           | —       | (2 )                                       | —       |
| Other comprehensive income/(loss), net of tax                  | —                                           | 1       | (3 )                                       | 5       |
| Ending balance                                                 | \$—                                         | \$1     | \$—                                        | \$1     |
| Total AOCI ending balance                                      | \$(605)                                     | \$(632) | \$(605)                                    | \$(632) |

(a) These AOCI components are included in the computation of total Pension and OPEB expense and are recorded in Cost of sales, Marketing and administrative expenses and Other expenses, net. See Note 11 for additional information.

(b) Amounts reclassified from gain/(loss) on cash flow hedges are reclassified from AOCI to income when the hedged item affects earnings and are recognized in Cost of sales. See Note 4 for additional information.

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 17. ACCOUNTING PRONOUNCEMENTS

The following table summarizes recent accounting standard updates ("ASU") issued by the Financial Accounting Standards Board (the "FASB") that could have an impact on the Company's Consolidated Financial Statements:

| Standard                                                                                                                                                           | Description                                                                                                                                                                                                                                                           | Effective Date for Company | Effect on the Consolidated Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recently issued standards:                                                                                                                                         |                                                                                                                                                                                                                                                                       |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| ASU 2014-09<br>"Revenue from Contracts with Customers (Topic 606)," as amended by ASU's 2015-14, 2016-08, 2016-10, 2016-11, 2016-12, 2016-20, 2017-05 and 2017-13. | This standard outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Entities can adopt this standard either through a retrospective or modified-retrospective approach.                     | January 1, 2018            | <p>We are currently assessing the impact this standard will have on our Consolidated Financial Statements. We expect to complete our assessment in the fourth quarter of 2017 and plan to use the modified-retrospective method of adoption. Many of our customer volume commitments are short-term (as explained on pg. 5 of the Risk Factors disclosed in Item 1A of our 2016 Form 10-K) and do not contain multiple element arrangements. As a result, we do not expect many elements of this standard to be applicable to our business model.</p> <p>Under our current accounting policy (as described in Note 1 of our 2016 Form 10-K), we recognize revenue when title and risk of loss pass to the customer and collectability is reasonably assured, and we estimate variable consideration based on historical experience, current conditions and contractual obligations. We believe our current variable consideration estimates are largely consistent with the new standard. We are still analyzing potential quarterly timing differences for our consignment sales arrangements and customized products manufactured for customers, but we expect any such differences to be immaterial to our results of operations. We are also still assessing the standard's new disclosure requirements and impact on internal control over financial reporting.</p> |
| ASU 2016-02<br>"Leases (Topic 842)"                                                                                                                                | The standard requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. The recognition and presentation of expenses will depend on classification as a finance or operating lease. Entities will adopt | January 1, 2019            | We are currently assessing the potential impact of this standard adoption on our financial reporting processes and disclosures. We believe that our adoption of the standard will likely have a material impact to our Consolidated Balance Sheets for the recognition of certain operating leases as right-of-use assets and lease liabilities. (Our operating lease obligations are described in Note 8 of our 2016 Form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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this standard through a retrospective approach.

10-K). We are in the process of analyzing our lease portfolio and implementing systems to comply with the standard's retrospective adoption requirements. We are currently assessing the impact this standard will have on our Consolidated Financial Statements. Our current accounts receivable policy (as described in Note 1 of our 2016 Form 10-K) uses historical and current information to estimate the amount of probable credit losses in our existing accounts receivable. We have not yet analyzed our current systems and methods to determine the impact of using forward-looking information to estimate expected credit losses.

ASU 2016-13  
"Financial  
Instruments -  
Credit Losses  
(Topic 326)"

This standard replaces the incurred loss methodology for recognizing credit losses with a current expected credit losses model and applies to all financial assets, including trade receivables. Entities will adopt the standard using a modified-retrospective approach.

January 1,  
2020

ASU 2016-16  
"Income Taxes  
(Topic 740)"

This standard clarifies that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs.

January 1,  
2018

We are currently assessing the impact this standard will have on our Consolidated Financial Statements.

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OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

17. ACCOUNTING PRONOUNCEMENTS (continued)

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                        |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ASU 2017-07<br>"Compensation - Retirement Benefits (Topic 715)" | This standard requires that the other components of net benefit cost be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Entities will adopt the presentation elements of this standard on a retrospective basis.                                                                   | January 1, 2018 | We do not expect that the adoption of this standard will have a material effect on our Consolidated Financial Statements on an ongoing basis. The standard's retrospective adoption, though, will likely have a significant impact on the classifications in our 2017 Consolidated Statements of Earnings, mainly due to pension settlement losses that were recorded in the second quarter of 2017 (as described in Note 11 of the Consolidated Financial Statements). |
| ASU 2017-12<br>"Derivatives and Hedging (Topic 815)"            | This standard changes how an entity assesses effectiveness of derivative instruments, potentially resulting in less ineffectiveness and more derivatives qualifying for hedge accounting. Entities may early adopt the standard in any interim period, with the effect of adoption being applied to existing hedging relationships as of the beginning of the fiscal year of adoption. | January 1, 2019 | We are currently assessing the impact this standard will have on our Consolidated Financial Statements.                                                                                                                                                                                                                                                                                                                                                                 |

18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The following Condensed Consolidating Financial Statements present the financial information required with respect to those entities which guarantee certain of the Company's debt. The Condensed Consolidating Financial Statements are presented on the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the Company's share of the subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes. The principal elimination entries eliminate investment in subsidiaries and intercompany balances and transactions.

Guarantor and Nonguarantor Financial Statements

The Senior Notes and the Senior Revolving Credit Facility are guaranteed, fully, unconditionally and jointly and severally, by certain of Owens Corning's current and future wholly-owned material domestic subsidiaries that are borrowers or guarantors under the Credit Agreement, which permits changes to the named guarantors in certain situations (collectively, the "Guarantor Subsidiaries"). The remaining subsidiaries have not guaranteed the Senior Notes and the Senior Revolving Credit Facility (collectively, the "Non-Guarantor Subsidiaries").

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF EARNINGS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

(in millions)

|                                                       | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| NET SALES                                             | \$ —   | \$ 1,236                  | \$ 598                        | \$ (131 )    | \$ 1,703     |
| COST OF SALES                                         | —      | 945                       | 465                           | (131 )       | 1,279        |
| Gross margin                                          | —      | 291                       | 133                           | —            | 424          |
| OPERATING EXPENSES                                    |        |                           |                               |              |              |
| Marketing and administrative expenses                 | 37     | 83                        | 40                            | —            | 160          |
| Science and technology expenses                       | —      | 17                        | 5                             | —            | 22           |
| Other expenses, net                                   | (3 )   | 12                        | 6                             | —            | 15           |
| Total operating expenses                              | 34     | 112                       | 51                            | —            | 197          |
| EARNINGS BEFORE INTEREST AND TAXES                    | (34 )  | 179                       | 82                            | —            | 227          |
| Interest expense, net                                 | 25     | —                         | 3                             | —            | 28           |
| Loss on extinguishment of debt                        | 71     | —                         | —                             | —            | 71           |
| EARNINGS BEFORE TAXES                                 | (130 ) | 179                       | 79                            | —            | 128          |
| Income tax expense                                    | (50 )  | 68                        | 14                            | —            | 32           |
| Equity in net earnings of subsidiaries                | 176    | 65                        | —                             | (241 )       | —            |
| Equity in net earnings of affiliates                  | —      | —                         | —                             | —            | —            |
| NET EARNINGS                                          | 96     | 176                       | 65                            | (241 )       | 96           |
| Net earnings attributable to noncontrolling interests | —      | —                         | —                             | —            | —            |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$ 96  | \$ 176                    | \$ 65                         | \$ (241 )    | \$ 96        |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF EARNINGS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

