CITIGROUP INC
Form 424B2
October 25, 2018

The information in this preliminary pricing supplement is not complete and may be changed. A registration statement relating to these notes has been filed with the Securities and Exchange Commission. This preliminary pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus are not an offer to sell these notes, nor are they soliciting an offer to buy these notes, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 24, 2018

	November-----, 2018
	Medium-Term Senior Notes, Series N
Citigroup Global Markets Holdings Inc.	**Pricing Supplement No. 2018-USNCH1589**
	Filed Pursuant to Rule 424(b)(2)
	Registration Statement Nos. 333-216372 and 333-216372-01

Market-Linked Notes Linked to the EURO STOXX 50® Index Due December 2, 2021

Overview

The notes offered by this pricing supplement are unsecured senior debt securities issued by Citigroup Global Markets Holdings Inc. and guaranteed by Citigroup Inc. Unlike conventional debt securities, the notes do not pay interest and do not guarantee the full repayment of principal at maturity. Instead, the notes offer the potential for a return at maturity based on the performance of the EURO STOXX 50® Index (the “underlying index”) from the initial index level to the final index level.

The notes provide modified exposure at the upside participation rate specified below to the potential appreciation of the underlying index. If the underlying index appreciates from the initial index level to the final index level, you will receive a positive return at maturity equal to that appreciation *multiplied by* the upside participation rate. However, if the underlying index depreciates from the initial index level to the final index level, you will incur a loss at maturity equal to that depreciation, subject to a maximum loss of 5% of the stated principal amount. Even if the underlying index appreciates from the initial index level to the final index level so that you do receive a positive return at maturity, there is no assurance that your total return at maturity on the notes will compensate you for the effects of inflation or be as great as the yield you could have achieved on a conventional debt security of ours of comparable maturity.

In exchange for the capped loss potential if the underlying index depreciates, investors in the notes must be willing to forgo any dividends that may be paid on the stocks that constitute the underlying index during the term of the notes. **If the underlying index does not appreciate from the pricing date to the valuation date, you will not receive any return on your investment in the notes, and you may lose up to 5% of your investment.**

In order to obtain the modified exposure to the underlying index that the notes provide, investors must be willing to accept (i) an investment that may have limited or no liquidity and (ii) the risk of not receiving any amount due under the notes if we and Citigroup Inc. default on our obligations. **All payments on the notes are subject to the credit risk of Citigroup Global Markets Holdings Inc. and Citigroup Inc.**

KEY TERMS

Issuer:	Citigroup Global Markets Holdings Inc., a wholly owned subsidiary of Citigroup Inc.
Guarantee:	All payments due on the notes are fully and unconditionally guaranteed by Citigroup Inc.
Underlying index:	The EURO STOXX 50® Index (ticker symbol: “SX5E”)
Aggregate stated principal amount:	$
Stated principal amount:	$1,000 per note
Pricing date:	November 27, 2018
Issue date:	November 30, 2018
Valuation date:	November 29, 2021, subject to postponement if such date is not a scheduled trading day or if certain market disruption events occur
Maturity date:	December 2, 2021
Payment at maturity:	For each $1,000 stated principal amount note you hold at maturity, you will receive an amount in cash determined as follows: If the final index level is **greater than** the initial index level: $1,000 + ($1,000 × the index return × the upside participation rate) If the final index level is **less than or equal to** the initial index level: $1,000 + ($1,000 × the index return), subject to the minimum payment at maturity **If the final index level depreciates from the initial index level, you will be exposed to the first 5% of that depreciation and your payment at maturity will be less than the stated principal amount per note. You should not invest in the notes unless you are willing and able to bear the risk of losing up to $50 per note.**
Initial index level:	, the closing level of the underlying index on the pricing date
Final index level:	The closing level of the underlying index on the valuation date
Minimum payment at maturity:	$950 per note (95% of the stated principal amount)
Index return:	(i) The final index level *minus* the initial index level, *divided by* (ii) the initial index level
Upside participation rate:	135% to 140%. The actual upside participation rate will be determined on the pricing date.
Listing:	The notes will not be listed on any securities exchange
CUSIP / ISIN:	17326YYU4 / US17326YYU45
Underwriter:	Citigroup Global Markets Inc. (“CGMI”), an affiliate of the issuer, acting as principal

Underwriting fee and issue price:	**Issue price(1)(2)**	**Underwriting fee(3)**	**Proceeds to issuer(4)**
Per note:	$1,000.00	$	$
Total:	$	$	$

(1) Citigroup Global Markets Holdings Inc. currently expects that the estimated value of the notes on the pricing date will be at least $912.50 per note, which will be less than the issue price. The estimated value of the notes is based on CGMI’s proprietary pricing models and our internal funding rate. It is not an indication of actual profit to CGMI or other of our affiliates, nor is it an indication of the price, if any, at which CGMI or any other person may be willing to buy the notes from you at any time after issuance. See “Valuation of the Notes” in this pricing supplement.

(2) The issue price for investors purchasing the notes in fee-based advisory accounts will be $975 per note, assuming no custodial fee is charged by a selected dealer, and up to $980 per note, assuming the maximum custodial fee is charged by a selected dealer. See "Supplemental Plan of Distribution" in this pricing supplement.

(3) CGMI will receive an underwriting fee of up to $30 for each $1,000 note sold in this offering. Selected dealers not affiliated with CGMI and their financial advisors will collectively receive from CGMI a selling concession of up to $30 for each $1,000 note they sell. In addition, CGMI will pay selected dealers not affiliated with CGMI a structuring fee of up to $5 for each note they sell. For more information on the distribution of the notes, see "Supplemental Plan of Distribution" in this preliminary pricing supplement. In addition to the underwriting fee, CGMI and its affiliates may profit from expected hedging activity related to this offering, even if the value of the notes declines. See "Use of Proceeds and Hedging" in the accompanying prospectus.

(4) The per note proceeds to issuer indicated above represent the minimum per note proceeds to issuer for any note, assuming the maximum per note underwriting fee. As noted above, the underwriting fee is variable.

Investing in the notes involves risks not associated with an investment in conventional debt securities. See "Summary Risk Factors" beginning on page PS-4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

You should read this pricing supplement together with the accompanying product supplement, underlying supplement, prospectus supplement and prospectus, each of which can be accessed via the hyperlinks below:

Product Supplement No. EA-02-06 dated April 7, 2017 **Underlying Supplement No. 7 dated July 16, 2018**
Prospectus Supplement and Prospectus each dated April 7, 2017

The notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Citigroup Global Markets Holdings Inc.

Additional Information

The terms of the notes are set forth in the accompanying product supplement, prospectus supplement and prospectus, as supplemented by this pricing supplement. The accompanying product supplement, prospectus supplement and prospectus contain important disclosures that are not repeated in this pricing supplement. For example, certain events may occur that could affect your payment at maturity. These events and their consequences are described in the accompanying product supplement in the sections "Description of the Securities—Certain Additional Terms for Securities Linked to an Underlying Index—Consequences of a Market Disruption Event; Postponement of a Valuation Date" and "—Discontinuance or Material Modification of an Underlying Index," and not in this pricing supplement. The accompanying underlying supplement contains important disclosures regarding the underlying index that are not repeated in this pricing supplement. It is important that you read the accompanying product supplement, underlying supplement, prospectus supplement and prospectus together with this pricing supplement before deciding whether to invest in the notes. Certain terms used but not defined in this pricing supplement are defined in the accompanying product supplement.

Payout Diagram

The diagram below illustrates your payment at maturity for a range of hypothetical index returns. The diagram assumes that the upside participation rate will be set at the lowest value indicated on the cover page of this pricing supplement. The actual upside participation rate will be determined on the pricing date.

