

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **OC - Q1 2008 OWENS CORNING Earnings Conference Call**

**Event Date/Time: May. 07. 2008 / 11:00AM ET**

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

## CORPORATE PARTICIPANTS

**Scott Deitz**

*OWENS CORNING NEW - VP, IR & Corporate Communication*

**Mike Thaman**

*OWENS CORNING NEW - Chairman & CEO*

**Duncan Palmer**

*OWENS CORNING NEW - CFO*

## CONFERENCE CALL PARTICIPANTS

**Dennis McGill**

*Zelman and Associates - Analyst*

**Garik Shmois**

*Longbow Research - Analyst*

**Nipson Dya**

*Lehman Brothers - Analyst*

**Jack Kasprzak**

*BB&T Capital Markets - Analyst*

**Jim Barrett**

*CL King & Associates - Analyst*

**Zes Jesus**

*Alliance Bernstein - Analyst*

**Keith Hughes**

*Suntrust - Analyst*

**Mary Gilbert**

*Imperial Capital - Analyst*

**Raul Shaw**

*ABC Investment Management - Analyst*

## PRESENTATION

**Operator**

Good day ladies and gentleman and welcome to the quarter one 2008 Owens Corning earnings conference call. My name is Denise and I will be the coordinator for today. At this time all participants are in a listen only mode. We will be conducting a question and answer session towards the end this of this conference. (OPERATOR INSTRUCTIONS) As a reminder this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call Mr. Scott Deitz, VP Investor Relations. Please proceed sir.

---

**Scott Deitz - OWENS CORNING NEW - VP, IR & Corporate Communication**

Thank you Denise, and good morning everyone thanks for taking the time to join us today for our conference call in review of our business results for the first quarter of 2008. Joining us today are Mike Thaman, Owens Corning's Chairman and Chief Executive Officer and Duncan Palmer, our Chief Financial Officer. Following our brief presentation this morning, we will open this one hour call to your questions. We expect that we will complete the call by the top of the hour. We ask that you limit

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

yourselves to one question and one follow-up so that we can take as many questions as possible during the hour we have together. Earlier this morning we issued a news release and filed a form 10-Q detailing our results. In addition, we've posted presentation slides that we will refer to during this call. For those of you participating in the call via the internet or if you happen to be near your computer you can access the slides at OwensCorning.com. You will find a link to the slides on our home page there is also a link on the investor section of the website and of course this call and the supporting slides will be archived and available on our website.

Before we begin, just a few reminders. Today's presentation will include forward looking statements based on our current expectations and assumptions about our business. These statements are subject to risks and uncertainties and our actual results could differ materially. Please refer to the cautionary statements and risk factors identified in our SEC filings for a more detailed explanation of the inherent limitations of such forward looking statements. We ask that you understand that certain data included within this presentation contains non-GAAP financial measures. Today's prepared remarks will excluded items that affect comparability, those excluded items are captured in our GAAP to non-GAAP reconciliations found within the financial tables of our earnings release and in our Q1 10-Q our discussion depending upon the context may reflect total operations, continuing operations or discontinued operations -- for the most part today we will present continuing operations. For those of you following along with our slide presentation, we will begin on slide four. With that I'm pleased to introduce Chairman and CEO Mike Thaman followed by CFO, Duncan Palmer.

**Mike Thaman - OWENS CORNING NEW - Chairman & CEO**

Thanks, Scott. Good morning everyone. Earlier today we reported first quarter results for 2008. First quarter 2008 revenue was \$1.35 billion. Which represents 20% growth compared with the same quarter last year. Adjusted EBIT from ongoing operations was \$54 million, which is down only 8.5% from the first quarter of 2007. We're off to the start we had planned for, given the opportunities that we see in our composites business and a very challenging housing and building materials market in the United States. If approved, will target a market that realized sales of over \$4 billion in 2007. This quarter really demonstrates the value of the portfolio actions that we took last year. 2007 marked the most significant change in our business mix in the history of our company. Our decision to divest our vinyl siding and recreational vehicle business and to reinvest those proceeds in our composites business with the acquisition of Saint-Gobain's composites business, has created a business portfolio that performed well in the quarter. It's gratifying to see these strategic actions coming through in our financial results.

On our last call we laid out some of the goals and critical actions for 2008. We said that we will continue to drive our safety programs in the first quarter. We reduced accidents in our company by another 52%. We said that we would reduce our costs by \$100 million. That program is fully implemented. We said that we would complete the divestiture of our composites facilities in Europe, we closed that transaction last week. We said that composites operating margins would approach double digits for 2008, they were 9.6% in the first quarter. We said that we would achieve \$30 million in acquisition synergies, that's on track. We also said that we would reduce the size of our leased precious metals through productivity programs, this is also on track. Finally, we said that we would continue to manage a strong balance sheet, we finished the quarter with net debt of slightly more than \$2 billion a good result. Given our year to date performance, I remain confident in our guidance of annual adjusted EBIT of \$240 million for 2008. Global growth and composites highlighted our performance during the quarter. Our acquisition of Saint-Gobain's composites business is paying off. Sales of our composites solutions business grew more than 80%, representing about half of Owens Corning's total sales during the first quarter. Earnings were up in this business more than 150%. Growth in composites has expanded our international footprint, about 43% of Owens Corning's sales are now outside the United States. In addition, nearly 60% of our sales is now derived outside of north American residential construction. We are quickly capitalizing on the newly acquired composites business to serve our expanding customer base, to generate efficiencies and to realize the full promise of this opportunity. EBIT margins and composites are already approaching 10% before the financing costs associated with precious metals leasing. We are confident that we will achieve at least 30 million of synergies in 2008 and 100 million by 2011. Last week we announced that we completed the sale of two of our composites manufacturing plants. This sale satisfies the European regulatory remedies required as part of the broader acquisition. We realized net proceeds of about \$197 million, including cash of \$184 million. We are working hard to maximize growth opportunities in composites. We recently announced

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

an investment in our plant in Amarillo, Texas. This expansion increases our ability to meet market demand for engineered composite materials for high end applications such as wind energy. Today we are also closer to expanding our composites in Russia and China. You will hear more about those opportunities in the future.