(in millions)

|                                                       | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| NET SALES                                             | \$—    | \$ 1,106                  | \$ 545                        | \$ (133 )    | \$ 1,518     |
| COST OF SALES                                         | —      | 856                       | 421                           | (133 )       | 1,144        |
| Gross margin                                          | —      | 250                       | 124                           | —            | 374          |
| OPERATING EXPENSES                                    |        |                           |                               |              |              |
| Marketing and administrative expenses                 | 35     | 76                        | 30                            | —            | 141          |
| Science and technology expenses                       | —      | 17                        | 3                             | —            | 20           |
| Other expenses, net                                   | (5 )   | (6 )                      | 17                            | —            | 6            |
| Total operating expenses                              | 30     | 87                        | 50                            | —            | 167          |
| EARNINGS BEFORE INTEREST AND TAXES                    | (30 )  | 163                       | 74                            | —            | 207          |
| Interest expense, net                                 | 28     | —                         | —                             | —            | 28           |
| Loss on extinguishment of debt                        | 1      | —                         | —                             | —            | 1            |
| EARNINGS BEFORE TAXES                                 | (59 )  | 163                       | 74                            | —            | 178          |
| Income tax expense                                    | (35 )  | 93                        | 7                             | —            | 65           |
| Equity in net earnings of subsidiaries                | 136    | 66                        | —                             | (202 )       | —            |
| Equity in net earnings of affiliates                  | —      | —                         | —                             | —            | —            |
| NET EARNINGS                                          | 112    | 136                       | 67                            | (202 )       | 113          |
| Net earnings attributable to noncontrolling interests | —      | —                         | 1                             | —            | 1            |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$ 112 | \$ 136                    | \$ 66                         | \$ (202 )    | \$ 112       |



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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(in millions)

|                                                       | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| NET SALES                                             | \$—    | \$ 3,501                  | \$ 1,653                      | \$ (376)     | ) \$ 4,778   |
| COST OF SALES                                         | 1      | 2,692                     | 1,285                         | (376)        | ) 3,602      |
| Gross margin                                          | (1     | ) 809                     | 368                           | —            | 1,176        |
| OPERATING EXPENSES                                    |        |                           |                               |              |              |
| Marketing and administrative expenses                 | 111    | 246                       | 100                           | —            | 457          |
| Science and technology expenses                       | —      | 52                        | 12                            | —            | 64           |
| Other expenses, net                                   | (1     | ) (18                     | ) 87                          | —            | 68           |
| Total operating expenses                              | 110    | 280                       | 199                           | —            | 589          |
| EARNINGS BEFORE INTEREST AND TAXES                    | (111   | ) 529                     | 169                           | —            | 587          |
| Interest expense, net                                 | 72     | —                         | 9                             | —            | 81           |
| Loss on extinguishment of debt                        | 71     | —                         | —                             | —            | 71           |
| EARNINGS BEFORE TAXES                                 | (254   | ) 529                     | 160                           | —            | 435          |
| Income tax expense                                    | (105   | ) 200                     | 47                            | —            | 142          |
| Equity in net earnings of subsidiaries                | 442    | 113                       | —                             | (555)        | ) —          |
| Equity in net earnings of affiliates                  | —      | —                         | —                             | —            | —            |
| NET EARNINGS                                          | 293    | 442                       | 113                           | (555)        | ) 293        |
| Net earnings attributable to noncontrolling interests | —      | —                         | —                             | —            | —            |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$293  | \$ 442                    | \$ 113                        | \$ (555)     | ) \$ 293     |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(in millions)

|                                                       | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| NET SALES                                             | \$—    | \$ 3,123                  | \$ 1,539                      | \$ (368 )    | \$ 4,294     |
| COST OF SALES                                         | 2      | 2,439                     | 1,159                         | (368 )       | 3,232        |
| Gross margin                                          | (2 )   | 684                       | 380                           | —            | 1,062        |
| OPERATING EXPENSES                                    |        |                           |                               |              |              |
| Marketing and administrative expenses                 | 103    | 233                       | 90                            | —            | 426          |
| Science and technology expenses                       | —      | 50                        | 10                            | —            | 60           |
| Other expenses, net                                   | (8 )   | 31                        | (10 )                         | —            | 13           |
| Total operating expenses                              | 95     | 314                       | 90                            | —            | 499          |
| EARNINGS BEFORE INTEREST AND TAXES                    | (97 )  | 370                       | 290                           | —            | 563          |
| Interest expense, net                                 | 74     | (1 )                      | 7                             | —            | 80           |
| Loss on extinguishment of debt                        | 1      | —                         | —                             | —            | 1            |
| EARNINGS BEFORE TAXES                                 | (172 ) | 371                       | 283                           | —            | 482          |
| Income tax expense                                    | (85 )  | 188                       | 69                            | —            | 172          |
| Equity in net earnings of subsidiaries                | 394    | 211                       | —                             | (605 )       | —            |
| Equity in net earnings of affiliates                  | —      | —                         | 1                             | —            | 1            |
| NET EARNINGS                                          | 307    | 394                       | 215                           | (605 )       | 311          |
| Net earnings attributable to noncontrolling interests | —      | —                         | 4                             | —            | 4            |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$307  | \$ 394                    | \$ 211                        | \$ (605 )    | \$ 307       |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF COMPREHENSIVE EARNINGS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

(in millions)

|                                                                 | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Consolidated |
|-----------------------------------------------------------------|--------|---------------------------|-------------------------------|-------------|--------------|
| NET EARNINGS                                                    | \$ 96  | \$ 176                    | \$ 65                         | \$ (241 )   | \$ 96        |
| Currency translation adjustment (net of tax)                    | 27     | —                         | 34                            | (34 )       | 27           |
| Pension and other postretirement adjustment (net of tax)        | 2      | (1 )                      | (1 )                          | 2           | 2            |
| Hedging adjustment (net of tax)                                 | —      | —                         | —                             | —           | —            |
| COMPREHENSIVE EARNINGS                                          | 125    | 175                       | 98                            | (273 )      | 125          |
| Comprehensive earnings attributable to noncontrolling interests | —      | —                         | —                             | —           | —            |
| COMPREHENSIVE EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$ 125 | \$ 175                    | \$ 98                         | \$ (273 )   | \$ 125       |

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF COMPREHENSIVE EARNINGS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

(in millions)

|                                                                 | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Consolidated |
|-----------------------------------------------------------------|--------|---------------------------|-------------------------------|-------------|--------------|
| NET EARNINGS                                                    | \$ 112 | \$ 136                    | \$ 67                         | \$ (202 )   | \$ 113       |
| Currency translation adjustment (net of tax)                    | (2 )   | —                         | 2                             | (2 )        | (2 )         |
| Pension and other postretirement adjustment (net of tax)        | 4      | (1 )                      | 3                             | (2 )        | 4            |
| Hedging adjustment (net of tax)                                 | 1      | —                         | —                             | —           | 1            |
| COMPREHENSIVE EARNINGS                                          | 115    | 135                       | 72                            | (206 )      | 116          |
| Comprehensive earnings attributable to noncontrolling interests | —      | —                         | 1                             | —           | 1            |
| COMPREHENSIVE EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$ 115 | \$ 135                    | \$ 71                         | \$ (206 )   | \$ 115       |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF COMPREHENSIVE EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(in millions)

|                                                                 | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Consolidated |
|-----------------------------------------------------------------|--------|---------------------------|-------------------------------|-------------|--------------|
| NET EARNINGS                                                    | \$293  | \$ 442                    | \$ 113                        | \$ (555 )   | \$ 293       |
| Currency translation adjustment (net of tax)                    | 92     | 1                         | 106                           | (107 )      | 92           |
| Pension and other postretirement adjustment (net of tax)        | 16     | (4 )                      | 13                            | (9 )        | 16           |
| Hedging adjustment (net of tax)                                 | (3 )   | —                         | —                             | —           | (3 )         |
| COMPREHENSIVE EARNINGS                                          | 398    | 439                       | 232                           | (671 )      | 398          |
| Comprehensive earnings attributable to noncontrolling interests | —      | —                         | —                             | —           | —            |
| COMPREHENSIVE EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$398  | \$ 439                    | \$ 232                        | \$ (671 )   | \$ 398       |

## OWENS CORNING AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF COMPREHENSIVE EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(in millions)

|                                                                 | Parent | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination | Consolidated |
|-----------------------------------------------------------------|--------|---------------------------|-------------------------------|-------------|--------------|
| NET EARNINGS                                                    | \$ 307 | \$ 394                    | \$ 215                        | \$ (605 )   | \$ 311       |
| Currency translation adjustment (net of tax)                    | 19     | (3 )                      | 28                            | (25 )       | 19           |
| Pension and other postretirement adjustment (net of tax)        | 14     | 22                        | 4                             | (26 )       | 14           |
| Hedging adjustment (net of tax)                                 | 5      | 1                         | 1                             | (2 )        | 5            |
| COMPREHENSIVE EARNINGS                                          | 345    | 414                       | 248                           | (658 )      | 349          |
| Comprehensive earnings attributable to noncontrolling interests | —      | —                         | 4                             | —           | 4            |
| COMPREHENSIVE EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$ 345 | \$ 414                    | \$ 244                        | \$ (658 )   | \$ 345       |



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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2017