Investors in the notes will not receive any dividends that may be paid on the stocks that constitute the underlying index. The diagram and examples below do not show any effect of lost dividend yield over the term of the notes. See "Summary Risk Factors—Investing in the notes is not equivalent to investing in the underlying index or the stocks that constitute the underlying index" below.

Market-Linked Notes
Payment at Maturity Diagram

Citigroup Global Markets Holdings Inc.

Hypothetical Examples

The examples below illustrate how to determine the payment at maturity on the notes. The examples below are for illustrative purposes, do not show all possible outcomes and are not a prediction of any payment that may be made on the notes. The examples below are based on a hypothetical initial index level of 100 and do not reflect the actual initial index level. For the actual initial index level, see the cover page of this pricing supplement. We have used this hypothetical level, rather than the actual initial index level, to simplify the calculations and aid understanding of how the notes work. However, you should understand that the actual payment on the notes will be calculated based on the actual initial index level, and not the hypothetical initial index level.

The examples below are intended to illustrate how your payment at maturity will depend on the final index level. Your actual payment at maturity per note will depend on the actual final index level.

Example 1—Upside Scenario. The final index level is 110 (a 10% increase from the initial index level), which is **greater than** the initial index level.

Payment at maturity per note = $1,000 + ($1,000 × the index return × the upside participation rate)

= $1,000 + ($1,000 × 10% × 135%)

= $1,000 + $135

= $1,135

Because the underlying index appreciated by 10% from its initial index level to its final index level, your total return at maturity in this scenario would be 13.50%.

Example 2—Downside Scenario A. The final index level is 98 (a 2% decrease from the initial index level), which is **less than** the initial index level.

Payment at maturity per note = $1,000 + ($1,000 × the index return), subject to the minimum payment at maturity

= $1,000 + ($1,000 × -2%), subject to the minimum payment at maturity

= $1,000 + -$20, subject to the minimum payment at maturity

= $980, subject to the minimum payment at maturity

= $980

In this scenario, because the underlying index depreciated from the initial index level to the final index level, but not by more than 5%, your payment at maturity would reflect 1-to-1 exposure to the negative performance of the underlying index and you would incur a loss at maturity equal to the depreciation of the underlying index.

Example 3—Downside Scenario B. The final index level is 80 (a 20% decrease from the initial index level), which is **less than** the initial index level.

Payment at maturity per note = $1,000 + ($1,000 × the index return), subject to the minimum payment at maturity

= $1,000 + ($1,000 × -20%), subject to the minimum payment at maturity of $950 per note

= $1,000 + -$200, subject to the minimum payment at maturity

= $800, subject to the minimum payment at maturity

= $950

In this scenario, because the underlying index depreciated from the initial index level to the final index level by more than 5%, you would incur a loss at maturity equal to the maximum loss of 5%.

Citigroup Global Markets Holdings Inc.

Summary Risk Factors

An investment in the notes is significantly riskier than an investment in conventional debt securities. The notes are subject to all of the risks associated with an investment in our conventional debt securities (guaranteed by Citigroup Inc.), including the risk that we and Citigroup Inc. may default on our obligations under the notes, and are also subject to risks associated with the underlying index. Accordingly, the notes are suitable only for investors who are capable of understanding the complexities and risks of the notes. You should consult your own financial, tax and legal advisors as to the risks of an investment in the notes and the suitability of the notes in light of your particular circumstances.

The following is a summary of certain key risk factors for investors in the notes. You should read this summary together with the more detailed description of risks relating to an investment in the notes contained in the section "Risk Factors Relating to the Securities" beginning on page EA-6 in the accompanying product supplement. You should also carefully read the risk factors included in the accompanying prospectus supplement and in the documents incorporated by reference in the accompanying prospectus, including Citigroup Inc.'s most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q, which describe risks relating to the business of Citigroup Inc. more generally.

You may not receive any return on your investment in the notes and may lose up to 5% of your investment. You will receive a positive return on your investment in the notes only if the underlying index appreciates from the initial index level to the final index level. If the final index level is less than the initial index level, you will lose 1% of the stated principal amount of the notes for every 1% by which the final index level is less than the initial index level, subject to a maximum loss of 5% of your investment. As the notes do not pay any interest, if the underlying index does not appreciate sufficiently from the initial index level to the final index level over the term of the notes or if the underlying index depreciates from the initial index level to the final index level, the overall return on the notes may be less than the amount that would be paid on our conventional debt securities of comparable maturity.

The notes do not pay interest. Unlike conventional debt securities, the notes do not pay interest or any other amounts prior to maturity. You should not invest in the notes if you seek current income during the term of the notes.

Although the notes limit your loss at maturity to 5%, you may nevertheless suffer additional losses on your investment in real value terms if the underlying index declines or does not appreciate sufficiently from the initial index level to the final index level. This is because inflation may cause the real value of the stated principal amount to be less at maturity than it is at the time you invest, and because an investment in the notes represents a forgone opportunity to invest in an alternative asset that does generate a positive real return. This potential loss in real value terms is significant given the term of the notes. You should carefully consider whether an investment that may not provide for any return on your investment, or may provide a return that is lower than the return on alternative investments, is appropriate for you.

Investing in the notes is not equivalent to investing in the underlying index or the stocks that constitute the underlying index. You will not have voting rights, rights to receive dividends or other distributions or any other rights with respect to the stocks that constitute the underlying index. The payment scenarios described in this pricing supplement do not show any effect of lost dividend yield over the term of the notes. If the underlying index appreciates, or if it depreciates by up to the dividend yield, this lost dividend yield may cause the notes to underperform an alternative investment providing for a pass-through of dividends and 1-to-1 exposure to the performance of the underlying index or its component companies.

Your payment at maturity depends on the closing level of the underlying index on a single day. Because your payment at maturity depends on the closing level of the underlying index solely on the valuation date, you are subject to the risk that the closing level of the underlying index on that day may be lower, and possibly significantly lower, than on one or more other dates during the term of the notes. If you had invested in another instrument linked to the underlying index that you could sell for full value at a time selected by you, or if the payment at maturity were based on an average of closing levels of the underlying index, you might have achieved better returns.

The notes are subject to the credit risk of Citigroup Global Markets Holdings Inc. and Citigroup Inc. If we default on our obligations under the notes and Citigroup Inc. defaults on its guarantee obligations, you may not receive anything owed to you under the notes.

The notes will not be listed on any securities exchange and you may not be able to sell them prior to maturity. The notes will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the notes. CGMI currently intends to make a secondary market in relation to the notes and to provide an indicative bid price for the notes on a daily basis. Any indicative bid price for the notes provided by CGMI will be determined in CGMI's sole discretion, taking into account prevailing market conditions and other relevant factors, and will not be a representation by CGMI that the notes can be sold at that price, or at all. CGMI may suspend or terminate making a market and providing indicative bid prices without notice, at any time and for any reason. If CGMI suspends or terminates making a market, there may be no secondary market at all for the notes because it is likely that CGMI will be the only broker-dealer that is willing to buy your notes prior to maturity. Accordingly, an investor must be prepared to hold the notes until maturity.

The estimated value of the notes on the pricing date, based on CGMI's proprietary pricing models and our internal funding rate, will be less than the issue price. The difference is attributable to certain costs associated with selling, structuring and hedging the notes that are included in the issue price. These costs include (i) any selling concessions or other fees paid in connection with the offering of the notes, (ii) hedging and other costs incurred by us and our affiliates in connection with the offering of the notes and (iii) the expected profit (which may be more or less than actual profit) to CGMI or other of our affiliates in connection with hedging our obligations under the notes. These costs adversely affect the economic terms of the notes because, if they were lower, the economic terms of the notes would be more favorable to you. The economic terms of the notes are also likely to be adversely affected by the use of our internal funding rate, rather than our secondary market rate, to price the notes. See "The estimated value of the notes would be lower if it were calculated based on our secondary market rate" below.