Shifting to our building materials group we continue to face a very difficult market with the near future remaining somewhat uncertain. Our insulation business made money on the first quarter. We expect our insulation business to make money for the year, on the continuing strength of our commercial and industrial sales. To moderate market weakness, we continue to remain disciplined by actively managing our insulation capacity and cost structure. We have taken further capacity actions and if the market weakens further we are prepared to curtail more capacity. Clearly a new uncertainty that we face in all of businesses and in insulation in particular, due to its weak pricing position, is the inflation affect of the recent aggressive move in oil and energy costs. In the near term this will continue to pressure margins. However, Owens Corning insulation products save energy and they reduce greenhouse gas emissions. The need to insulate and re-insulate around the world is a growth opportunity in our residential and commercial insulation business. We are on track to grow our re-insulation business by 10% in 2008. In the US alone, the Department of Energy estimates that buildings consume more than 40% of all energy, 60 million homes in the US are under-insulated. Today buildings account for 40% of all greenhouse gas emissions, insulation is a solution. This energy saving business will continue to grow in the years ahead. The health of our planet and the availability of low cost energy are the issues of our time. The most cost effective energy alternative is the energy we never consume. In our roofing and asphalt business, year-over-year sales were unchanged. However, our loss increased during the period due to a lack of housing related demand and significant inflation. To offset cost pressures, we have announced and are implementing price increases in this business. We expect stronger performance from our roofing and asphalt business beginning in the second quarter. We are seeing benefits from price increases we are seeing demand improvements due to the seasonality of constructions and we are seeing demand from Spring storms in the south east and south western United States. Our roofing and asphalt segment will return to profitability in the second quarter of 2008.

Before turning to Duncan for a more thorough review of our performance I will add a few words about Owens Corning's growth and our ability to create shareholder value. Despite the current market difficulties we continue to focus the organization on profitable growth. We have built a portfolio that can succeed in all cycles as demonstrated by this quarter. In insulation, roofing and asphalt and in masonry products, Owens Corning is a leading building materials franchise. We were pleased to learn that according to the 2008 brand study for the publishers of Builder Magazine, builders selected Owens Corning, pink fiberglass insulation as the product they prefer. In our masonry products business, builders chose our cultured stone product as the manufactured stone most recognized and most used. The same study recognized Owens Corning roofing products as the most recognizable brand in the product. To win with our customers, we must invest in ideas that help them grow their business. We must give them something to sell that is better and more appealing than what they can get from any other company, innovation is essential. Our new asphalt shingle called Duration, continues to satisfy customers in the United States. Other innovation highlights from this quarter include in February we announced a new masonry product line called Prostone. It is a product ideally suited for today's affordability minded builder and home owner. In March, we announced a new manufacturing technology for our foam insulating systems. It's a new environmentally friendly boiling agent used in our foam insulation manufacturing process, thereby reducing greenhouse gas emissions and eliminating ozone depletion. In April, we announced the first non-woven glass tissues reinforcement for direct pressure laminate flooring. This product raises fire resistance and impact performance, allowing our customers to expand their market to commercial applications. Consistent with our commitment to growth through innovation, we recently named John Hillenbrand our Chief Innovation Officer. John is responsible for leading our global scene and technology organization and bringing innovation to the marketplace. John is an excellent addition to the OC team with more than 20 years at innovation leader DuPont. In summary Owens Corning is performing. Today composites is leading the way during a difficult cyclical down turn in the US housing market. On the building materials side we continue to manage our cost structure and we manage growth opportunities so that when the market returns, as we know it surely will, Owens Corning has a leveraged position to satisfy customers and shareholders alike. With that, I will turn to Duncan for a further review of the first quarter and what we see ahead. Duncan?

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Duncan Palmer - OWENS CORNING NEW - CFO**

Thanks, Mike. Let's start on slide five, where we detailed key financial figures for the first quarter of 2008. You can find more detailed information in the financial tables of today's news release on the form 10-Q. Today we reported first quarter 2008 consolidated net sales of \$1.35 billion, a 20% increase compared to 2007. This growth in our business has been driven by the acquisition of Saint-Gobain's groups reinforcements and composite fabrics business, which we completed in November 2007. First quarter net loss from continuing operations totaled \$15 million and diluted loss per share from continuing operations was \$0.12. As a reminder when we look at period over period comparability our primary measure is adjusted earnings before interest and tax, adjusted EBIT. In just a moment I will review our reconciliation of items effecting comparability to get to adjusted EBIT. These items totaled \$35 million in the first quarter of 2008 compared to \$27 million during the same period 2007. Our adjusted EBIT from continuing operations for the first quarter of 2008, was \$54 million compared to \$59 million in 2007. Adjusted earnings from continuing operations for the first quarter of 2008 were \$10 million or \$0.07 per diluted share, compared to \$18 million or \$0.13 in 2007. In the first quarter, marketing and administrative expenses decreased about by 1 point as a percent of sales compared to 2007, owing to the impact of our cost reduction programs and the leverage achieved as a result of the acquired business from Saint-Gobain. Depreciation and amortization totaled \$77 million for the first quarter. We currently estimate our depreciation and amortization will total approximately \$315 million in 2008. Our capital expenditures total \$52 million in the first quarter and we maintain our guidance of \$325 million for the full year. Owing to the seasonality of working capital, especially in building materials, our net debt increased in the first quarter. We ended the first quarter with total debt, net of cash on hand, of \$2.07 billion consistent with our expectations.

Now, if you move to slide six, you will see an illustration of adjusted EBIT performance again comparing first quarter 2008 with first quarter 2007, based on the business segment contribution. Year on year reduction in 2008 adjusted EBIT, was the result of declines in our insulating systems, roofing and asphalt and other building and materials and services business, with improvements seen in composites as well as in corporate. The improvement in corporate was primarily a result of the impact of fourth quarter 2007 cost savings project and reduction in general corporate expenses. The \$39 million growth in composite solutions EBIT, was the result of incremental earnings from the Saint-Gobain business and improved manufacturing productivity. Offsetting this improvement was a decline in the building materials product group this decline was primarily related to weaker demand and lower selling prices for residential insulation and significant raw materials inflations in roofing and asphalt.