(in millions)

| ASSETS                                                   | Parent         | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations       | Consolidated    |
|----------------------------------------------------------|----------------|---------------------------|-----------------------------------|--------------------|-----------------|
| <b>CURRENT ASSETS</b>                                    |                |                           |                                   |                    |                 |
| Cash and cash equivalents                                | \$—            | \$ 8                      | \$ 160                            | \$—                | \$ 168          |
| Receivables, net                                         | —              | —                         | 916                               | —                  | 916             |
| Due from affiliates                                      | —              | 3,126                     | —                                 | (3,126)            | —               |
| Inventories                                              | —              | 439                       | 354                               | —                  | 793             |
| Other current assets                                     | 16             | 29                        | 41                                | —                  | 86              |
| Total current assets                                     | 16             | 3,602                     | 1,471                             | (3,126)            | 1,963           |
| Investment in subsidiaries                               | 8,667          | 1,983                     | —                                 | (10,650)           | —               |
| Property, plant and equipment, net                       | 466            | 1,656                     | 1,192                             | —                  | 3,314           |
| Goodwill and intangible assets, net                      | —              | 2,357                     | 597                               | (74)               | 2,880           |
| Other non-current assets                                 | (24)           | 339                       | 184                               | —                  | 499             |
| <b>TOTAL ASSETS</b>                                      | <b>\$9,125</b> | <b>\$ 9,937</b>           | <b>\$ 3,444</b>                   | <b>\$ (13,850)</b> | <b>\$ 8,656</b> |
| <b>LIABILITIES AND EQUITY</b>                            |                |                           |                                   |                    |                 |
| <b>CURRENT LIABILITIES</b>                               |                |                           |                                   |                    |                 |
| Accounts and notes payable and other current liabilities | \$89           | \$ 870                    | \$ 226                            | \$—                | \$ 1,185        |
| Due to affiliates                                        | 2,350          | —                         | 776                               | (3,126)            | —               |
| Total current liabilities                                | 2,439          | 870                       | 1,002                             | (3,126)            | 1,185           |
| Long-term debt, net of current portion                   | 2,378          | 11                        | 150                               | —                  | 2,539           |
| Deferred income taxes                                    | —              | —                         | 65                                | —                  | 65              |
| Other liabilities                                        | 234            | 389                       | 204                               | (74)               | 753             |
| Redeemable equity                                        | —              | —                         | —                                 | —                  | —               |
| <b>OWENS CORNING STOCKHOLDERS' EQUITY</b>                |                |                           |                                   |                    |                 |
| Total Owens Corning stockholders' equity                 | 4,074          | 8,667                     | 1,983                             | (10,650)           | 4,074           |
| Noncontrolling interests                                 | —              | —                         | 40                                | —                  | 40              |
| Total equity                                             | 4,074          | 8,667                     | 2,023                             | (10,650)           | 4,114           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                      | <b>\$9,125</b> | <b>\$ 9,937</b>           | <b>\$ 3,444</b>                   | <b>\$ (13,850)</b> | <b>\$ 8,656</b> |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2016

(in millions)

| ASSETS                                                   | Parent         | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations       | Consolidated    |
|----------------------------------------------------------|----------------|---------------------------|-----------------------------------|--------------------|-----------------|
| <b>CURRENT ASSETS</b>                                    |                |                           |                                   |                    |                 |
| Cash and cash equivalents                                | \$—            | \$ 55                     | \$ 57                             | \$—                | \$ 112          |
| Receivables, net                                         | —              | —                         | 678                               | —                  | 678             |
| Due from affiliates                                      | —              | 2,612                     | —                                 | (2,612)            | —               |
| Inventories                                              | —              | 422                       | 288                               | —                  | 710             |
| Other current assets                                     | 24             | 29                        | 33                                | —                  | 86              |
| Total current assets                                     | 24             | 3,118                     | 1,056                             | (2,612)            | 1,586           |
| Investment in subsidiaries                               | 7,745          | 1,653                     | —                                 | (9,398)            | —               |
| Property, plant and equipment, net                       | 470            | 1,600                     | 1,042                             | —                  | 3,112           |
| Goodwill and intangible assets, net                      | —              | 2,197                     | 394                               | (117)              | 2,474           |
| Other non-current assets                                 | (23)           | 424                       | 168                               | —                  | 569             |
| <b>TOTAL ASSETS</b>                                      | <b>\$8,216</b> | <b>\$ 8,992</b>           | <b>\$ 2,660</b>                   | <b>\$ (12,127)</b> | <b>\$ 7,741</b> |
| <b>LIABILITIES AND EQUITY</b>                            |                |                           |                                   |                    |                 |
| <b>CURRENT LIABILITIES</b>                               |                |                           |                                   |                    |                 |
| Accounts and notes payable and other current liabilities | \$75           | \$ 834                    | \$ 54                             | \$—                | \$ 963          |
| Due to affiliates                                        | 1,941          | —                         | 671                               | (2,612)            | —               |
| Total current liabilities                                | 2,016          | 834                       | 725                               | (2,612)            | 963             |
| Long-term debt, net of current portion                   | 2,069          | 12                        | 18                                | —                  | 2,099           |
| Deferred income taxes                                    | —              | —                         | 36                                | —                  | 36              |
| Other liabilities                                        | 282            | 401                       | 186                               | (117)              | 752             |
| Redeemable equity                                        | —              | —                         | 2                                 | —                  | 2               |
| <b>OWENS CORNING STOCKHOLDERS' EQUITY</b>                |                |                           |                                   |                    |                 |
| Total Owens Corning stockholders' equity                 | 3,849          | 7,745                     | 1,653                             | (9,398)            | 3,849           |
| Noncontrolling interests                                 | —              | —                         | 40                                | —                  | 40              |
| Total equity                                             | 3,849          | 7,745                     | 1,693                             | (9,398)            | 3,889           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                      | <b>\$8,216</b> | <b>\$ 8,992</b>           | <b>\$ 2,660</b>                   | <b>\$ (12,127)</b> | <b>\$ 7,741</b> |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(in millions)

|                                                                                 | Parent | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---------------------------------------------------------------------------------|--------|---------------------------|-----------------------------------|--------------|--------------|
| NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES                                  | \$(65) | \$ 416                    | \$ 343                            | \$ —         | —\$ 694      |
| NET CASH FLOW USED FOR INVESTING ACTIVITIES                                     |        |                           |                                   |              |              |
| Cash paid for property, plant and equipment                                     | (8)    | (192)                     | (49)                              | —            | (249)        |
| Proceeds from the sale of assets or affiliates                                  | —      | 3                         | —                                 | —            | 3            |
| Investment in subsidiaries and affiliates, net of cash acquired                 | —      | (369)                     | (197)                             | —            | (566)        |
| Other                                                                           | 2      | —                         | —                                 | —            | 2            |
| Net cash flow used for investing activities                                     | (6)    | (558)                     | (246)                             | —            | (810)        |
| NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES                                  |        |                           |                                   |              |              |
| Proceeds from long-term debt                                                    | 588    | —                         | —                                 | —            | 588          |
| Proceeds from senior revolving credit and receivables securitization facilities | 285    | —                         | 584                               | —            | 869          |
| Proceeds from term loan borrowing                                               | —      | —                         | —                                 | —            | —            |
| Payments on term loan borrowing                                                 | —      | —                         | —                                 | —            | —            |
| Payments on senior revolving credit and receivables securitization facilities   | (285)  | —                         | (451)                             | —            | (736)        |
| Payments on long-term debt                                                      | (351)  | —                         | —                                 | —            | (351)        |
| Net increase (decrease) in short-term debt                                      | —      | —                         | 2                                 | —            | 2            |
| Dividends paid                                                                  | (67)   | —                         | —                                 | —            | (67)         |
| Purchases of treasury stock                                                     | (159)  | —                         | —                                 | —            | (159)        |
| Intercompany dividends paid                                                     | —      | —                         | —                                 | —            | —            |
| Other intercompany loans                                                        | 52     | 95                        | (147)                             | —            | —            |
| Other                                                                           | 8      | —                         | —                                 | —            | 8            |
| Net cash flow provided by financing activities                                  | 71     | 95                        | (12)                              | —            | 154          |
| Effect of exchange rate changes on cash                                         | —      | —                         | 19                                | —            | 19           |
| Net increase in cash, cash equivalents and restricted cash                      | —      | (47)                      | 104                               | —            | 57           |
| Cash, cash equivalents and restricted cash at beginning of period               | 6      | 55                        | 57                                | —            | 118          |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT<br>END OF PERIOD                  | \$6    | \$ 8                      | \$ 161                            | \$ —         | —\$ 175      |

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## OWENS CORNING AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