The estimated value of the notes was determined for us by our affiliate using proprietary pricing models. CGMI derived the estimated value disclosed on the cover page of this pricing supplement from its proprietary pricing models. In doing so, it may have made discretionary judgments about the inputs to its models, such as the volatility of the closing level of the underlying index, dividend yields on the stocks that constitute the underlying index and interest rates. CGMI's views on these inputs may differ from your or others' views, and as an underwriter in this offering, CGMI's interests may conflict with yours. Both the models and the inputs to the models may prove to be wrong and therefore not an accurate reflection of the value of the notes. Moreover, the estimated value of the notes set forth on the cover page of this pricing supplement may differ from the value that we or our affiliates may determine for the notes for other purposes, including for accounting purposes. You should not invest in the notes because of the estimated value of the notes. Instead, you should be willing to hold the notes to maturity irrespective of the initial estimated value.

The estimated value of the notes would be lower if it were calculated based on our secondary market rate. The estimated value of the notes included in this pricing supplement is calculated based on our internal funding rate, which is the rate at which we are willing to borrow funds through the issuance of the notes. Our internal funding rate is generally lower than our secondary market rate, which is the rate that CGMI will use in determining the value of the notes for purposes of any purchases of the notes from you in the secondary market. If the estimated value included in this pricing supplement were based on our secondary market rate, rather than our internal funding rate, it would likely be lower. We determine our internal funding rate based on factors such as the costs associated with the notes, which are generally higher than the costs associated with conventional debt securities, and our liquidity needs and preferences. Our internal funding rate is not an interest rate that is payable on the notes.

Because there is not an active market for traded instruments referencing our outstanding debt obligations, CGMI determines our secondary market rate based on the market price of traded instruments referencing the debt obligations of Citigroup Inc., our parent company and the guarantor of all payments due on the notes, but subject to adjustments that CGMI makes in its sole discretion. As a result, our secondary market rate is not a market-determined measure of our creditworthiness, but rather reflects the market's perception of our parent company's creditworthiness as adjusted for discretionary factors such as CGMI's preferences with respect to purchasing the notes prior to maturity.

The estimated value of the notes is not an indication of the price, if any, at which CGMI or any other person may be willing to buy the notes from you in the secondary market. Any such secondary market price will fluctuate over the term of the notes based on the market and other factors described in the next risk factor. Moreover, unlike the estimated value included in this pricing supplement, any value of the notes determined for purposes of a secondary market transaction will be based on our secondary market rate, which will likely result in a lower value for

the notes than if our internal funding rate were used. In addition, any secondary market price for the notes will be reduced by a bid-ask spread, which may vary depending on the aggregate stated principal amount of the notes to be purchased in the secondary market transaction, and the expected cost of unwinding related hedging transactions. As a result, it is likely that any secondary market price for the notes will be less than the issue price.

The value of the notes prior to maturity will fluctuate based on many unpredictable factors. The value of your notes prior to maturity will fluctuate based on the level and volatility of the closing level of the underlying index and a number of other factors, including the price and volatility of the stocks that constitute the underlying index, the dividend yields on the stocks that constitute the underlying index, interest rates generally, the volatility of the exchange rate between the U.S. dollar and the euro, the correlation between that exchange rate and the level of the underlying index, the time remaining to maturity and our and Citigroup Inc.'s creditworthiness, as reflected in our secondary market rate. Changes in the level of the underlying index may not result in a comparable change in the value of your notes. You should understand that the value of your notes at any time prior to maturity may be significantly less than the issue price.

Immediately following issuance, any secondary market bid price provided by CGMI, and the value that will be indicated on any brokerage account statements prepared by CGMI or its affiliates, will reflect a temporary upward adjustment. The amount of this temporary upward adjustment will steadily decline to zero over the temporary adjustment period. See "Valuation of the Notes" in this pricing supplement.

The EURO STOXX 50® Index is subject to risks associated with non-U.S. markets. Investments linked to the value of non-U.S. stocks involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Also, there is generally less

publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC. Further, non-U.S. companies are generally subject to accounting, auditing and financial reporting standards and requirements and securities trading rules that are different from those applicable to U.S. reporting companies. The prices of securities in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. Moreover, the economies in such countries may differ favorably or unfavorably from the economy of the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

The performance of the EURO STOXX 50® Index will not be adjusted for changes in the exchange rate between the euro and the U.S. dollar. The EURO STOXX 50® Index is composed of stocks traded in euro, the value of which may be subject to a high degree of fluctuation relative to the U.S. dollar. However, the performance of the EURO STOXX 50® Index and the value of your notes will not be adjusted for exchange rate fluctuations. If the euro appreciates relative to the U.S. dollar over the term of the notes, the performance of the EURO STOXX 50® Index as measured for purposes of the notes will be less than it would have been if it offered exposure to that appreciation in addition to the change in the euro prices of the stocks included in the EURO STOXX 50® Index.

Our offering of the notes is not a recommendation of the underlying index. The fact that we are offering the notes does not mean that we believe that investing in an instrument linked to the underlying index is likely to achieve favorable returns. In fact, as we are part of a global financial institution, our affiliates may have positions (including short positions) in the underlying index or in instruments related to the underlying index, and may publish research or express opinions, that in each case are inconsistent with an investment linked to the underlying index. These and other activities of our affiliates may affect the closing level of the underlying index in a way that has a negative impact on your interests as a holder of the notes.

The closing level of the underlying index may be adversely affected by our or our affiliates' hedging and other trading activities. We expect to hedge our obligations under the notes through CGMI or other of our affiliates, who may take positions in the underlying index or in financial instruments related to the underlying index and may adjust such positions during the term of the notes. Our affiliates also take positions in the underlying index or in financial instruments related to the underlying index on a regular basis (taking long or short positions or both), for their accounts, for other accounts under their management or to facilitate transactions on behalf of customers. These activities could affect the closing level of the underlying index in a way that negatively affects the value of and your return on the notes. They could also result in substantial returns for us or our affiliates while the value of the notes declines.

We and our affiliates may have economic interests that are adverse to yours as a result of our affiliates' business activities. Our affiliates engage in business activities with a wide range of companies. These activities include extending loans, making and facilitating investments, underwriting securities offerings and providing advisory services. These activities could involve or affect the underlying index in a way that negatively affects the value of and your return on the notes. They could also result in substantial returns for us or our affiliates while the value of the notes declines. In addition, in the course of this business, we or our affiliates may acquire non-public information, which will not be disclosed to you.

The calculation agent, which is an affiliate of ours, will make important determinations with respect to the notes. If certain events occur during the term of the notes, such as market disruption events and other events with respect to the underlying index, CGMI, as calculation agent, will be required to make discretionary judgments that could significantly affect your return on the notes. In making these judgments, the calculation agent's interests as an affiliate of ours could be adverse to your interests as a holder of the notes.

Changes that affect the underlying index may affect the value of your notes. The sponsor of the underlying index may at any time make methodological changes or other changes in the manner in which it operates that could affect the level of the underlying index. We are not affiliated with such underlying sponsor and, accordingly, we have no control over any changes such sponsor may make. Such changes could adversely affect the performance of the underlying index and the value of and your return on the notes.

Citigroup Global Markets Holdings Inc.

Information About the EURO STOXX 50® Index

The EURO STOXX 50® Index is composed of 50 component stocks of market sector leaders from within the 19 EURO STOXX® Supersector indices, which represent the Eurozone portion of the STOXX Europe 600® Supersector indices. The STOXX Europe 600® Supersector indices contain the 600 largest stocks traded on the major exchanges of 18 European countries. The EURO STOXX 50® Index is calculated and maintained by STOXX Limited.

Please refer to the section "Equity Index Descriptions—The EURO STOXX 50® Index" in the accompanying underlying supplement for additional information.