Moving to slide seven, you can see the detail associated with the reconciliation of our first quarter 2008 reported EBIT from continued operations of \$19 million to adjusted EBIT from continued operations of \$54 million. We provide this as a best comparison of our results. As part of the investment to combine the acquired Saint-Gobain business with our composite solutions business, we incurred \$12 million of integration costs in the first quarter. On April 30 we completed the sale of the Battice and Birkeland manufacturing facilities in Europe for net proceeds of \$197 million. This resulted in an additional impairment of \$10 million which we exclude from first quarter adjusted EBIT. Next, as you have seen in prior quarters we adjusted for the non-cash amortization of costs associated with the employee emergence equity program, a total of \$7 million. You will recall that shares of company stock were awarded to employees at the time of our emergence from chapter 11 in 2006. These shares have a three-year vesting and will be amortized in the P&L until October 2009. As we discussed in the 2007 year end call, we view the costs of leasing precious metals used in production tooling within our composite facilities to be a financing cost. As a result the \$4 million expense in the first quarter, has been excluded from EBIT but has been included in our calculation of adjusted earnings per share. We have also included a \$2 million adjustment associated with our cost reduction program announced in the fourth quarter 2007 to close facilities and to reduce operating costs as you will recall we expected to achieve at least \$100 million of savings through actions in our building materials businesses and corporate activities. We are now in a position to say that these actions have been fully implemented and that the savings will be achieved in 2008.

With that as a background turn to slide eight, and we will begin a more detailed review of the business segments starting with composites. Year-over-year, net sales in composites were up over 80%. The growth in sales was driven by the acquisition of the Saint-Gobain business. Composites is our most geographical divers business which is serving us well in the midst of market weakness in US building material. We estimate that in the first quarter more than 75% of our revenue in this business was from

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

outside the US, compared to 63% in 2007. First quarter EBIT was \$64 million compared to \$25 million in 2008 up \$39 million. EBIT as a percentage of sales was 9.6%, in line with our guidance for 2008 as a whole.

Next, onto slide nine, our insulating systems business. According to the census bureau, US seasonally adjusted annualized housing starts, dropped 30% in March 2008 to 947,000 units compared with 1.355 million units reported in 2007. Fewer houses are being started, fewer existing homes are being sold, the mortgage credit markets are tight and home values continue to decline. Our insulation business is clearly feeling the impact of these market conditions. Net sales in this segment were \$373 million in 2008, down 11% compared with 2007. About 0.6 of this decline was due to a reduction in sales volume and product mix, the remainder was due to lower sales prices as a result of competitive pressures. EBIT for the first quarter of 2008 in this segment fell \$16 million compared with \$53 million in 2007. First quarter EBIT as a percent of sales declined from 13% in 2007 to 4% in 2008.

Next, slide ten provides an overview of our roofing and asphalt business. Sales of \$306 million in the first quarter of 2008 were the same as 2007 because of stronger sales of laminates and shingle products offset by a reduction in asphalt sales. In the first quarter, our roofing and asphalt segment reported a loss before interest and taxes of \$17 million compared to a loss of \$8 million in 2007. In addition this loss is greater than the fourth quarter of 2007. Reduction in prices and the increase in asphalt costs from the fourth quarter 2007, combined to increase our loss.

Next, other building materials and services on slide 11. This segment is comprised of our masonry products business and our construction service business. First quarter 2008 sales of \$53 million were down 23% compared to with 2007, primarily due to declines in our masonry products business resulting from continued weakness in new construction and repair and remodeling. The decline in product volumes and increased idled facility costs in masonry products resulted a the first quarter loss in the overall segment of \$3 million compared to a profit of \$4 million in 2007.

Moving to slide twelve, a couple of other items before turning to our Q&A. We continue to have board authorization to repurchase up to 5% of our common stock, as of the end of our first quarter of 2008 we have not made any repurchases under this authorization. I would like to provide some additional guidance regarding 2008 taxes. We continue to project that our US cash tax rate will be less than 2% as a result of our NOL's. We expect that our overall cash taxes paid in 2008 will be less than the \$14 million paid in 2007. Our 2008 effective tax rate for our US operations will be about 35% and our effective tax rate for non US operations will be less than 25%. The blended average of these vary significantly quarter to quarter as the mix of business varies across the world. Given the challenges that some of the companies in building materials are facing, we continue to be pleased with the strength of our balance sheet. Our liquidity position remains robust with \$118 million in cash in hand and \$648 million of unused committed credit lines available at the end of the first quarter. In addition, we have received approximately \$184 million in cash proceeds from the sale of Battice and Birkeland facilities on April 30. We have access to more than sufficient funds for investment plans and corporate financing requirements. With that, Scott, back to you for Q and A.

---

**Scott Deitz** - OWENS CORNING NEW - VP, IR & Corporate Communication

Thank you Duncan, thank you Mike. Denise, we are now ready to begin the Q and A session if you would like to pull our listeners for questions.

---

## QUESTIONS AND ANSWERS

### Operator

(OPERATOR INSTRUCTIONS) And from Zelman and Associates, your first question comes from the line of Dennis McGill. Please proceed sir.

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Dennis McGill** - *Zelman and Associates - Analyst*

Good morning guys.

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Good morning Dennis.

**Dennis McGill** - *Zelman and Associates - Analyst*

My first question just has to do with the composites business. Can you help us understand what's included and excluded related to the asset sales? It would be my assumption that the revenue associated with those asset sales was included in the consolidated first quarter numbers.

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Yes, that's right. Let me give background on this and I will come to your question directly. I think most of our investors know that, as a part of completing that transaction we had been given direction from the European competition authorities that we had two facilities in Europe we needed to divest. One was in Battice, Belgium the other was in (Becklin), Norway. Under European competition laws, you can actually close a transaction and the proceed with the remedies post closing, which is what we chose to do. So, we closed in November. We had those two facilities on the docket to be sold. We worked with the ultimate buyer platinum equity through the first quarter and ended up closing that at the end of April. The revenue and the profits from the production of those two facilities was included in our first quarter results it will be included in April but it won't be included on an ongoing basis.

**Dennis McGill** - *Zelman and Associates - Analyst*

Okay, and going forward, would that be restated? So, first quarter next year -- would the first quarter this year be restated for a discontinued operation or will that continue to be in there?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

No, Duncan will correct me if I am wrong, but that is in our consolidated results and it will not be restated or moved to discontinued.

**Duncan Palmer** - *OWENS CORNING NEW - CFO*

(Inaudible) for sale.

**Dennis McGill** - *Zelman and Associates - Analyst*

Okay, and so when you guided for the 240 for the year your assumption was including the profits from those asset sales for -- is the three or four months that you expected to still have it prior to closing?

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Yes, I think it is fair to say that we knew that we would have the proceeds and the earnings from that those assets for some portion of 2008. I don't think that we were as precise when we actually gave our guidance that we drew the line between whether we thought we would divest in February or April. This is pretty consistent with our expectations.