## 18. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (continued)

## OWENS CORNING AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(in millions)

|                                                                                 | Parent | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Elimination | Consolidated |
|---------------------------------------------------------------------------------|--------|---------------------------|-----------------------------------|-------------|--------------|
| NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES                                  | \$(67) | \$ 621                    | \$ 136                            | \$ (11 )    | \$ 679       |
| NET CASH FLOW USED FOR INVESTING ACTIVITIES                                     |        |                           |                                   |             |              |
| Cash paid for property, plant and equipment                                     | (11 )  | (216 )                    | (54 )                             | —           | (281 )       |
| Investment in subsidiaries and affiliates, net of cash acquired                 | —      | —                         | (450 )                            | —           | (450 )       |
| Other                                                                           | 2      | —                         | —                                 | —           | 2            |
| Net cash flow used for investing activities                                     | (9 )   | (216 )                    | (504 )                            | —           | (729 )       |
| NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES                                  |        |                           |                                   |             |              |
| Proceeds from long-term debt                                                    | 395    | —                         | —                                 | —           | 395          |
| Proceeds from senior revolving credit and receivables securitization facilities | —      | —                         | 574                               | —           | 574          |
| Proceeds from term loan borrowing                                               | 300    | —                         | —                                 | —           | 300          |
| Payments on term loan borrowing                                                 | (300 ) | —                         | —                                 | —           | (300 )       |
| Payments on senior revolving credit and receivables securitization facilities   | —      | —                         | (514 )                            | —           | (514 )       |
| Payments on long-term debt                                                      | (160 ) | —                         | —                                 | —           | (160 )       |
| Net increase (decrease) in short-term debt                                      | —      | —                         | (5 )                              | —           | (5 )         |
| Dividends paid                                                                  | (61 )  | —                         | —                                 | —           | (61 )        |
| Purchases of treasury stock                                                     | (176 ) | —                         | —                                 | —           | (176 )       |
| Intercompany dividends paid                                                     | —      | —                         | (11 )                             | 11          | —            |
| Other intercompany loans                                                        | 103    | (451 )                    | 348                               | —           | —            |
| Other                                                                           | 10     | —                         | —                                 | —           | 10           |
| Net cash flow provided by financing activities                                  | 111    | (451 )                    | 392                               | 11          | 63           |
| Effect of exchange rate changes on cash                                         | —      | —                         | 1                                 | —           | 1            |
| Net increase in cash, cash equivalents and restricted cash                      | 35     | (46 )                     | 25                                | —           | 14           |
| Cash, cash equivalents and restricted cash at beginning of period               | —      | 48                        | 48                                | —           | 96           |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT<br>END OF PERIOD                  | \$35   | \$ 2                      | \$ 73                             | \$ —        | \$ 110       |

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**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management’s Discussion and Analysis (“MD&A”) is intended to help investors understand Owens Corning, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying Notes thereto contained in this report. Unless the context requires otherwise, the terms “Owens Corning,” “Company,” “we” and “our” in this report refer to Owens Corning and its subsidiaries.

**GENERAL**

Owens Corning is a leading global producer of glass fiber reinforcements and other materials for composites and of residential and commercial building materials. The Company has three reportable segments: Composites, Insulation and Roofing. Through these lines of business, we manufacture and sell products worldwide. We maintain leading market positions in many of our major product categories.

**EXECUTIVE OVERVIEW**

Net earnings attributable to Owens Corning were \$96 million in the third quarter of 2017, compared to \$112 million in the same period of 2016. The Company reported \$227 million in earnings before interest and taxes (“EBIT”) for the third quarter of 2017 compared to \$207 million in the same period of 2016. The Company generated \$239 million in adjusted earnings before interest and taxes (“Adjusted EBIT”) for the third quarter of 2017 compared to \$218 million in the same period of 2016. See the Adjusted Earnings Before Interest and Taxes paragraph of the MD&A for further information regarding EBIT and Adjusted EBIT, including the reconciliation to net earnings attributable to Owens Corning. EBIT performance compared to the same period of 2016 increased \$26 million in our Insulation segment and was relatively flat in our Roofing and Composites segments. Within our Corporate, Other and Eliminations category, General corporate expense and other increased by \$7 million.

In our Insulation segment, EBIT in the third quarter of 2017 was \$64 million compared to \$38 million in the same period of 2016, primarily due to our Pittsburgh Corning acquisition and higher operating leverage. In our Roofing segment, EBIT in the third quarter of 2017 was \$147 million compared to \$146 million in the same period in 2016, as higher sales volumes were offset by input cost inflation and higher logistics costs. In our Composites segment, EBIT was \$62 million in the third quarter of 2017 compared to \$61 million in the same period of 2016, as lower furnace rebuild and startup costs were offset by a charge for the allowance for doubtful accounts.

In the nine months ended September 30, 2017, the Company's operating activities provided \$694 million of cash flow, compared to \$679 million in the same period in 2016. The increase of \$15 million was primarily driven by higher earnings.

On June 27, 2017, the Company acquired all outstanding equity of Pittsburgh Corning Corporation and Pittsburgh Corning Europe NV (collectively, “Pittsburgh Corning”), the world’s leading producer of cellular glass insulation systems for commercial and industrial markets, for approximately \$563 million, net of cash acquired. This acquisition expands the Company’s position in commercial and industrial product offerings and grows its presence in Europe and Asia. Pittsburgh Corning's operating results since the date of acquisition and a preliminary purchase price allocation have been included in the Company's Insulation segment in the Consolidated Financial Statements.

In June 2017, the Company issued \$600 million of 2047 senior notes with an annual interest rate of 4.30%. A portion of the proceeds from the notes was used to fund the purchase of Pittsburgh Corning and for general corporate purposes. In the third quarter of 2017, a portion of the proceeds was used by the Company, in addition to borrowings on the Receivables Securitization Facility, to repay portions of its outstanding 2019 senior notes and 2036 senior notes. The Company issued a make-whole call to repay the remaining portion of its outstanding 2019 senior notes, and the redemption was completed in the third quarter of 2017. The Company recognized approximately \$71 million of loss on extinguishment of debt in the third quarter of 2017 associated with these actions.

The Company repurchased 0.3 million shares of its common stock for \$21 million in the third quarter of 2017 under a previously announced repurchase authorization. As of September 30, 2017, 7.5 million shares remained available for repurchase under the Repurchase Authorization.



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## RESULTS OF OPERATIONS

## Consolidated Results (in millions)

|                                            | Three Months<br>Ended<br>September 30, |         | Nine Months<br>Ended<br>September 30, |         |
|--------------------------------------------|----------------------------------------|---------|---------------------------------------|---------|
|                                            | 2017                                   | 2016    | 2017                                  | 2016    |
| Net sales                                  | \$1,703                                | \$1,518 | \$4,778                               | \$4,294 |
| Gross margin                               | \$424                                  | \$374   | \$1,176                               | \$1,062 |
| % of net sales                             | 25                                     | % 25    | % 25                                  | % 25    |
| Marketing and administrative expenses      | \$160                                  | \$141   | \$457                                 | \$426   |
| Other expenses, net                        | \$15                                   | \$6     | \$68                                  | \$13    |
| Earnings before interest and taxes         | \$227                                  | \$207   | \$587                                 | \$563   |
| Interest expense, net                      | \$28                                   | \$28    | \$81                                  | \$80    |
| Loss on extinguishment of debt             | \$71                                   | \$1     | \$71                                  | \$1     |
| Income tax expense                         | \$32                                   | \$65    | \$142                                 | \$172   |
| Net earnings attributable to Owens Corning | \$96                                   | \$112   | \$293                                 | \$307   |

The Consolidated Results discussion below provides a summary of our results and the trends affecting our business, and should be read in conjunction with the more detailed Segment Results discussion that follows.

## NET SALES

In the third quarter and year-to-date 2017, net sales increased \$185 million and \$484 million, respectively, compared to the same periods in 2016. For the third quarter, the increase in net sales was driven by higher sales volumes in all three segments (primarily Roofing) and our second quarter acquisition of Pittsburgh Corning. For the year-to-date comparison, the increase was driven by higher sales volumes in all three segments, as well as the acquisitions of InterWrap into our Roofing segment and Pittsburgh Corning into our Insulation segment.