We have derived all information regarding the EURO STOXX 50® Index from publicly available information and have not independently verified any information regarding the EURO STOXX 50® Index. This pricing supplement relates only to the notes and not to the EURO STOXX 50® Index. We make no representation as to the performance of the EURO STOXX 50® Index over the term of the notes.

The notes represent obligations of Citigroup Global Markets Holdings Inc. (guaranteed by Citigroup Inc.) only. The sponsor of the EURO STOXX 50® Index is not involved in any way in this offering and has no obligation relating to the notes or to holders of the notes.

Historical Information

The closing level of the EURO STOXX 50® Index on October 19, 2018 was 3,210.82.

The graph below shows the closing level of the EURO STOXX 50® Index for each day such level was available from January 2, 2008 to October 19, 2018. We obtained the closing levels from Bloomberg L.P., without independent verification. **You should not take historical closing levels as an indication of future performance.**

EURO STOXX 50® Index – Historical Closing Levels
January 2, 2008 to October 19, 2018

Citigroup Global Markets Holdings Inc.

United States Federal Income Tax Considerations

Prospective investors should note that, other than the discussion under "United States Federal Tax Considerations—Tax Consequences to Non-U.S. Holders—Possible Withholding Under Section 871(m) of the Code," the section entitled "United States Federal Tax Considerations" in the accompanying product supplement does not apply to the notes issued under this pricing supplement and is superseded by the following discussion.

In the opinion of our counsel, Davis Polk & Wardwell LLP, the notes should be treated as "contingent payment debt instruments" for U.S. federal income tax purposes, as described in the section of the accompanying prospectus supplement called "United States Federal Tax Considerations—Tax Consequences to U.S. Holders—Notes Treated as Contingent Payment Debt Instruments," and the remaining discussion is based on this treatment. The discussion herein does not address the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended (the "Code").

If you are a U.S. Holder (as defined in the accompanying prospectus supplement), you will be required to recognize interest income during the term of the notes at the "comparable yield," which generally is the yield at which we could issue a fixed-rate debt instrument with terms similar to those of the notes, including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for the riskiness of the contingencies or the liquidity of the notes. We are required to construct a "projected payment schedule" in respect of the notes representing a payment the amount and timing of which would produce a yield to maturity on the notes equal to the comparable yield. Assuming you hold the notes until their maturity, the amount of interest you include in income based on the comparable yield in the taxable year in which the notes mature will be adjusted upward or downward to reflect the difference, if any, between the actual and projected payment on the notes at maturity as determined under the projected payment schedule.

Upon the sale, exchange or retirement of the notes prior to maturity, you generally will recognize gain or loss equal to the difference between the proceeds received and your adjusted tax basis in the notes. Your adjusted tax basis will equal your purchase price for the notes, increased by interest previously included in income on the notes. Any gain generally will be treated as ordinary income, and any loss generally will be treated as ordinary loss to the extent of prior interest inclusions on the note and as capital loss thereafter.

We have determined that the comparable yield for a note is a rate of %, compounded semi-annually, and that the projected payment schedule with respect to a note consists of a single payment of $ at maturity.

Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount that we will pay on the notes.

Non-U.S. Holders. Subject to the discussions below regarding Section 871(m) and in "United States Federal Tax Considerations—Tax Consequences to Non-U.S. Holders" and "—FATCA" in the accompanying prospectus supplement, if you are a Non-U.S. Holder (as defined in the accompanying prospectus supplement) of the notes, under current law you generally will not be subject to U.S. federal withholding or income tax in respect of any payment on or any amount received on the sale, exchange or retirement of the notes, provided that (i) income in respect of the notes is not effectively connected with your conduct of a trade or business in the United States, and (ii) you comply with the applicable certification requirements. See "United States Federal Tax Considerations—Tax Consequences to Non-U.S. Holders" in the accompanying prospectus supplement for a more detailed discussion of the rules applicable to Non-U.S. Holders of the notes.

As discussed under "United States Federal Tax Considerations—Tax Consequences to Non-U.S. Holders—Possible Withholding Under Section 871(m) of the Code" in the accompanying product supplement, Section 871(m) of the Code and Treasury regulations promulgated thereunder ("Section 871(m)") generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities ("U.S. Underlying Equities") or indices that include U.S. Underlying Equities. Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. Underlying Equities, as determined based on tests set forth in the applicable Treasury regulations (a "Specified Security"). However, the regulations, as modified by an Internal Revenue Service ("IRS") notice, exempt financial instruments issued prior to January 1, 2021 that do not have a "delta" of one. Based on the terms of the notes and representations provided by us, our counsel is of the opinion that the notes should not be treated as transactions that have a "delta" of one within the meaning of the regulations with respect to any U.S. Underlying Equity and, therefore, should not be Specified Securities subject to withholding tax under Section 871(m).

A determination that the notes are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular circumstances. For example, if you enter into other transactions relating to a U.S. Underlying Equity, you could be subject to withholding tax or income tax liability under Section 871(m) even if the notes are not Specified Securities subject to Section 871(m) as a general matter. You should consult your tax adviser regarding the potential application of Section 871(m) to the notes.

This information is indicative and will be updated in the final pricing supplement or may otherwise be updated by us in writing from time to time. Non-U.S. Holders should be warned that Section 871(m) may apply to the notes based on circumstances as of the pricing date for the notes and, therefore, it is possible that the notes will be subject to withholding tax under Section 871(m).

If withholding tax applies to the notes, we will not be required to pay any additional amounts with respect to amounts withheld.

You should read the section entitled "United States Federal Tax Considerations" in the accompanying prospectus supplement and the discussion under "United States Federal Tax Considerations—Tax Consequences to Non-U.S. Holders—Possible Withholding Under Section 871(m) of the Code" in the accompanying product supplement. The preceding discussion, when read in combination with those sections, constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the notes.

You should also consult your tax adviser regarding all aspects of the U.S. federal tax consequences of an investment in the notes and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Supplemental Plan of Distribution

CGMI, an affiliate of Citigroup Global Markets Holdings Inc. and the underwriter of the sale of the notes, is acting as principal and will receive an underwriting fee of up to $30 for each $1,000 note sold in this offering. The actual underwriting fee will be equal to $30 for each $1,000 note sold by CGMI directly to the public and will otherwise be equal to the selling concession provided to selected dealers, as described in this paragraph. Selected dealers not affiliated with CGMI and their financial advisors will collectively receive from CGMI a selling concession of up to $30 for each note they sell to accounts other than fee-based advisory accounts. In addition, CGMI will pay selected dealers not affiliated with CGMI a structuring fee of up to $5 for each note they sell to accounts other than fee-based advisory accounts. Selected dealers not affiliated with CGMI, which may include dealers acting as custodians, will receive from CGMI a selling concession of up to $5 for each $1,000 note they sell to fee-based advisory accounts.

CGMI is an affiliate of ours. Accordingly, this offering will conform with the requirements addressing conflicts of interest when distributing the securities of an affiliate set forth in Rule 5121 of the Financial Industry Regulatory Authority. Client accounts over which Citigroup Inc. or its subsidiaries have investment discretion will not be permitted to purchase the notes, either directly or indirectly, without the prior written consent of the client.

Secondary market sales of securities typically settle two business days after the date on which the parties agree to the sale. Because the issue date for the notes is more than two business days after the pricing date, investors who wish to sell the notes at any time prior to the second business day preceding the issue date will be required to specify an alternative settlement date for the secondary market sale to prevent a failed settlement. Investors should consult their own investment advisors in this regard.

See "Plan of Distribution; Conflicts of Interest" in the accompanying product supplement and "Plan of Distribution" in each of the accompanying prospectus supplement and prospectus for additional information.