**Dennis McGill** - Zelman and Associates - Analyst

Okay and then just for our understanding can you put a little -- any parameters around whether the profitability of those assets are different than the profitability of what will be the ongoing operations?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

I mean, I think we are comfortable saying that those assets are about the same level of profitability as the assets we kept. Obviously that will put some hole in the business in terms of profitability in the second quarter. But what we've seen also is the synergies are coming in. There's underlying momentum in the business and we think the rest of the business will continue to catch up. And so because we are seeing an improving business not a static business on the one hand we'll go backwards a bit with those divestitures but we see the business moving forward pretty aggressively.

**Dennis McGill** - Zelman and Associates - Analyst

And looking at your guidance for the year, your target of 10% EBIT I think people are probably looking at that performance -- the strong performance this quarter and thinking that there is upside to that. Would you say that that's a fair assumption or are those steps back what's holding you back from raising that guidance?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Well you know, I think we are comfortable with the guidance we gave. Which is, we said we thought operating margins would approach double digits. Maybe we are overly cautious. But when their in double digits, we'd probably revise that guidance. We're still approaching double digits and when we get there, we we'll let you know.

**Dennis McGill** - Zelman and Associates - Analyst

Okay, and then just changing gears on the re-insulation side, what would be the average ticket for somebody to re-insulate their house right now?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Well, that really varies. Obviously it depends whether you are a do it "yourself" or whether you hire a contractor to come and do the work for you. If you are inclined to go down to your local you know, retail big box, a Home Depot or Lowes or Minards, and buy the insulation there you could probably re-insulate your attic for \$200 or \$300 worth of material. If you called a contractor and asked a contractor to come out to the house and quote it and do a full professional job that number probably ranges more like a \$1000.

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Dennis McGill** - *Zelman and Associates - Analyst*

Okay, so it's certainly a bigger ticket item but among the other home improvement opportunities that are out there, it's not in this period where consumers dollars are under a lot of pressures from various angles, it's not to the point where it's stretching to re-insulate an entire house or entire attic I guess it would be?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Yes, I think that's fair. What we have seen in our consumer research is homeowners are not as aware of the opportunity to re-insulate their attic and save money as we need them to be. So, part of what we need to do, is we need to build awareness there. They also probably aren't as knowledgeable about how much it costs and their estimates of what it costs, tend to at least in our research, vary on the high side. People think it's a bigger project than it is. So, there's a lot of education to be done which is why every time we have an open mic, in fact the way we talk about it, because we want to make sure everyone who is listening, kind of spreads the word on that.

**Dennis McGill** - *Zelman and Associates - Analyst*

Okay thank you, guys, I'll get back in queue.

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Thanks.

**Operator**

And your next question comes from the line of Garik Shmois from Longbow Research, please proceed.

**Garik Shmois** - *Longbow Research - Analyst*

Hello, good morning and good quarter. I was just wondering if you could clarify something on the slide presentation with respect to insulation demand and commercial holding right now. Is that your view on forward looking construction starts in commercial and industrial or is that given the lag between when a start is actually commenced versus when insulation goes into the project?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

You know, I think our forward view, Garik, is that we would expect to see weakening in the commercial and industrial side of the business probably a little bit more in commercial than in industrial. Up to now it has been holding, but we also certainly don't expect it to cycle anywhere nearly as hard as what we have seen on the residential side. So, our internal plans are built around the expectation that the commercial side of the business will weaken. We've been pleased up to now, that it's hanging in there pretty well for us.

**Garik Shmois** - *Longbow Research - Analyst*

Okay and can you comment on the competitive landscape now in insulation and pricing in particular. It seems like most of the revenue decline is on the volume side and pricing hasn't fallen off certainly like we have seen in some of the other industries

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

that are -- have been tied to home building. Would that mix of perhaps, 0.6 volume and 0.3 pricing, do you expect that to continue going forward?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Well, let me backtrack a little bit on this question to make sure I set a bit of a context. Obviously the biggest business in our insulation business three years ago was the residential side of the business. And as residential has gone through such a big cycle, it's actually shrunk as a percent of the total mix and our foam business, which is more of a materials conversion or a materials pricing kind of business and also our commercial and industrial businesses, have taken a much bigger percentage now of the mix in insulation, than what you would have seen when we first started talking about the business two years ago. We're continuing to see the residential side as being you know, quite price competitive. So, in the disclosure we put out this morning in our 10-Q where we broadly quantifies it as about 0.6 volume and 0.3 price, there is a fair amount of mix in the price numbers and I would say that the price numbers in the residential side have continued to be pretty difficult for us and we have continued to see quarter over quarter weakness in residential. That said, when you benchmark our insulations business to some of the other building materials commodities like lumber or gypsum board, I think we tried to say and our I think our results have generally demonstrated, that it's a different business than those others, that the cyclicity of the pricing and the way the market operates and the way the market contestants or competitors operate, does tend to be a bit more disciplined. We don't tend to see as much of a run up on price on the upside but as a result we don't tend to see as much of a price deterioration on the downside.

**Garik Shmois** - Longbow Research - Analyst

Okay, thank you very much and good luck.

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks.

**Operator**

Your next question comes from the line of (Nipson Dya) from Lehman Brothers, please proceed.

**Nipson Dya** - Lehman Brothers - Analyst

Good morning. Good morning (Nipson), how are you? Just an insulation question, obviously there was a lot of mix in there. But if you sift out the mix and with (inaudible) deals going up, are you seeing the pricing stabilize in the insulation business or any pricing that you are taking is that sticking?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

I think we are seeing inflation certainly in terms of our energy costs and our transportation costs and I think at this point that has just been further margin compression for us. So, there have not been the industry wide pricing actions that have either, you know, (inaudible) any up tick in pricing or really a stabilization of pricing. I would describe what we are seeing right now in the residential side of business as a fairly kind of long slow but orderly decline in prices we've seen that quarter over quarter and I think we saw that in the first quarter and really our expectations for the year are built on the expectation that that will continue.