## GROSS MARGIN

In the third quarter and year-to-date 2017, gross margin was flat as a percentage of sales, and increased \$50 million and \$114 million, respectively, compared to the same periods in 2016. For the third quarter, the increase was driven by positive operating leverage in our Insulation segment, lower furnace rebuild and startup costs in our Composites segment and the contribution of our second quarter 2017 acquisition of Pittsburgh Corning. For the year-to-date comparison, the improvement was primarily driven by higher sales volumes in all three segments (primarily Roofing), the gross margin contribution from the InterWrap acquisition in the first quarter of 2017, the gross margin contribution from our acquisitions and lower furnace rebuild and startup costs in our Composites segment. These benefits were partially offset by input cost inflation in all three segments and plant startup costs at our new mineral wool plant in our Insulation segment.

## MARKETING AND ADMINISTRATIVE EXPENSES

Marketing and administrative expenses for the third quarter and year-to-date 2017 increased \$19 million and \$31 million, respectively, compared to the same periods in 2016. The increase for both comparisons was due to higher selling, general and administrative expenses associated with our acquisitions and higher performance-based compensation.

## OTHER EXPENSES, NET

Other expenses, net for the third quarter and year-to-date 2017 increased \$9 million and \$55 million, respectively, compared to the same periods in 2016. For the third quarter, the increase was mainly due to a \$10 million charge for the allowance for doubtful accounts in our Composites segment. For the year-to-date comparison, the change was driven by the charge to allowance for doubtful accounts, higher restructuring costs and higher acquisition-related

transaction costs. Within the year-to-date comparison, a \$29 million litigation settlement gain, net of legal fees, was offset by pension settlement losses of \$28 million.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## INTEREST EXPENSE, NET

Third quarter and year-to-date 2017 interest expense, net was flat as compared to the same periods in 2016.

## LOSS ON EXTINGUISHMENT OF DEBT

During the third quarter of 2017, the Company recognized a \$71 million loss on extinguishment of debt in connection with the redemption of its 2019 senior notes and a portion of its 2036 senior notes.

## INCOME TAX EXPENSE

Income tax expense for the three and nine months ended September 30, 2017 was \$32 million and \$142 million, respectively. For the third quarter of 2017, the Company's effective tax rate was 25% and for the nine months ended September 30, 2017, the Company's effective tax rate was 33%.

The difference between the effective tax rate and the U.S. federal statutory tax rate of 35% for the three and nine months ended September 30, 2017 was primarily due to the reversal of a valuation allowance recorded in prior years against certain Asian net deferred tax assets, an increase in U.S. research and development tax credits, the benefit of lower foreign tax rates and other discrete adjustments.

Realization of deferred tax assets depends on achieving a certain minimum level of future taxable income.

Management currently believes that an immaterial amount of valuation allowances of certain foreign jurisdictions could be reduced within the next 12 months.

Income tax expense for the three and nine months ended September 30, 2016 was \$65 million and \$172 million, respectively. For the third quarter and year-to-date 2016, the Company's effective tax rate was 37% and 36%, respectively. The difference between the effective tax rate and the U.S. federal statutory tax rate of 35% for the three and nine months ended September 30, 2016 was primarily due to an increase in unrecognized tax benefit reserves, U.S. state and local income tax expense, the benefit of lower foreign tax rates and other discrete adjustments.

## Restructuring and Acquisition-Related Costs

The Company has incurred restructuring, transaction and integration costs related to acquisitions, along with restructuring costs in connection with its global cost reduction and productivity initiatives. These costs are recorded in the Corporate, Other and Eliminations category. Please refer to Notes 7 and 9 of the Consolidated Financial Statements for further information on the nature of these costs.

The following table presents the impact and respective location of these income (expense) items on the Consolidated Statements of Earnings (in millions):

|                                                                |                                       | Three<br>Months<br>Ended<br>September<br>30,<br>2017 | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 | Three<br>Months<br>Ended<br>September<br>30,<br>2017 | Nine<br>Months<br>Ended<br>September<br>30,<br>2016 |
|----------------------------------------------------------------|---------------------------------------|------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Restructuring costs                                            | Location                              |                                                      |                                                     |                                                      |                                                     |
| Restructuring costs                                            | Cost of sales                         | \$(7 )                                               | \$(3 )                                              | \$(11 )                                              | \$(6 )                                              |
|                                                                | Other expenses, net                   | (1 )                                                 | (2 )                                                | (26 )                                                | (2 )                                                |
| Acquisition-related costs                                      | Marketing and administrative expenses | (1 )                                                 | (1 )                                                | (3 )                                                 | (5 )                                                |
| Acquisition-related costs                                      | Other expenses, net                   | —                                                    | (3 )                                                | (9 )                                                 | (3 )                                                |
| Recognition of acquisition inventory fair value step-up        | Cost of sales                         | (5 )                                                 | (2 )                                                | (5 )                                                 | (10 )                                               |
| Total restructuring, acquisition and integration-related costs |                                       | \$(14 )                                              | \$(11 )                                             | \$(54 )                                              | \$(26 )                                             |



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT")

Adjusted EBIT is a non-GAAP measure that excludes certain items that management does not allocate to our segment results because it believes they are not representative of the Company's ongoing operations. Adjusted EBIT is used internally by the Company for various purposes, including reporting results of operations to the Board of Directors of the Company, analysis of performance and related employee compensation measures. Although management believes that these adjustments result in a measure that provides a useful representation of our operational performance, the adjusted measure should not be considered in isolation or as a substitute for net earnings attributable to Owens Corning as prepared in accordance with accounting principles generally accepted in the United States.

Adjusting income (expense) items to EBIT are shown in the table below (in millions):

|                                                         | Three Months Ended September 30, 2017 |        | Nine Months Ended September 30, 2016 |        |
|---------------------------------------------------------|---------------------------------------|--------|--------------------------------------|--------|
|                                                         | 2017                                  | 2016   | 2017                                 | 2016   |
| Restructuring costs                                     | \$(8 )                                | \$(5 ) | \$(37)                               | \$(8 ) |
| Acquisition-related costs                               | (1 )                                  | (4 )   | (12 )                                | (8 )   |
| Recognition of acquisition inventory fair value step-up | (5 )                                  | (2 )   | (5 )                                 | (10 )  |
| Litigation settlement gain, net of legal fees           | —                                     | —      | 29                                   | —      |
| Pension settlement gain (loss)                          | 2                                     | —      | (28 )                                | —      |
| Total adjusting items                                   | \$(12)                                | \$(11) | \$(53)                               | \$(26) |

The reconciliation from net earnings attributable to Owens Corning to EBIT and to Adjusted EBIT is shown in the table below (in millions):

|                                                       | Three Months Ended September 30, 2017 |       | Nine Months Ended September 30, 2016 |       |
|-------------------------------------------------------|---------------------------------------|-------|--------------------------------------|-------|
|                                                       | 2017                                  | 2016  | 2017                                 | 2016  |
| NET EARNINGS ATTRIBUTABLE TO OWENS CORNING            | \$96                                  | \$112 | \$293                                | \$307 |
| Net earnings attributable to noncontrolling interests | —                                     | 1     | —                                    | 4     |
| NET EARNINGS                                          | 96                                    | 113   | 293                                  | 311   |
| Equity in net earnings of affiliates                  | —                                     | —     | —                                    | 1     |
| Income tax expense                                    | 32                                    | 65    | 142                                  | 172   |
| EARNINGS BEFORE TAXES                                 | 128                                   | 178   | 435                                  | 482   |
| Interest expense, net                                 | 28                                    | 28    | 81                                   | 80    |
| Loss on extinguishment of debt                        | 71                                    | 1     | 71                                   | 1     |
| EARNINGS BEFORE INTEREST AND TAXES                    | 227                                   | 207   | 587                                  | 563   |
| Adjusting items from above                            | (12 )                                 | (11 ) | (53 )                                | (26 ) |
| ADJUSTED EBIT                                         | \$239                                 | \$218 | \$640                                | \$589 |
| Segment Results                                       |                                       |       |                                      |       |

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EBIT by segment consists of net sales less related costs and expenses and is presented on a basis that is used internally for evaluating segment performance. Certain items, such as general corporate expenses or income and certain other expense or income items, are excluded from the internal evaluation of segment performance. Accordingly, these items are not reflected in EBIT for our reportable segments and are included in the Corporate, Other and Eliminations category, which is presented following the discussion of our reportable segments.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Composites

The table below provides a summary of net sales, EBIT and depreciation and amortization expense for the Composites segment (in millions):

|                                       | Three Months Ended |       | Nine Months Ended |         |   |
|---------------------------------------|--------------------|-------|-------------------|---------|---|
|                                       | September 30,      |       | September 30,     |         |   |
|                                       | 2017               | 2016  | 2017              | 2016    |   |
| Net sales                             | \$514              | \$496 | \$1,562           | \$1,486 |   |
| % change from prior year              | 4                  | %2    | %5                | %2      | % |
| EBIT                                  | \$62               | \$61  | \$217             | \$199   |   |
| EBIT as a % of net sales              | 12                 | %12   | %14               | %13     | % |
| Depreciation and amortization expense | \$36               | \$36  | \$107             | \$103   |   |

## NET SALES

In our Composites segment, net sales in the third quarter of 2017 increased \$18 million compared to the same period in 2016. For the third quarter, the increase was primarily driven by higher sales volumes of approximately 3%. The remaining change was driven by the favorable impact of translating sales denominated in foreign currencies into United States dollars, partially offset by \$3 million of lower selling prices.