A portion of the net proceeds from the sale of the notes will be used to hedge our obligations under the notes. We expect to hedge our obligations under the notes through CGMI or other of our affiliates. CGMI or such other of our affiliates may profit from this expected hedging activity even if the value of the notes declines. This hedging activity could affect the closing level of the underlying index and, therefore, the value of and your return on the notes. For additional information on the ways in which our counterparties may hedge our obligations under the notes, see "Use of Proceeds and Hedging" in the accompanying prospectus.

Valuation of the Notes

CGMI calculated the estimated value of the notes set forth on the cover page of this pricing supplement based on proprietary pricing models. CGMI's proprietary pricing models generated an estimated value for the notes by estimating the value of a hypothetical package of financial instruments that would replicate the payout on the notes, which consists of a fixed-income bond (the "bond component") and one or more derivative instruments underlying the economic terms of the notes (the "derivative component"). CGMI calculated the estimated value of the bond component using a discount rate based on our internal funding rate. CGMI calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the instruments that constitute the derivative component based on various inputs, including the factors described under "Summary Risk Factors—The value of the notes prior to maturity will fluctuate based on many unpredictable factors" in this pricing supplement, but not including our or Citigroup Inc.'s creditworthiness. These inputs may be market-observable or may be based on assumptions made by CGMI in its discretionary judgment.

The estimated value of the notes is a function of the terms of the notes and the inputs to CGMI's proprietary pricing models. As of the date of this preliminary pricing supplement, it is uncertain what the estimated value of the notes will be on the pricing date because certain terms of the notes have not yet been fixed and because it is uncertain what the values of the inputs to CGMI's proprietary pricing models will be on the pricing date.

For a period of approximately three months following issuance of the notes, the price, if any, at which CGMI would be willing to buy the notes from investors, and the value that will be indicated for the notes on any brokerage account statements prepared by CGMI or its affiliates (which value CGMI may also publish through one or more financial information vendors), will reflect a temporary upward adjustment from the price or value that would otherwise be determined. This temporary upward adjustment represents a portion of the hedging profit expected to be realized by CGMI or its affiliates over the term of the notes. The amount of this temporary upward adjustment will decline to zero on a straight-line basis over the three-month temporary adjustment period. However, CGMI is not

obligated to buy the notes from investors at any time. See “Summary Risk Factors—The notes will not be listed on any securities exchange and you may not be able to sell them prior to maturity.”

Certain Selling Restrictions

Hong Kong Special Administrative Region

The contents of this pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus have not been reviewed by any regulatory authority in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus, they should obtain independent professional advice.

The notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document, other than

(i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or

(ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “Securities and Futures Ordinance”) and any rules made under that Ordinance; or

(iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

There is no advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Non-insured Product: These notes are not insured by any governmental agency. These notes are not bank deposits and are not covered by the Hong Kong Deposit Protection Scheme.

Singapore

This pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus have not been registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this pricing supplement or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act. Where the notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the relevant securities pursuant to an offer under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

Citigroup Global Markets Holdings Inc.

(iv) pursuant to Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Any notes referred to herein may not be registered with any regulator, regulatory body or similar organization or institution in any jurisdiction.

The notes are Specified Investment Products (as defined in the Notice on Recommendations on Investment Products and Notice on the Sale of Investment Product issued by the Monetary Authority of Singapore on 28 July 2011) that is neither listed nor quoted on a securities market or a futures market.

Non-insured Product: These notes are not insured by any governmental agency. These notes are not bank deposits. These notes are not insured products subject to the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 of Singapore and are not eligible for deposit insurance coverage under the Deposit Insurance Scheme.

Prohibition of Sales to EEA Retail Investors

The notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC; and

(b)

the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes offered so as to enable an investor to decide to purchase or subscribe the notes.

Contact

Clients may contact their local brokerage representative. Third-party distributors may contact Citi Structured Investment Sales at (212) 723-7005.

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;25,038

Cash and cash equivalents at end of period

$39,880 $7,454

See accompanying notes to condensed consolidated financial statements.

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NCI BUILDING SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JULY 27, 2008

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, which consist of normal recurring entries except as otherwise disclosed, considered necessary for a fair presentation have been made. Operating results for the fiscal three month and fiscal nine month periods ended July 27, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending November 2, 2008. Among the factors that could cause actual results to differ materially are industry cyclicality, seasonality and changes in steel prices.

We use a four-four-five week calendar each quarter with year end on the Sunday closest to October 31. The year end for fiscal 2008 is November 2, 2008. As a result, the fourth quarter of this fiscal year will include an additional week of operating activity.

Certain reclassifications have been made to prior period amounts in our condensed consolidated balance sheets and condensed consolidated statements of income to conform to the current presentation.

For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 28, 2007 filed with the Securities and Exchange Commission (the SEC).

NOTE 2 CHANGE IN ACCOUNTING

We adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of Financial Accounting Standards Board Statement No. 109* (FIN 48) on October 29, 2007. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. The first step is to evaluate the tax position for recognition by determining if, based on the weight of the available evidence, it is more likely than not that the position will be sustained on examination. The second step is to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement with a taxing authority. Both criteria presume that the tax position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The cumulative effect of adopting FIN 48 was recorded as of October 29, 2007 as a decrease of $0.4 million to retained earnings. The total amount of unrecognized tax benefits and related penalties and interest as of October 29, 2007 was $0.9 million. If the Company were to recognize all unrecognized tax benefits, $0.4 million would reduce the effective tax rate. We do not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

We recognize interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. We did not have a material amount of accrued interest and penalties related to uncertain tax positions as of July 27, 2008.

We file income tax returns in the U.S. federal jurisdiction and multiple state and foreign jurisdictions. Our tax years are closed with the IRS through the year ended October 30, 2004 as the statute of limitations related to these tax years has closed. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

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NOTE 3 ACQUISITIONS

On January 31, 2007, we completed the purchase of substantially all of the assets of Garco Building Systems, Inc. (Garco), which designs, manufactures and distributes steel building systems primarily for markets in the northwestern United States and western Canada. Garco is now a division of our Company and the results of Garco s operations beginning January 31, 2007 are included in our condensed consolidated financial statements. Garco is headquartered in Spokane, Washington, where it operates a manufacturing facility for steel building systems for industrial, commercial, institutional and agricultural applications. The aggregate purchase price for this acquisition was $17.2 million, comprised of $15.4 million in cash and $1.8 million in restricted common stock (35,448 shares). At the date of purchase, there was no excess of cost over fair value of the acquired assets. We obtained third-party valuations of certain tangible and intangible assets. As a result of the valuation work, we recorded $5.7 million in intangible assets which includes $2.5 million in customer relationships. The $1.8 million in restricted NCI common stock relates to 5-year non-compete agreements with certain of the sellers of Garco. We will expense the fair value of the restricted stock ratably over the terms of the agreements. In addition, we recorded $6.5 million in property, plant and equipment and $5.0 million in working capital. Garco s results of operations are included in the engineered building systems segment. This acquisition was not material to the financial statements as a whole, and accordingly, pro forma information has not been provided.

NOTE 4 INVENTORIES

The components of inventory are as follows (in thousands):

	July 27, 2008	October 28, 2007
Raw materials	$ 170,642	$ 93,464
Work in process and finished goods	55,921	44,261
	$ 226,563	$ 137,725

NOTE 5 BUSINESS SEGMENTS

We have aggregated our operations into three reportable segments based upon similarities in product lines, manufacturing processes, marketing and management of our businesses: metal coil coating; metal components; and engineered building systems. Products of all three segments use similar basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated. The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim and other related accessories. The engineered building systems segment includes the manufacturing of main frames, Long Bay® Systems and value added engineering and drafting, which are typically not part of metal components or metal coil coating products or services. The reporting segments follow the same accounting policies used for our condensed consolidated financial statements. We evaluate a segment s performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of: (i) hot rolled, light gauge painted and slit material and other services provided by the metal coil coating segment to both the engineered building systems and metal components segments; (ii) building components provided by the metal components segment to the engineered building systems segment; and (iii) structural framing provided by the engineered building systems segment to the metal components segment.