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Nipson Dya** - *Lehman Brothers - Analyst*

I see. But on the roofing side you are getting some pricing?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Well, what we've said in today's call is that we didn't see any in the first quarter and as a matter of fact, in Duncan's remarks, we said from the first quarter sequentially versus the fourth quarter of last year, we actually lost price in what was a pretty dramatically inflationary environment for asphalt, which is a key raw material for us. There was a fair amount of, what are known in the industry as, winter buy activities. There was a fair amount of inventory liquidation going on on the part of both distribution and manufacturers which made for a difficult environment. I think what we've seen so far in the second quarter, I mean, obviously we are 45 days -- or 35 days into the second quarter, is that some of the pricing actions for the late first quarter and second quarter are beginning to show up and we are beginning to show up and we are starting to see some positive pricing in our books. We have a fair amount of catch up to do though. I mean, the inflation arrived before the pricing has started to come through and we are comfortable saying that the roofing business will return to profitability in the second quarter. But I think price management in roofing is going to be, you know, a kind of a continued -- both challenge and opportunity for us throughout 2008.

**Nipson Dya** - *Lehman Brothers - Analyst*

I see. But even on the top line it looked pretty good if you were flat in terms of volume. Are you gaining sale?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Well, I mean we said, I think it was in Duncan's remarks also, we had some positive mix. I mean, we have been driving our duration with SureNail technology program very aggressively in the marketplace. We do have an innovation I think it's energized our sales force to be out working with contractors pulling through business back to the distributors, that has sweetened our mix a bit. Now, that product cost is a bit more to manufacturer, we get a bit higher price for it. So, as we drive the mix we do get some top line and we get some benefit versus the standard, kind of, heart of the market product the 30 year laminate. Some of that gets through to the margin line for us too, so it's a positive for us when we make that happen. So, mostly we're just seeing mix to a little bit better product for us primarily related to actions we've taken from the marketing side.

**Nipson Dya** - *Lehman Brothers - Analyst*

Great, and lastly, on cost savings, you mentioned that you (inaudible) 100 million for '08 number, and then on slide six you had the \$9 million decline in corporate savings or \$9 million savings on corporate. Was that all the savings that you got in the first quarter or was that just the improvement in corporate, so, actual realized savings in the first quarter or greater?

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Well, you know, we have actual realized savings throughout the entire P&L, so we have cost reductions in manufacturing that would appear above gross margin in the business units. We had SG&A reductions in the business unit that would appear in the segment reports and then we have cost reductions at corporate which would be what we reconciled in slide six. I'd remind you, and we talked a little bit about this in the fourth quarter, because we didn't meet some of our goals last year we also had a fairly large credit at corporate last year associated with some of our incentive compensation programs. We have all of the salaried employees of Owens Corning on a compensation program that is related to the performance of the business and because we didn't meet our goals last year we actually ended up with a credit there. So, we actually have had some costs creep in the

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

corporate area which is where we take the allocation or take the charge for that. Where we are seeing the need to put some money back into some of those compensation programs. So, you know, net net, the \$9 million of cost improvement in corporate we think is a pretty good result.

---

**Nipson Dya** - *Lehman Brothers - Analyst*

I see, okay, thank you very much.

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Thanks.

---

**Operator**

As a reminder ladies and gentleman, due to time constraints, we ask that you please limit your questions to one question and one follow up. Your next question comes from the line of Jack Kasprzak from BB&T Capital Markets, please proceed.

---

**Jack Kasprzak** - *BB&T Capital Markets - Analyst*

Thanks, good morning.

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Good morning Jack.

---

**Jack Kasprzak** - *BB&T Capital Markets - Analyst*

Hello, I wanted to just ask a little bit more about composites with the guidance you are giving on a near 10% operating margin in '08. It's a pretty nice improvement from '07. Can you just talk about what you are seeing there. Is it demand driven and you're getting some leverage and maybe also, if you could talk about, just a little more color on the demand side, what you are seeing there?

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Okay. You know, the improvement in operating margins in composites again is really throughout the entire P&L. We are seeing some very, very good markets from a demand point of view. I think in particular we would probably recognize that Asia has been strong, that infrastructure projects in the Middle East have been driving a good demand and the wind energy market where we really have a very, very strong market position both in our fabrics business as well as our glass making business, has been a real star on a year to date basis and we think is a real star going forward. So, we're positioned in the right markets with the right products which is helping us but we're also getting a lot of the improvement on the cost side. We've talked in prior calls about utilizing our melting technology in some of the Saint-Gobain's facilities, where we melt with a little bit lower batch cost, we melt with a little bit lower energy cost and we do get some throughput in productivity when we put our melting package into their facilities. Those conversions are occurring on a regular basis. As we have an opportunity from a capital and an expenditure point of view to make that happen. And then we're also getting synergies, you know, below gross margin, in the overhead and operating expense areas, as we put the two organizations together, I would tell you corporately, we've been able to support a bigger global footprint without a bit cost added in the corporate areas. And the composites team has been able to manage a bigger and more complex global business with about the same amount of management infrastructure that we

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

have had in the past. So, I think it's a good news story in terms of impacting operating margins all the way through the P&L and we do think we have some runway on the demand side and the market side based on some things we're seeing in the market and reasonably good demand.

---

**Jack Kasprzak** - *BB&T Capital Markets - Analyst*

The performance there looks really good, congratulations on that. I mean when you look further out think about it -- near 10% or so operating margin as and '08 goal is there, I'm not necessarily asking you to quantify it unless you want to, but could there be further improvement beyond that?

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Yes, I think even in prior calls we have said that we think double digit operating margins is an intermediate goal. It's an asset intensive business. You know we think to get to really good reinvestment economics, you know, we probably need to see our margins get to 10% and then move further north from there. Part of that is us deploying our asset base to lower cost countries and then part of that is actually improving the overall level of profitability of the industry. The industry I think generally has not had reinvestment economics for a while and we've seen very, very aggressive growth out of China in that business but we are seeing from the Chinese producers that they are experiencing inflation, in country, they are experiencing reevaluation of their currency and their losing some of the export incentives that they had previously and a lot of that is translating to a little bit better price environment on a global basis and so we think those are things that can also contribute over the, kind of, mid and long-term to a little bit better price environment a little bit better margins. We haven't guided beyond what we expect to get done in 2008 but we think 2008 is a steppingstone to where we'd like to get the business to in the future.

---

**Jack Kasprzak** - *BB&T Capital Markets - Analyst*

Thats great, thanks very much.

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Thanks.

---

**Operator**

And from CL King and Associates, your next question comes from the line of Jim Barrett. Please proceed sir.

---

**Jim Barrett** - *CL King & Associates - Analyst*

Good morning, everyone. Michael though you've touched upon it in spots. Could you -- when we consider that natural gas and other energy costs have gone up fairly dramatically recently, could you comment on the companies plan to or the companies need to get additional pricing this year across each of its three core businesses?