For the year-to-date 2017, net sales increased \$76 million compared to the same period in 2016, primarily driven by higher sales volumes of about 7%, as volume performance benefited from broad-based market strength, particularly the roofing market. This benefit was partially offset by \$16 million of lower selling prices and \$12 million of unfavorable product mix (mainly related to higher sales volumes into the roofing market). The remaining change was driven by the favorable impact of foreign currency translation.

## EBIT

In our Composites segment, EBIT in the third quarter of 2017 increased \$1 million compared to the same period in 2016. For the third quarter, furnace rebuild and startup costs were \$16 million lower than the prior year. This benefit was partially offset by a \$10 million charge for the allowance for doubtful accounts, primarily due to an estimated uncollectible receivable from a Brazilian customer now in financial reorganization. The benefit of higher sales volumes was largely offset by lower selling prices. The remaining change was primarily driven by input cost inflation.

For the year-to-date 2017, EBIT increased \$18 million compared to the same period in 2016. The increase was primarily driven by lower furnace rebuild and startup costs of \$34 million. The EBIT improvement driven by higher sales volumes was more than offset by lower selling prices and the negative impact of input cost inflation. The remaining change was due to a \$10 million charge for the allowance for doubtful accounts.

## OUTLOOK

Global glass reinforcements market demand has historically grown on average with global industrial production and we believe this relationship will continue. In 2017, we expect improving global industrial production growth.



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Insulation

The table below provides a summary of net sales, EBIT and depreciation and amortization expense for the Insulation segment (in millions):

|                                       | Three Months<br>Ended<br>September 30, |       | Nine Months<br>Ended<br>September 30, |         |   |
|---------------------------------------|----------------------------------------|-------|---------------------------------------|---------|---|
|                                       | 2017                                   | 2016  | 2017                                  | 2016    |   |
| Net sales                             | \$568                                  | \$476 | \$1,406                               | \$1,275 |   |
| % change from prior year              | 19                                     | %-5   | %10                                   | %-4     | % |
| EBIT                                  | \$64                                   | \$38  | \$98                                  | \$83    |   |
| EBIT as a % of net sales              | 11                                     | %8    | %7                                    | %7      | % |
| Depreciation and amortization expense | \$36                                   | \$26  | \$89                                  | \$78    |   |

## NET SALES

In our Insulation segment, net sales in the third quarter of 2017 increased \$92 million compared to the same period in 2016, primarily driven by the \$73 million impact of our second quarter 2017 acquisition of Pittsburgh Corning. The remaining change was driven by higher sales volumes of 2% and higher selling prices of \$9 million. The favorable impact of translating sales denominated in foreign currencies into United States dollars was offset by unfavorable channel mix associated with growth in new construction.

For the year-to-date 2017, net sales in our Insulation segment increased by \$131 million compared to the same period in 2016, primarily driven by the \$73 million impact of our Pittsburgh Corning acquisition and higher sales volumes of approximately 4%. The remaining change was driven by higher selling prices of \$4 million.

## EBIT

In our Insulation segment, EBIT in the third quarter of 2017 increased by \$26 million compared to the same period in 2016. EBIT results improved \$16 million due to higher operating leverage and favorable manufacturing performance. Our second quarter 2017 acquisition of Pittsburgh Corning contributed \$10 million of EBIT in the third quarter. The impact of higher selling prices of \$9 million and higher sales volumes was offset about equally by input cost inflation, startup costs for our new mineral wool insulation plant and slightly negative customer mix.

For the year-to-date 2017, the EBIT in our Insulation segment increased by \$15 million compared to the same period in 2016, primarily driven by higher sales volumes. Favorable manufacturing performance of \$20 million and the \$10 million contribution from our second quarter 2017 acquisition of Pittsburgh Corning were offset about equally by input cost inflation and startup costs for our new mineral wool insulation plant. Higher selling prices of \$4 million were offset by slightly higher selling, general and administrative expenses.

## OUTLOOK

During the third quarter of 2017, the average Seasonally Adjusted Annual Rate ("SAAR") of U.S. housing starts was approximately 1.165 million, up from an annual average of approximately 1.150 million starts in the third quarter of 2016. While the trend in U.S. housing starts has generally been positive over the past few years, the timing and pace of recovery of the United States housing market remains uncertain.

The Company expects its Insulation segment to continue to benefit from an overall strengthening of the U.S. housing market, higher capacity utilization and improved pricing. We believe the geographic, product and channel mix of our portfolio may continue to moderate the impact of any demand-driven variability associated with United States new construction.



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Roofing

The table below provides a summary of net sales, EBIT and depreciation and amortization expense for the Roofing segment (in millions):

|                                       | Three Months Ended September 30, 2017 |       | Nine Months Ended September 30, 2017 |         |   |
|---------------------------------------|---------------------------------------|-------|--------------------------------------|---------|---|
|                                       | 2017                                  | 2016  | 2017                                 | 2016    |   |
| Net sales                             | \$682                                 | \$603 | \$1,993                              | \$1,711 |   |
| % change from prior year              | 13                                    | %20   | %16                                  | %22     | % |
| EBIT                                  | \$147                                 | \$146 | \$427                                | \$388   |   |
| EBIT as a % of net sales              | 22                                    | %24   | %21                                  | %23     | % |
| Depreciation and amortization expense | \$13                                  | \$13  | \$37                                 | \$34    |   |

## NET SALES

In our Roofing segment, net sales in the third quarter of 2017 increased by \$79 million compared to the same period in 2016. Sales volumes increased by 11% due to higher asphalt shingle volumes, primarily driven by storm activity, age-related reroof and increased demand from new construction, and continued growth in roofing components. The remaining increase was driven by \$8 million of higher selling prices and favorable product mix.

For the year-to-date 2017, net sales in our Roofing segment increased by \$282 million compared to the same period in 2016. Sales volumes increased by approximately 8%, due to storm activity, age-related reroof, increased demand from new construction and growth in roofing components. Our early-second quarter 2016 acquisition of InterWrap contributed \$86 million of net sales (and was included in the other comparison categories following the one-year post-acquisition period). The remaining increase was driven by higher selling prices of \$40 million and favorable customer and product mix. Third-party asphalt sales were flat year-over-year.

## EBIT

In our Roofing segment, EBIT in the third quarter of 2017 increased by \$1 million compared to the same period in 2016. The \$20 million negative impact of input cost inflation (about half of which is related to asphalt) and \$9 million of higher logistics costs were offset by the benefit of higher sales volumes and higher selling prices. Slightly favorable product mix was largely offset by lower EBIT on third-party asphalt sales, resulting from a lag in the timing of input cost inflation and price increases in this cost-plus business.

For the year-to-date 2017, EBIT in our Roofing segment was \$39 million higher compared to the same period in 2016. The increase was primarily driven by higher selling prices and higher sales volumes. Our early-second quarter 2016 acquisition of InterWrap contributed \$20 million of EBIT (and was included in the other comparison categories following the one-year post-acquisition period). These benefits were partially offset by \$45 million of input cost inflation (largely related to asphalt), \$9 million of higher logistics costs, \$6 million of lower EBIT on third-party asphalt sales and slightly higher marketing costs.