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the segments.

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The following table represents sales, operating income and total assets attributable to these business segments for the periods indicated (in thousands):

	Fiscal Three Months Ended		Fiscal Nine Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Total sales:				
Metal coil coating	$ 90,732	$ 72,275	$ 233,178	$ 195,338
Metal components	214,774	193,140	546,146	511,257
Engineered building systems	280,767	256,323	745,998	693,013
Intersegment sales	(108,677)	(87,657)	(270,094)	(238,114)
Total sales	$ 477,596	$ 434,081	$ 1,255,228	$ 1,161,494
External sales:				
Metal coil coating	$ 27,890	$ 23,262	$ 74,560	$ 60,518
Metal components	180,407	166,291	463,944	438,194
Engineered building systems	269,299	244,528	716,724	662,782
Total sales	$ 477,596	$ 434,081	$ 1,255,228	$ 1,161,494
Operating income:				
Metal coil coating	$ 11,360	$ 8,166	$ 20,760	$ 18,570
Metal components	34,044	16,852	62,869	38,060
Engineered building systems	26,644	30,876	68,242	67,318
Corporate	(16,333)	(13,647)	(48,148)	(39,993)
Total operating income	$ 55,715	$ 42,247	$ 103,723	$ 83,955
Unallocated other expense	(4,399)	(7,074)	(15,920)	(20,881)
Income before income taxes	$ 51,316	$ 35,173	$ 87,803	$ 63,074

	July 27, 2008	October 28, 2007
Total assets:		
Metal coil coating	$ 196,451	$ 180,930
Metal components	395,968	363,888
Engineered building systems	740,284	695,880
Corporate	63,993	102,360
Total assets	$ 1,396,696	$ 1,343,058

During the fourth quarter of fiscal 2007, we committed to a plan to exit our residential overhead door product line, included in our metal components segment. During the nine months ended July 27, 2008, we incurred expenses of $0.9 million related to this exit plan. We incurred insignificant expenses during the three months ended July 27, 2008. In fiscal 2007, the residential door business produced revenue of $12.4 million and pretax loss of $0.5 million. This line of business is not considered material and is, therefore, not presented as discontinued operations in the consolidated financial statements.

NOTE 6 SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan is an equity-based compensation plan that allows us to grant a variety of types of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share awards, phantom stock awards and cash awards. As of July 27, 2008, and for all periods presented, our share-based awards under this plan have consisted of restricted stock grants and

stock option grants, neither of which can be settled through cash payments. We account for these restricted stock grants and stock option grants in accordance with Statement of Financial Accounting Standards 123(Revised), *Share-Based Payment*.

During the nine months ended July 27, 2008, we granted 250,295 shares of restricted stock awards with a fair value of $6.5 million. The restricted stock awards granted during the three months ended July 27, 2008 were insignificant. The total pre-tax share-based compensation cost that has been recognized in results of operations was $1.6 million and $2.3 million for the three months ended July 27, 2008 and July 29, 2007, respectively, and

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$7.9 million and $6.4 million for the nine months ended July 27, 2008 and July 29, 2007, respectively. Of these amounts, $1.3 million and $2.1 million for the three months ended July 27, 2008 and July 29, 2007, respectively, and $7.1 million and $5.8 million for the nine months ended July 27, 2008 and July 29, 2007, respectively, were included in selling, general and administrative expense, with the remaining costs in each period in cost of goods sold. Included in the $7.9 million pre-tax share-based compensation cost for the nine months ended July 27, 2008 is $1.5 million related to accelerated vesting of certain restricted stock grants of former executives upon retirement. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $0.6 million and $0.9 million for the three months ended July 27, 2008 and July 29, 2007, respectively, and $3.0 million and $2.4 million for the nine months ended July 27, 2008 and July 29, 2007, respectively. As of July 27, 2008 and July 29, 2007, there was approximately $12.3 million and $16.3 million, respectively, of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average remaining period of 3.9 years and 4.3 years, respectively.

Cash received from option exercises was $0.5 million and $3.8 million during the first nine months of fiscal 2008 and 2007, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $0.2 million and $1.5 million for the first nine months of fiscal 2008 and 2007, respectively.

NOTE 7 EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share considers the effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows (in thousands, except per share data):

	Fiscal Three Months Ended		Fiscal Nine Months Ended	
	July 27, 2008	**July 29, 2007**	**July 27, 2008**	**July 29, 2007**
Numerator for Basic and Diluted Earnings Per Share				
Net income	$ 31,891	$ 21,327	$ 54,267	$ 38,291
Denominator for Diluted Earnings Per Share				
Weighted average common shares outstanding for basic earnings per share	19,363	19,655	19,308	19,661
Common stock equivalents:				
Employee stock options	130	216	97	232
Unvested restricted stock awards	50	84	50	83
Convertible notes		926		1,046
Adjusted weighted average shares and assumed conversions for diluted earnings per share	19,543	20,881	19,455	21,022
Earnings per share:				
Basic	$ 1.65	$ 1.09	$ 2.81	$ 1.95
Diluted	$ 1.63	$ 1.02	$ 2.79	$ 1.82

The number of weighted average options that were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive was approximately 157,800 and 2,500 shares for the three months ended July 27, 2008 and July 29, 2007, respectively, and 355,200 and 2,500 shares for the nine months ended July 27, 2008 and July 29, 2007, respectively. The anti-dilutive weighted average unvested restricted shares that were not included in the diluted earnings per share calculation was approximately 128,000 and 194,100 shares for the three months and nine months ended July 27, 2008, respectively. For the three months and nine months ended July 29, 2007, there were no anti-dilutive weighted average unvested restricted shares excluded from the diluted earnings per share calculation.

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The indenture under which the Notes (see Note 9) were issued contains a net share settlement provision as described in EITF 04-08*, The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share*, whereby conversions are settled for a combination of cash and shares, and shares are only issued to the extent the conversion value exceeds the principal amount. During the three month and nine month periods ended July 27, 2008, our average stock price traded below the initial conversion price (approximately $40.14) of our Notes. Therefore, the incremental shares that we would have been required to issue had the Notes been converted at the average trading price during the period have not been included in the diluted earnings per share calculation because our average stock price did not exceed the $40.14 conversion threshold. The Notes can only be converted by the holders when our stock price trades above the initial conversion price of our Notes for at least 20 trading days in each of the 30 consecutive trading day period of the preceding calendar quarter or upon other specified events, including if we call the Notes for redemption, which we may do beginning November 20, 2009.

NOTE 8 WARRANTY

We sell weathertightness warranties to our customers for protection from leaks in our roofing systems related to weather. These warranties range from two years to 20 years. We sell two types of warranties, standard and Single Source , and three grades of coverage for each. The type and grade of coverage determines the price to the customer. For standard warranties, our responsibility for leaks in a roofing system begins after 24 consecutive leak-free months. For Single Source warranties, the roofing system must pass our inspection before warranty coverage will be issued. Inspections are typically performed at three stages of the roofing project: (i) at the project start-up; (ii) at the project mid-point; and (iii) at the project completion. These inspections are included in the cost of the warranty. If the project requires or the customer requests additional inspections, those inspections are billed to the customer. Upon the sale of a warranty, we record the resulting revenue as deferred warranty revenue, which is included in other accrued expenses in our condensed consolidated balance sheets. We recognize deferred warranty revenue over the warranty coverage period in a manner that matches our estimated expenses relating to the warranty. Additionally, we assumed a warranty obligation relating to our acquisition of Robertson-Ceco II Corporation (RCC) of $7.6 million which represents the fair value of the future warranty obligations at the time of purchase. RCC s accrued warranty programs have similar terms and characteristics to our other warranty programs.