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Okay, good question. I'm actually going to bump that one over to Duncan. He spends a fair amount of time looking at our inflation and the affect on our business.

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Duncan Palmer** - OWENS CORNING NEW - CFO

Yes, thanks, the -- obviously we see inflation in raw materials and commodities across our businesses. If you look in two different areas one for example is energy costs, where we see a lot of inflation in natural gas and power costs which affect our cost of melting glass essentially, we've had, obviously in this kind of market it's difficult for us to pass through those kind of costs on insulation. We would see an opportunity to do that as being linked to when the market bottoms out and there may be some opportunity to sort of pass that through at that kind of level. On the roofing and asphalt side, we have historically seen that we are able to pass through asphalt price increases through into the marketplace and we foresee that continuing. Now, asphalt prices have increased quite significantly since quarter 4 last year and obviously as they'd be linked crude oil in the end, we would continue to see some pressure on our margins in that space but we are confident that we will be able to pass that through into the marketplace as we have seen historically and we would see that continuing. On the composite side, again, we melt a lot of glass. We consume a lot of energy and we -- in that business you've seen that our operating margins are holding up and in fact are improving. We do see some opportunity in different parts of the world, obviously the wide variety of products and wide variety of markets for that to be an opportunity in pricing there. That market remains reasonably robust from a demand standpoint and therefore there is more opportunity to pass that through in cost on the composite side, it just kind of depends on the business, it depends on the geography and it depends on the commodity. So, in -- generally speaking, we are seeing the inflation does provide challenges for us but we're able to take action where we have the ability to do so.

**Jack Kasprzak** - BB&T Capital Markets - Analyst

And Duncan, could you -- for the composite business if we excluded Saint-Gobain, could you discuss the sales and margin and operating profit performance of the core Owens Corning business, if you can do that?

**Duncan Palmer** - OWENS CORNING NEW - CFO

We talk of those businesses, really, as being together. We manage them very much as now being together given how integrated and (inaudible) from a product point of view and from a manufacturing point of view, it really makes no sense to talk of them any other way. And so we are seeing that overall business as being -- continuing to be profitable, operating margins increasing, our synergies are coming through. We are seeing great opportunities for us to use the technology and the technology the Saint-Gobain had and (inaudible) Owens Corning had, to bring the best of both worlds to to our process technology and also to our -- as we see our synergies coming through those also improve operating margins.

**Jack Kasprzak** - BB&T Capital Markets - Analyst

Thank you both.

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks, Jim.

**Operator**

And your next question comes from the line of Zes Jesus from Alliance Bernstein, please proceed.

**Zes Jesus** - Alliance Bernstein - Analyst

Hello, yes, good morning and great quarter. I guess along the lines of what's been asked already but maybe just a different way of thinking about it, we've seen pretty good energy inflation since the last guidance is basically the message that some pricing

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

has been recovered relative to that as well as just good composite business gives you comfort with the guidance affirmation, despite this really strong donation?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

I think that's a really fair summary of where we sit today. We think that our cost management and our capacity management in insulation has been very good, but we are probably seeing more inflation there than we expected and at least today, the price environment, we don't see a way to go recover that. Now, it doesn't mean that we've given up on the idea that unexpected inflation shouldn't at some point begin to influence industry wide prices for insulation. At this point we haven't seen that in the first quarter and haven't said anything to the contrary to that. So, that would probably cause us to be a little bit more concerned about our outlook in insulation than we were at the beginning of the year. The flip side is we've seen some of the things we need to see in roofing to know that that business can get back to profitability and contribute and we really like the way that composites has come out of the blocks and we didn't talk a lot about other building materials and services. It's being impacted by, you know, the same kinds of volume weakness that we're seeing in roofing and insulation we do expect to see it improve through the year and start contributing. So, we've got a couple of pieces that will contribute a lot more than they have in the first quarter. We probably have a little bit of concern about insulation in the near term and we really like the start the composites got off to.

**Zes Jesus** - Alliance Bernstein - Analyst

Okay great, thank you.

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks.

**Operator**

And from Suntrust, your next question comes from the line of Keith Hughes, please proceed sir.

**Keith Hughes** - Suntrust - Analyst

Thank you, just digging in a little deeper on the roofing business your prepared comments discuss share gains and good business in the laminate segment. Was there some new product introductions there or new distribution? What's going on?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Well, we've been managing a new product through the market now for about a year and a half. We had an opportunity to bring to the market what we thought was some pretty new and thoughtful technology and we put it into a product we call Duration, with SureNail technology. The basic premiss of the product is it's easier to install. So, it brings a benefit to the contractor. Because of some technical issues about how the product is built it lays much flatter on the roof. It therefore, [paletizes] and stacks much more easily in the warehouse, so, the roofing contractor has some benefit -- I mean, I'm sorry, the roofing distributor has some benefit in terms of how they store and ship the product and then for the homeowner because of the way the product seals on the roof and because of the way it lays flat, we are better to give better aesthetics as well as an improved wind warranty. And so, those things combined, have caused us to be able to go out into the marketplace, tell that story at the distributor and contractor level and get that story basically into that core re-roofing market. Because of our history, how we got into the roofing market where we've been historically. We've probably been under represented in that really, kind of, solid re-roof market with

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

the big professional re-roof contractor. This has been our ability to go earn our way into that market. It's not a market that we necessarily think you can go get market share any other way besides earning it. And we've been working very hard to improve our mix, bring that product to the market in a thoughtful way and try to give the contractor something they can trade up to to give the homeowner a better roof. We continue to be also very, very competitive on the heart of the market 30 year laminate, we continue to work on making that product as cost effective and successful as it can be to make sure that we've got the whole mix of goods and you know at this point the things within our control we feel pretty good about in terms of roofing. The market dynamic in terms of pricing and asphalt recovery has been really the disappointment for us and we saying that we expect to see that get better in the second quarter.

---

**Keith Hughes** - Suntrust - Analyst

Is the -- were your terms and conditions on the early buy in the first quarter substantially different than prior year and if so, how?

---

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

You know, there's been a pattern in the industry of the manufacturers and distributors working together early in the year to make sure that you positioned your, kind of, key distribution partners with inventory and they're set to go early in the year. I don't know that we would necessarily look at the terms and conditions of what went on during the first quarter of this year as being materially different than what we saw in the past. I think the big issue was it went on in an environment where asphalt prices were increasing dramatically. Typically in the roofing business, because of the alternative demand for asphalt primarily being paving, we tend to see some seasonality in the price of asphalt. It's more expensive in the summer, tends to be a little bit cheaper in the winter and because of the really rapid run up in crude oil prices this winter really played against (inaudible) and we saw asphalt prices running up which is very unusual. I don't know that, from an industry point of view, that was dealt with effectively by the industry participants and now that's the issue that what we're all trying to work through in terms of getting our businesses back to profitability.