## OUTLOOK

In our Roofing segment, we expect the factors that have driven strong margins in recent years will continue to deliver profitability. The overall U.S. asphalt shingle market size will impact our financial outlook for this year. Other uncertainties that may impact our Roofing margins include competitive pricing pressure and the cost and availability of raw materials, particularly asphalt.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Corporate, Other and Eliminations

The table below provides a summary of EBIT and depreciation and amortization expense for the Corporate, Other and Eliminations category (in millions):

|                                                         | Three<br>Months<br>Ended<br>September<br>30, |        | Nine Months<br>Ended<br>September<br>30, |         |
|---------------------------------------------------------|----------------------------------------------|--------|------------------------------------------|---------|
|                                                         | 2017                                         | 2016   | 2017                                     | 2016    |
| Restructuring costs                                     | \$(8 )                                       | \$(5 ) | \$(37 )                                  | \$(8 )  |
| Acquisition-related costs                               | (1 )                                         | (4 )   | (12 )                                    | (8 )    |
| Recognition of acquisition inventory fair value step-up | (5 )                                         | (2 )   | (5 )                                     | (10 )   |
| Litigation settlement gain, net of legal fees           | —                                            | —      | 29                                       | —       |
| Pension settlement gain (loss)                          | 2                                            | —      | (28 )                                    | —       |
| General corporate expense and other                     | (34 )                                        | (27 )  | (102 )                                   | (81 )   |
| EBIT                                                    | \$(46)                                       | \$(38) | \$(155)                                  | \$(107) |
| Depreciation and amortization                           | \$16                                         | \$9    | \$36                                     | \$27    |

## EBIT

In Corporate, Other and Eliminations, EBIT losses for the third quarter and year-to-date of 2017 were higher by \$8 million and \$48 million, respectively, compared to the same periods in 2016. For the third quarter, the increase was primarily due to higher general corporate expense. For the year-to-date comparison, the increase was primarily due to higher restructuring costs in 2017 and higher general corporate expenses. Costs related to our acquisitions (including the fair value step-up recognition) were relatively flat to the prior year. A \$29 million litigation settlement gain, net of legal fees, was largely offset by pension settlement losses of \$28 million. See details of these costs in the table above and further explained in the Adjusted Earnings Before Interest and Taxes paragraph of MD&A.

General corporate expense and other for the third quarter and year-to-date of 2017 was higher by \$7 million and \$21 million, respectively, compared to the same periods in 2016, primarily driven by increased general corporate expenses and higher performance-based compensation. The year-to-date increase was additionally driven by the comparison against the prior year's \$6 million pension-related gain.

## OUTLOOK

In 2017, we expect general corporate expenses to be approximately \$140 million.

## LIQUIDITY, CAPITAL RESOURCES AND OTHER RELATED MATTERS

## Liquidity

The Company's primary external sources of liquidity are its Senior Revolving Credit Facility and its Receivables Securitization Facility.

The Company has an \$800 million Senior Revolving Credit Facility that has been amended from time to time, which matures in November 2020 and permits incremental term loans under the facility of up to \$600 million.

The Company has a \$250 million Receivables Securitization Facility which now matures in May 2020, following amendments in March 2017 and May 2017 to extend its maturity. No other significant terms impacting liquidity were amended.

In June 2017, the Company obtained a \$350 million Term Loan Commitment, separate from the \$600 million of uncommitted incremental loans permitted under the Senior Revolving Credit Facility. The Company entered into the Term Loan Commitment, in part, to potentially pay a portion of the purchase price of the Pittsburgh Corning

acquisition. On July 24, 2017, the Company provided formal notification of its intent to voluntarily reduce the entire Term Loan Commitment, thus eliminating the availability of credit under the facility effective on July 31, 2017.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The following table shows how the Company utilized its primary sources of liquidity (in millions):

|                                  | As of September<br>30, 2017               |                                           |
|----------------------------------|-------------------------------------------|-------------------------------------------|
|                                  | Senior<br>Revolving<br>Credit<br>Facility | Receivables<br>Securitization<br>Facility |
| Facility size or borrowing limit | \$ 800                                    | \$ 250                                    |
| Outstanding borrowings           | —                                         | 133                                       |
| Outstanding letters of credit    | 9                                         | 2                                         |
| Availability on facility         | \$ 791                                    | \$ 115                                    |

The Company issued \$600 million of 2047 senior notes on June 26, 2017 subject to \$12 million of discounts and issuance costs. Interest on the 2047 senior notes is payable semiannually in arrears on January 15 and July 15 each year, beginning on January 15, 2018. A portion of the proceeds from the 2047 senior notes was used to fund the purchase of Pittsburgh Corning in the second quarter of 2017 and for general corporate purposes. In the third quarter of 2017, a portion of the proceeds was used by the Company, in addition to borrowings on the Receivables Securitization Facility, to repay portions of the Company's outstanding 2019 senior notes and 2036 senior notes. The Company issued a make-whole call to repay the remaining portion of its outstanding 2019 senior notes, and the redemption was completed in the third quarter of 2017. The Company recognized approximately \$71 million of loss on extinguishment of debt in the third quarter of 2017 associated with these actions.

The Company has no significant debt maturities of senior notes before 2022, and both our Senior Revolving Credit Facility and Receivables Securitization Facility mature in 2020. As of September 30, 2017, the Company had \$2.5 billion of total debt and Cash and cash equivalents of \$168 million.

Cash and cash equivalents held by foreign subsidiaries may be subject to U.S. income tax and foreign withholding taxes upon repatriation to the U.S. As of September 30, 2017, and December 31, 2016, the Company had \$154 million and \$53 million, respectively, in cash and cash equivalents in certain of our foreign subsidiaries. The Company does not provide for U.S. income taxes on the undistributed earnings of its foreign subsidiaries as earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely outside of the U.S.

As a holding company, we have no operations of our own and most of our assets are held by our direct and indirect subsidiaries. Dividends and other payments or distributions from our subsidiaries will be used to meet our debt service and other obligations and to enable us to pay dividends to our stockholders. Please refer to page 13 of the Risk Factors disclosed in Item 1A of our 2016 Form 10-K for details on the factors that could inhibit our subsidiaries' ability to pay dividends or make other distributions to the parent company.

We expect that our cash on hand, coupled with future cash flows from operations and other available sources of liquidity, including our Senior Revolving Credit Facility and Receivables Securitization Facility, will provide ample liquidity to enable us to meet our cash requirements. Our anticipated uses of cash include capital expenditures, working capital needs, pension contributions, meeting financial obligations, payments of quarterly dividends as authorized by our Board of Directors, acquisitions and reducing outstanding amounts under the Senior Revolving Credit Facility and Receivables Securitization Facility.

We have outstanding share repurchase authorizations and will evaluate and consider repurchasing shares of our common stock, as well as strategic acquisitions, divestitures, joint ventures and other transactions to create stockholder value and enhance financial performance. Such transactions may require cash expenditures beyond current sources of liquidity or generate proceeds.

The credit agreements applicable to our Senior Revolving Credit Facility and the Receivables Securitization Facility contain various covenants that we believe are usual and customary. The Senior Revolving Credit Facility and the Receivables Securitization Facility each include a maximum allowed leverage ratio and a minimum required interest expense coverage ratio. We were in compliance with these covenants as of September 30, 2017.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

## Cash Flows

The following table presents a summary of our cash balance and cash flows (in millions):

|                                                         | Nine Months<br>Ended<br>September<br>30, |         |
|---------------------------------------------------------|------------------------------------------|---------|
|                                                         | 2017                                     | 2016    |
| Cash and cash equivalents                               | \$ 168                                   | \$ 110  |
| Net cash flow provided by operating activities          | \$ 694                                   | \$ 679  |
| Net cash flow used for investing activities             | \$(810)                                  | \$(729) |
| Net cash flow provided by financing activities          | \$ 154                                   | \$ 63   |
| Availability on the Senior Revolving Credit Facility    | \$ 791                                   | \$ 791  |
| Availability on the Receivables Securitization Facility | \$ 115                                   | \$ 188  |

Operating activities: For the nine months ended September 30, 2017, the Company's operating activities provided \$694 million of cash compared to \$679 million in the same period in 2016. While net earnings was slightly lower than the prior year, cash provided by operating activities excludes the effect of the \$71 million loss on extinguishment of debt (which is aggregated with payments on long-term debt in financing activities). The change in operating assets and liabilities was a relatively small use of cash in the current year (compared to a source of cash in the prior year), as increased receivables from higher sales were partially offset by the benefit of higher payables.

Investing activities: Net cash flow used for investing activities increased \$81 million for the nine months ended September 30, 2017 compared to the same period of 2016, primarily driven by higher spending on acquisitions year-over-year.

Financing activities: Net cash provided by financing activities was \$154 million for the nine months ended September 30, 2017, compared to \$63 million in the same period in 2016. The change of \$91 million was primarily due to higher long-term debt inflows (see Note 10 of the Consolidated Financial Statements and the Liquidity section above for further discussion of activities related to debt) and lower treasury stock repurchases.

## 2017 Investments

The Company will continue a balanced approach to the use of its cash flow. Operational cash flow will be used to fund the Company's growth and innovation. Capital expenditures in 2017 are expected to be approximately \$385 million, which is roughly \$15 million greater than expected depreciation and amortization. Capital spending in excess of depreciation and amortization is primarily due to the expansion of our Composites operations in India. The Company will also continue to evaluate projects and acquisitions that provide opportunities for growth in our businesses, and invest in them when they meet our strategic and financial criteria.