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for each of the fiscal nine months ended (in thousands):

	Fiscal Nine Months Ended	
	July 27, 2008	**July 29, 2007**
Beginning balance	$ 14,844	$ 14,863
Warranties sold	2,150	1,728
Revenue recognized	(904)	(720)
Other	(275)	(171)
Ending balance	$ 15,815	$ 15,700

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NOTE 9 LONG-TERM DEBT AND NOTE PAYABLE

Debt

Debt is comprised of the following (in thousands):

	July 27, 2008	October 28, 2007
$400 Million Term Loan, due June 2010 (3.9% - 4.0% at July 27, 2008 and 6.5% - 7.0% at October 28, 2007)	$ 293,290	$ 315,000
2.125% Convertible Senior Subordinated Notes, due November 2024	180,000	180,000
Industrial Revenue Bond	1,340	2,030
Capital lease commitments		7
	474,630	497,037
Current portion of long-term debt	(920)	(22,312)
Long-term debt, less current portion	$ 473,710	$ 474,725

The scheduled maturity of our debt is as follows (in thousands):

July 28, 2008 to November 2, 2008	$ 230
2009	920
2010	293,480
2011	
2012 and thereafter	180,000
	$ 474,630

Our senior secured credit facility includes a $125 million five-year revolving credit facility maturing on June 18, 2009, with a sub-facility for letters of credit of a maximum of $50 million, and a $400 million term loan maturing on June 18, 2010. In addition, the credit facility provides for an incremental facility of $180 million to fund the payment of the cash portion of the conversion price from any future conversions of our 2.125% convertible senior subordinated notes due 2024 (discussed below). At July 27, 2008 and October 28, 2007, letters of credit totaling approximately $14.0 million and $14.1 million, respectively, were outstanding on the revolving credit facility. There were no other amounts outstanding on the revolving credit facility at both July 27, 2008 and October 28, 2007.

On June 15, 2006, we entered into a forward interest rate swap agreement (the Swap Agreement) hedging a portion of our $400 million term loan due June 2010 with a notional amount of $160 million beginning October 11, 2006. The notional amount decreased to $145 million on October 11, 2007 and will further decrease on each of October 14, 2008 and October 13, 2009 to $105 million and $65 million, respectively. The term of the Swap Agreement is four years. Under the Swap Agreement, we will pay a fixed rate of 5.55% on a quarterly basis in exchange for receiving floating rate payments based on the three-month LIBOR rate. The fair value of the Swap Agreement, excluding accrued interest, as of July 27, 2008 and October 28, 2007, was a liability of approximately $4.0 million and $3.2 million, respectively.

In November 2004, we completed an offering of $180.0 million aggregate principal amount 2.125% convertible senior subordinated notes due 2024 (the Notes) with interest payable semi-annually. Interest on the Notes is not deductible for income tax purposes, which creates a permanent tax difference that is reflected in our effective tax rate. The Notes are general unsecured obligations and are subordinated to our present and future senior indebtedness.

We have the right to redeem the Notes, beginning on November 20, 2009, for a price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Each holder has the right to require that we repurchase the Notes after five, 10 and 15 years at 100% of the principal amount plus accrued and unpaid interest, if any, beginning November 15, 2009. Upon the occurrence of certain designated events, holders of the Notes will also have the right to require that we purchase all or some of their Notes at a redemption price equal to 100% of the principal amount

plus accrued and unpaid interest, if any, and, in certain circumstances, a make whole premium. We must pay the repurchase price of the aggregate principal amount of the Notes in cash unless prohibited by limitations imposed by our existing or future senior credit facilities. The Notes are convertible into cash or, in

certain circumstances, a combination of cash and shares of our common stock, at a ratio of 24.9121 shares of common stock per $1,000 principal amount notes, which is equivalent to an initial conversion price of approximately $40.14 per common share. The ratio is subject to adjustments if certain events take place, and holders may convert only if the closing sale price per common share exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding calendar quarter. At July 27, 2008 and October 28, 2007, $180.0 million in principal amount of the Notes was outstanding. Our stock price did not exceed the conversion threshold of the Notes for at least 20 trading days in the 30 consecutive trading day period ended June 30, 2008; therefore, our Notes currently may not be converted until such time as our stock price again exceeds the conversion threshold for the specified 20 of the last 30 consecutive trading days of a calendar quarter or if upon other specified events, including if we call the Notes for redemption, which we may do beginning November 20, 2009.

Note payable

The note payable is related to financed insurance premiums and, as of July 27, 2008 we had outstanding a note payable in the amount of $1.3 million of the initial $3.8 million. Insurance premium financings are generally secured by the unearned premiums under such policies.

NOTE 10 COMPREHENSIVE INCOME

Comprehensive income consists of the following (in thousands):

	Fiscal Three Months Ended		Fiscal Nine Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Net income	$ 31,891	$ 21,327	$ 54,267	$ 38,291
Foreign exchange translation gain (loss), net of tax	1	160	(110)	140
Gain (loss) in fair value of interest rate swap, net of tax	748	264	(497)	416
Comprehensive income	$ 32,640	$ 21,751	$ 53,660	$ 38,847

Accumulated other comprehensive (loss) income consists of the following (in thousands):

	July 27, 2008	October 28, 2007
Foreign exchange translation adjustments	$ 220	$ 330
Defined benefit pension plan	2,019	2,019
Unrealized losses on interest rate swap	(2,489)	(1,992)
Accumulated other comprehensive (loss) income	$ (250)	$ 357

NOTE 11 RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). FSP APB 14-1 will change the accounting for certain convertible debt instruments, including our Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially in cash upon conversion, an entity shall separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of FSP APB 14-1 for our Notes is that the equity component will be included in the paid-in-capital section of stockholders equity on our consolidated balance sheet and the value of the equity component will be treated as an original issue discount for purposes of accounting for the debt component of the Notes. Higher interest expense will result by recognizing the accretion of the discounted

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carrying value of the Notes to their face amount as interest expense over the term of the Notes using an effective interest rate method. FSP APB 14-1 is effective for our fiscal year ended 2010, does not permit early application, and will be applied retrospectively to all periods presented. While this accounting pronouncement does not change the economic substance or cash flow requirements for the Notes, the amount reported as interest expense in our consolidated statement of operations will increase due to the accretion of the discounted carrying value of the Notes to their face amount. The Notes will also reflect higher than previously reported interest expense due to retrospective application. We are currently evaluating the impact of adopting FSP APB 14-1 but anticipate the reported interest expense on our Notes will increase from 2.125% to 7.125%. The retroactive application of this FSP to fiscal years 2005 to 2009 will result in an increase to annual interest expense of approximately $7.2 million in fiscal 2005, gradually increasing to approximately $9.3 million in fiscal 2009. We have assumed the Notes would be settled in fiscal 2009 upon our call option date and, therefore, we will not have additional prospective interest expense upon adoption.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.* This Statement requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. We will implement this statement as of February 2, 2009 during our second quarter of fiscal 2009.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). This Statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 established a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. In addition, SFAS 160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. We will implement this statement in our fiscal year that begins November 2, 2009 and apply it as applicable. We currently do not have any ownership interests which would be impacted by SFAS 160.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces FASB Statement No. 141, *Business Combinations*, but retains the fundamental requirements in Statement 141. SFAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, SFAS 141(R) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and determines disclosures to enable users of the financial statement to evaluate the nature and financial effects of the business combination. We will implement this statement for all future acquisitions following the date of adoption in our fiscal year that begins November 2, 2009. The impact of adoption of SFAS 141(R) on our financial position or results of operations is dependent upon the nature and terms of business combinations, if any, that we may consummate in fiscal 2010 and thereafter.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for our fiscal year that begins November 3, 2008. We are evaluating the impact of adopting SFAS 159 but currently do not intend to elect the fair value option for any financial assets or liabilities.