---

**Keith Hughes** - Suntrust - Analyst

Alright, thank you.

---

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks.

---

**Operator**

Your next comes from the line of Mark Gilbert from Imperial Capital. Please proceed.

---

**Mary Gilbert** - Imperial Capital - Analyst

That would be Mary Gilbert. Thank you. Yes, I had a question, could you just tell us what the revenues were from Battice and Birkeland in the quarter and also the operating income associated with it, or I suppose we could just used the same margin. And then could you also give us what the volume increases were on a pro forma basis in other words looking at the business as it is today, considering the Saint-Gobain acquisition, what is sort of, the pro forma volume increases that you are seeing?

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Well Mary, we've made a decision not to break out the Battice and Birkeland divestiture. You get to some point in a business where you're always going to have things going on and obviously with the acquisition of Saint-Gobain in the Fall, that was a big material event. We challenged the team to get the business put together, to run it, to get this divestiture done and to give us a business plan that we can believe in and based on that business plan that where we felt comfortable, you know on the last call and again on this call, saying that we thought the overall business for 2008 would have operating margins approaching double digits. So, that includes our internal understanding of Battice and Birkeland and the divestiture and the impact that's going to have on the business. And I think that's probably, in some total what we're willing to say, about the impact of those divestitures on the business.

**Mary Gilbert** - Imperial Capital - Analyst

Oh, okay, so we can't sort of look at the first quarter and say, let's say \$80 to \$85 million of the revenues in composites of the \$666 represented Battice and Birkeland?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

I mean obviously we're going to investors who are going to make their own estimates, but we're not going to disclose on that.

**Mary Gilbert** - Imperial Capital - Analyst

Okay, and then what about volume increases, you know what kind of volume increases were we seeing?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

In total we saw -- positive volume is kind of measured by tonnage. In the first quarter, on a global basis, I think it would have come through more strongly really in the top line, had not one of our really big markets been the roofing business. So, in the US, we make both a product called Wetshop and we also make non-woven products called Mats who have a primary end use market which is roofing. And we not only serve our own roofing business, we are actually a commercial trader of both Wetshop and roofing Mat in the roofing industry as a supplier to some of the other manufacturers in roofing and that business has obviously been sequentially weaker. And so it's a negative against the volume growth. But when you go out to the regions of the world Asia has been growing for us. Europe has had some real spots of positive growth like wind energy and exports into the Middle East and then we are seeing a bit of weakness related to automotive and some of the other markets in Europe, I think we'd say the same thing in the US. But the overall restructuring that's taking place is absorbing the volume situation, seems to be, in a pretty reasonable way.

**Mary Gilbert** - Imperial Capital - Analyst

Okay, could you talk about capacity because as you indicated earlier you did expand capacity in Texas and then you talked about on call that you are planning to expand capacity in Russia and China. Are you coming up against capacity currently, either with the demand that you are seeing, or could you talk about some of those dynamics?

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

One of the big dynamics in the industry and this is -- was been publicly announced by Saint-Gobain, is as a part of our acquisition of their business, we had to complete the remedy in Europe but they also retained a composites manufacturing facility in the US, in a city called Wichita Falls, Texas. And they had had that business for sale really from the time we said we would do a joint

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

venture to the time we said we'd do an acquisition and then even post acquisition and in the first quarter they did announce that it was their intention to shut that facility down, which I think is a by product of two issues. One is you've got to make sure that you are continued to invest in your high cost facilities in order to get them lower costs which is some of the things you're seeing us doing in Amarillo, and then second impact is the precious metals that are used in manufacturing are quite valuable. So, if you don't have good returns or line of site to good returns, some of these facilities actually get to the point of having reasonably high liquidation values. With Saint-Gobain making that announcement that they intended to shut down Wichita Falls, there were some fairly significant product shortages in North America today. We're working very hard to make sure that our capacity is configured in a way that we can support those really core markets where we can grow and where we can win over the long-term and I think we'll be able to do that.

---

**Mary Gilbert** - *Imperial Capital - Analyst*

Okay, and so -- and then what about China and Russia?

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Well, obviously the markets where we are seeing good volume growth would be eastern Europe, Russia as well as Asia and in particular China. And we have a nice footprint in Russia that we acquired with the acquisition of Vetrotex, we think it can be a very, very low cost platform, not just for Russia but also for Eastern Europe and even to some extent for exports all the way into the western Europe. We have been studying that. We have been making trips over to Russia, evaluating our opportunity there we don't have anything to announce today besides we are making progress of configuring what we think could be a good investment for us in Russia. Same thing is true in China. The domestic China composites market is growing very, very well. We have some projects and capabilities and facilities there, that we could be doing more if we had more capacity and we're looking hard at our manufacturing configuration and our footprint of assets over there to also be able to get the position in China we'd like to have for the mid and long-term and, you know, really probably, on a little bit of a lag timeline versus where we are in Russia, but those are two core investments to build our composites business that we are looking hard at.

---

**Mary Gilbert** - *Imperial Capital - Analyst*

Okay and then finally, what challenges are you facing from a pricing standpoint? You kind of indicated in the queue that there was some -- you were challenged to raise prices in certain segments. Could you talk about that and is that related to continued pressure in China and how you kind of see that unfolding on an go forward basis?

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Mary, your question is related to composites or related to Owens Corning generally?

---

**Mary Gilbert** - *Imperial Capital - Analyst*

Its related to composites.

---

**Mike Thaman** - *OWENS CORNING NEW - Chairman & CEO*

Its composites. You know, part of it is there are certain markets where we probably don't have as much of a product performance advantage and as a result the pricing dynamics tend to be more commodity driven and supply and demand driven so we would see some places where it's a little bit more difficult for us to recover our inflation and catch up on some of the inflation over the last four or five years that haven't really been captured in the market by us and by the manufacturers. I think the other thing

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

we are seeing is the composites business and our customers tend to work a bit more contractually with us than we would see in the building materials side of the business where it's more kind of a purchase order invoice cycle. So, people do contract for their annual requirements. There are some longer term contracts as people look at their supply chain and make sure that they can satisfy their needs for glass supply to wind energy or their needs for glass supply to big infrastructure projects, and as a member of that chain we would sometimes enter into contractual agreements. And so as a result, just moving price in composites is a little bit different than the dynamic we have in building materials, whether we announce price increases and then see whether we can get it to stick.