## Tax Net Operating Losses

There have been no material changes to the disclosure in our 2016 Form 10-K.

## Pension Contributions

Please refer to Note 11 of the Consolidated Financial Statements. The Company expects to contribute \$72 million in cash to its global pension plans during 2017. Actual contributions to the plans may change as a result of several factors, including changes in laws that impact funding requirements. The ultimate cash flow impact to the Company, if any, of the pension plan liability and the timing of any such impact will depend on numerous variables, including future changes in actuarial assumptions, legislative changes to pension funding laws, and market conditions.

## Derivatives

Please refer to Note 4 of the Consolidated Financial Statements.

## Fair Value Measurement

Please refer to Notes 1, 4 and 10 of the Consolidated Financial Statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Contractual Obligations

In the normal course of business, we enter into contractual obligations to make payments to third parties. During the nine months ended September 30, 2017, there were no material changes to such contractual obligations outside the ordinary course of our business.

SAFETY

Working safely is a condition of employment at Owens Corning. We believe this organization-wide expectation provides for a safer work environment for employees, improves our manufacturing processes, reduces our costs and enhances our reputation. Furthermore, striving to be a world-class leader in safety provides a platform for all employees to understand and apply the resolve necessary to be a high-performing global organization. We measure our progress on safety based on Recordable Incidence Rate ("RIR") as defined by the United States Department of Labor, Bureau of Labor Statistics. For the three months ended September 30, 2017, our RIR was 0.45 as compared to 0.49 in the same period a year ago. For the nine months ended September 30, 2017, our RIR was 0.47 as compared to 0.52 in the same period a year ago.

ACCOUNTING PRONOUNCEMENTS

Please refer to Note 17 of the Consolidated Financial Statements.

ENVIRONMENTAL MATTERS

Please refer to Note 12 of the Consolidated Financial Statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Our disclosures and analysis in this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements present our current forecasts and estimates of future events. These statements do not strictly relate to historical or current results and can be identified by words such as "anticipate," "appear," "assume," "believe," "estimate," "expect," "forecast," "intend," "likely," "may," "plan," "project," "seek," "should," "strategy," "will" and other terms of similar meaning or import in connection with any discussion of future operating, financial or other performance. These forward-looking statements are subject to risks, uncertainties and other factors and actual results may differ materially from those results projected in the statements. These risks, uncertainties and other factors include, without limitation:

- relationships with key customers;
- levels of residential and commercial construction activity;
- competitive and pricing factors;
- levels of global industrial production;
- demand for our products;
- industry and economic conditions that affect the market and operating conditions of our customers, suppliers or lenders;
- domestic and international economic and political conditions, including new legislation, policies or other governmental actions by the U.S. presidential administration and Congress;
- foreign exchange and commodity price fluctuations;
- our level of indebtedness;
- weather conditions;
- availability and cost of credit;
- availability and cost of energy and raw materials;
- issues involving implementation and protection of information technology systems;
- labor disputes;
- legal and regulatory proceedings, including litigation and environmental actions;
- our ability to utilize our net operating loss carryforwards;
- research and development activities and intellectual property protection;
- interest rate movements;
- uninsured losses;
- issues related to acquisitions, divestitures and joint ventures;
- achievement of expected synergies, cost reductions and/or productivity improvements;
- defined benefit plan funding obligations; and

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

price volatility in certain wind energy markets in the U.S.

All forward-looking statements in this report should be considered in the context of the risks and other factors described above and in Item 1A - Risk factors in Part I of our 2016 Form 10-K. Any forward-looking statements speak only as of the date the statement is made and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by federal securities laws. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results may differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in our exposure to market risk during the nine months ended September 30, 2017. Please refer to "Quantitative and Qualitative Disclosures about Market Risk" contained in Part II, Item 7A of our 2016 Form 10-K for a discussion of our exposure to market risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains (a) disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), and (b) internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

There has been no change in the Company's internal control over financial reporting during the quarter ended September 30, 2017 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II

## ITEM 1. LEGAL PROCEEDINGS

## Environmental Legal Proceedings

In March 2017, Owens Corning Insulating Systems, LLC (“OCIS”) received a Notice of Violation (“NOV”) from the California Bay Area Quality Management District (“District”) alleging that the OCIS facility in Santa Clara, California began operation of a rebuilt furnace without obtaining required air emission permits. In July 2017, OCIS resolved the NOV with the District by entering into a Compliance and Enforcement Agreement (“Agreement”). Under the Agreement, OCIS paid the District a total penalty of \$115,000. OCIS entered into the Agreement to expedite settlement of the matter and does not admit any conduct or condition in violation of any District Regulation.

In July 2017, Owens Corning (Shanghai) Fiberglas Co., Ltd., (“OCSF”) received a Notice of Violation (“NOV”) from the Shanghai Environmental Protection Agency (“Shanghai”) alleging that the OCSF facility in Shanghai had exceeded Shanghai air emission standards for certain air pollutants. In September 2017, OCSF and Shanghai negotiated a resolution to the NOV under which OCSF agreed to pay Shanghai a penalty of 700,000 Chinese Yuan. This penalty was paid in October 2017. At the time of payment, the penalty amounted to approximately \$105,000.

## Litigation, Other Regulatory Proceedings and Environmental Matters

Additional information required by this item is incorporated by reference to Note 12, Contingent Liabilities and Other Matters.

## ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of the Company’s 2016 Form 10-K.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

## Issuer Purchases of Equity Securities

The following table provides information about Owens Corning’s purchases of its common stock for each month during the quarterly period covered by this report:

| Period               | Total Number of<br>Shares (or<br>Units)<br>Purchased | Average<br>Price Paid<br>per Share<br>(or Unit) | Total Number of<br>Shares (or<br>Units)<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs** | Maximum Number<br>(or Approximate<br>Dollar Value) of<br>Shares (or Units)<br>that May Yet Be<br>Purchased Under<br>the Plans or<br>Programs** |
|----------------------|------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| July 1-31, 2017      | 320,800                                              | \$ 65.79                                        | 320,800                                                                                                            | 7,493,976                                                                                                                                      |
| August 1-31, 2017    | 1,289                                                | 67.29                                           | —                                                                                                                  | 7,493,976                                                                                                                                      |
| September 1-30, 2017 | 116                                                  | 74.00                                           | —                                                                                                                  | 7,493,976                                                                                                                                      |
| Total                | 322,205                                              | * \$ 65.80                                      | 320,800                                                                                                            | 7,493,976                                                                                                                                      |

\* The Company retained an aggregate of 1,405 shares surrendered to satisfy tax withholding obligations in connection with the vesting of restricted shares granted to our employees.

\*\*

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On October 24, 2016, the Board of Directors approved a share buy-back program under which the Company is authorized to repurchase up to 10 million shares of the Company's outstanding common stock (the "Repurchase Authorization"). The Repurchase Authorization enables the Company to repurchase shares through the open market, privately negotiated, or other transactions. The actual number of shares repurchased will depend on timing, market conditions and other factors and is at the Company's discretion. The Company repurchased 0.3 million shares of its common stock for \$21 million during the three months ended September 30, 2017 under the Repurchase Authorization. As of September 30, 2017, 7.5 million shares remain available for repurchase under the Repurchase Authorization.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Exhibit<br>Number | Description                                                                                                                                                                                         |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>4.5</u>        | <u>Seventh Supplemental Indenture, dated as of August 23, 2017, by and among the Company, the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (filed herewith).</u> |
| <u>4.6</u>        | <u>Ninth Supplemental Indenture, dated as of August 23, 2017, by and among the Company, the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (filed herewith).</u>   |
| <u>31.1</u>       | <u>Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) (filed herewith).</u>                                                                            |
| <u>31.2</u>       | <u>Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) (filed herewith).</u>                                                                            |
| <u>32.1</u>       | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</u>                                                                                                                 |
| <u>32.2</u>       | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u>                                                                                                                 |
| 101.INS           | XBRL Instance Document                                                                                                                                                                              |
| 101.SCH           | XBRL Taxonomy Extension Schema                                                                                                                                                                      |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase                                                                                                                                                        |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase                                                                                                                                                         |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase                                                                                                                                                              |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase                                                                                                                                                       |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Owens Corning has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OWENS CORNING

Registrant

Date: October 25, 2017 By: /s/ Michael C. McMurray  
Michael C. McMurray  
Senior Vice President and  
Chief Financial Officer

Date: October 25, 2017 By: /s/ Kelly J. Schmidt  
Kelly J. Schmidt  
Vice President and  
Controller