---

**Mary Gilbert** - *Imperial Capital - Analyst*

Okay great, thank you that's helpful.

---

**Scott Deitz** - *OWENS CORNING NEW - VP, IR & Corporate Communication*

Denies, I think we'll take one more question and then we'll turn it back over to Mike for any closing thoughts if it can be a quick question.

---

**Operator**

Okay, your final question will come from the line of Raul Shaw from ABC Investment Management.

---

**Raul Shaw** - *ABC Investment Management - Analyst*

Hello, good morning. Hello, Raul. I apologize I don't quite understand your full year guidance, so if you can indulge me for a minute. I believe on the last call you guys said that composites should generate \$2.1 to \$2.3 billion in revenue and looking at the first quarter I guess -- I think there is a very good chance you should reach that \$2.3 billion mark. And EBIT margins are already at 9.6% and likely to increase going forward but even using 9.6% on \$2.3 billion implies \$220 million in EBIT. And if I deduct lets say \$15 million for corporate EBIT, that implies only \$35 million EBIT for the other three businesses which did roughly \$230 million of EBIT last year. And you said your on track to generate \$100 million in cost savings. I'm just trying to understand, are you being ultra conservative when you say at least \$240 number or is it that you actually think that there's a chance the three businesses insulations, roofing and other could go from \$230 million to only \$35 million in spite of the \$100 million in cost savings? Well, I mean thanks for a very thoughtful question and we don't give guidance by segment, I mean with the exception of some of the things we specifically said about operating margins and composites and insulation being profitable for the year and roofing being profitable beginning the second quarter. But the math that you are doing, is I think a reasonable conclusion based on the pieces of guidance we've given. And I guess what I would point out is if you go back a year earlier from 2006 to 2007, our building materials businesses declined quite significantly in terms of their EBIT contribution in a marketplace, that from a new construction point of view, declined about 25% which is again the kind of year-over-year decline in the marketplace that we're expecting this year. So, to a certain extent, while, you know, it's not necessarily the market we want to live in, it does take a fair amount of heavy lifting to flatten out the curve of the deleveraging of cost you get by \$100 million in order to keep these businesses profitable in the market that we're in. We do believe that in total our building materials business will contribute profit this year, we so believe that individually they will be profitable this year. So, we're running our segments for profitability but in terms of overall contribution it's really a composites year. But I would also add and we haven't talked about this on the call, the longer we're at a million housing starts the stronger the recovery that we'd expect to see and one of the things we're working very hard on is to make sure that we manage our building materials businesses in such a way when the market does recover we get tremendous leverage both on the cost side and on the volume and also on the pricing side. So, I think you've summarized our portfolio reasonably well. And, you know, from an investor point of view, we now have, I think demonstrated what a great composites business could look like and I think our history has demonstrated what great building materials properties we really do own and operate here and those two combined is really what we're looking forward

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

to ahead. The day we can talk about a roaring building materials business and a roaring composites business in the strength of this portfolio. Alright, I appreciate that and I understand it makes sense to be conservative. But, I just want to make sure we are not missing something or miss understanding the business. So when you say at least \$240 million, you know, even a \$300 million EBIT is possible, all obviously a function of to what extent housing deteriorates or stabilizes.

---

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Yes, I would be uncomfortable giving any other guidance than the guidance we've given today. Which is we still feel comfortable that achieving \$240 million EBIT is a good goal for us this year. Obviously as the year goes by if we see good things or negative things were going to communicate those to our investors and if we need to update our guidance we will.

---

**Raul Shaw** - ABC Investment Management - Analyst

Okay, thank you for your time.

---

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks.

---

**Scott Deitz** - OWENS CORNING NEW - VP, IR & Corporate Communication

Denise, I think we'll conclude the Q&A session there. My apologies to those remaining in the queue that we haven't gotten to your questions yet. However, if you call later this afternoon we will return as many calls as we can Mike will be doing a CNBC interview at 1:20 eastern time. He will be returning phone calls between now and 1:00 and then we'll be back on the phone today late today. Also, I want to remind those listening in that we are currently expecting that we will announce our second quarter results on July 30. With that I will turn it over to Mike to close the call.

---

**Mike Thaman** - OWENS CORNING NEW - Chairman & CEO

Thanks Scott, well first and foremost I want to thank all of you for joining us today. We certainly appreciate your continued interest in our company and we look forward to speaking with you again when we do the second quarter call as Scott mentioned. You know, I'd repeat something I said from my prepared remarks. This quarter really does demonstrate the value of the portfolio actions that we took last year and I would tell you in a tough market I think it's gratifying for me it's gratifying for the management team, I think it's gratifying for the people of Owens Corning, to see the strategic actions starting to come through in the financial results. And that really is what we've seen today and I think it shapes how we're looking at 2008 and beyond. You know, we believe the company is performing. We are encouraged by our results. We met our own internal expectations and believe that we are making the progress we need to make against the goals we set for our business this year. Clearly our companies performance has been improved by the global growth of our composites business.

We not only love that business. We love what that does for our company in terms of globalizing our business, giving us a more global footprint and really giving us talented feet on the street in a lot of the corners of the world where we haven't been to begin thinking about how to grow Owens Corning globally. Finally, and I said this a little bit in response to the last call. You know, it's important to recognize with these building materials businesses, that as tough as the market is today, it will be that good some day in the future and what we look at is the franchise value of our businesses how do we make sure that we continue to own businesses that are in great markets, that have good industry structures where we have the premier franchise in that marketplace. We think that's the portfolio building materials business we have today. The challenge we've given the management teams over there is to deliver results in the near term but make sure that we're also building results for the long-term. We are working the cost side away from the customer but I would say that the amount of money we're spending today facing our

May. 07. 2008 / 11:00AM, OC - Q1 2008 OWENS CORNING Earnings Conference Call

customers is as much or more than what we've in the past and we're still getting good profitability out of those businesses and building up that franchise. And we think that's -- what our investors should expect of us, that's what we expect of ourselves and we are happy with where we are at this point. So, with that, I'll close out, thank you again for your interest and we'll talk to you again in the second quarter, bye.

---

**Operator**

Thank you for your participation in today's conference, this concludes the presentation and you may now disconnect. Have a great day.

---

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.