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In September 2006, the FASB issued SFAS 157, *Fair Value Measurement* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB staff position 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2) which partially delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). As a result of the deferral, SFAS 157 is effective for our fiscal year that begins November 3, 2008 for financial assets and financial liabilities carried at fair value and non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, and for our fiscal year that begins November 2, 2009 for nonrecurring, non-financial assets and liabilities that are recognized or disclosed at fair value. We are currently evaluating the impact of adopting SFAS 157.

NOTE 12 CONTINGENCIES

In September 2003, Bethlehem Steel Corporation and several of its related entities (collectively, Bethlehem) filed a preference-avoidance lawsuit against us and several of our operating subsidiaries in the United States Bankruptcy Court for the Southern District of New York. The lawsuit was filed as part of the Bethlehem consolidated bankruptcy proceedings, seeking reimbursement of allegedly preferential transfers made by the respective debtors in the 90-day period preceding their bankruptcy filings. Bethlehem alleges that it made preferential payments to our subsidiaries of approximately $7.7 million. We have denied the allegations in the Bethlehem lawsuit and are vigorously defending against this claim. We do not believe these legal proceedings will have a material adverse effect on our business, consolidated financial condition or results of operations.

We have discovered the existence of trichloroethylene in the ground water at our Southlake, Texas facility. We have filed an application with the Texas Commission of Environmental Quality (TCEQ) for entry into the voluntary cleanup program. The TCEQ has accepted this property into the voluntary cleanup program. We have filed our Affected Property Assessment Report and various amendments thereto with the TCEQ. Vertical and horizontal delineation of the property is complete. Remediation of the affected plume concentrations has commenced. The cost of required remediation of the affected plume, if any, will vary depending on the nature and extent of the contamination which is expected to be determined in the fourth quarter of fiscal 2008. As of July 27, 2008, we have accrued $0.1 million to complete site analysis and testing. However, we do not believe there will be a material adverse effect on our business, consolidated financial condition or results of operations.

We discovered the existence of unknown debris containing soil and paint materials in the storm-water outfalls in and around an embankment on the north side of our Rocky Mount, North Carolina facility. Test results revealed that surface soil concentrations of chromium above the North Carolina s soil remediation goals were present. Costs associated with site analysis and testing were incurred in the second quarter of fiscal 2008. Full remediation of this contamination in and around the embankment on the north side of our Rocky Mount, North Carolina facility took place in the third quarter of fiscal 2008. As of July 27, 2008, we have accrued $0.3 million to complete site analysis, testing and remediation. The costs incurred in connection with the resolution of issue did not have a material adverse effect on our business, consolidated financial condition or results of operations.

The New York State Department of Conservation (DEC) has notified H.H. Robertson Building Technical Center (as predecessor to Robertson Building Systems Limited) of its potential liability for a portion of the cleanup of the former Frontier Chemical waste handling facility in Niagara Falls. The DEC has indicated that remediation of soils and upper bedrock groundwater will cost between approximately $11 million and $14 million. Whether deeper bedrock ground water will need to be remediated and the cost of any such remediation has not been determined. DEC records indicate that numerous companies sent waste materials to the Frontier site from 1974 to 1992. During the second quarter of fiscal 2008, the Potential Responsible Parties Group alleged that H.H. Robertson Building Technical Center contributed waste to the Frontier site. We do not believe there will be a material adverse effect on our business, consolidated financial condition or results of operations.

From time to time, we are involved in various other legal proceedings and contingencies considered to be in the ordinary course of business. While we are not able to predict whether we will incur any liability in excess of

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insurance coverages or to accurately estimate the damages, or the range of damages, if any, we might incur in connection with these legal proceedings, we believe these legal proceedings and claims will not have a material adverse effect on our business, consolidated financial position or results of operations.

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NCI BUILDING SYSTEMS, INC.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements included herein under Item 1. Financial Statements and the audited consolidated financial statements and the notes thereto and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended October 28, 2007.

OVERVIEW

NCI Building Systems, Inc. (the Company , we or our) is one of North America s largest integrated manufacturers and marketers of metal products for the nonresidential construction industry. We provide metal coil coating services and design, engineer, manufacture and market metal components and engineered building systems primarily for nonresidential construction use. We manufacture and distribute extensive lines of metal products for the nonresidential construction market under multiple brand names through a nationwide network of plants and distribution centers. We sell our products for both new construction and repair and retrofit applications.

Metal components offers builders, designers, architects and end-users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility. Similarly, engineered building systems offers a number of advantages over traditional construction alternatives, including shorter construction time, more efficient use of materials, lower construction costs, greater ease of expansion and lower maintenance costs.

We assess performance across our business segments by analyzing and evaluating (i) gross profit, operating income and whether or not each segment has achieved its projected sales goals, and (ii) non-financial efficiency indicators such as revenue per employee, man hours per ton of steel produced and shipped tons per employee. In assessing our overall financial performance, we regard return on adjusted operating assets, as well as growth in earnings per share, as key indicators of shareholder value.

The metal coil coating segment posted year-over-year and sequential revenue growth resulting from higher steel prices and the ongoing shift in business mix from toll processing to package sales. Operating income increased significantly, reflecting the tight supply/demand situation, favorable product mix and the benefits of higher intercompany sales related to the RCC acquisition.

The metal components segment reported significant year-over-year and sequential revenue growth and substantial operating leverage resulting from increased revenues, commercial discipline, operating efficiencies and the ongoing benefits of the RCC acquisition.

The engineered building systems segment achieved double-digit revenue growth, both sequentially and compared to last year s third quarter. Rapidly-rising steel prices cause mixed results in this segment, with certain customers accelerating orders to avoid potentially higher costs and others postponing or re-evaluating projects. Operating income did not keep pace with sales growth and margins narrowed to 10% in this year s third quarter, reflecting the lag time in effecting steel price increases to work in backlog. Backlog for the engineered building systems segment was $424 million at the end of the third quarter of fiscal 2008, modestly below prior quarter levels due in part to higher sales in the current quarter.

Rising steel prices have caused a shift in our traditional quarterly seasonality this fiscal year, as we saw a number of our customers in the metal components and engineered building systems segments, in particular, accelerate orders to lock-in their costs. Therefore, while the second half results of fiscal 2008 will account for typically 65% to 75% of our full fiscal year s earnings, third quarter results are expected to be the strongest quarter of fiscal 2008.

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Industry Conditions

Our sales and earnings are influenced by general economic conditions, interest rates, the price of steel relative to other building materials, the level of nonresidential construction activity, roof repair and retrofit demand and the availability and cost of financing for construction projects.

One of the primary challenges we face both short and long term is the volatility in the price of steel. Our business is heavily dependent on the price and supply of steel. For the fiscal nine months ended July 27, 2008, steel represented approximately 73% of our costs of goods sold. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions domestically and internationally, competition, labor costs, production costs, import duties and other trade restrictions. See additional discussion of steel prices in Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended July 27, 2008, we experienced significant increases in the value of our total inventory primarily due to the substantial increases in the price of steel along with significant increases in our fuel costs. While there are no guarantees, under current general economic conditions, we expect to be able to pass these cost increases on to the end users of our products subject to the limitations discussed below.

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. We can give no assurance that steel will remain available or that prices will not continue to be volatile. While most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other reasons, not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial condition. For additional discussion please see Liquidity and Capital Resources Steel Prices and Item 3. Quantitative and Qualitative Disclosures About Market Risk Steel Prices.

In assessing the state of the metal construction market, we rely upon various industry associations, third-party research, and various government reports such as industrial production and capacity utilization. One such industry association is the Metal Building Manufacturers Association (MBMA), which provides summary member sales information and promotes the design and construction of metal buildings and metal roofing systems. Another is McGraw-Hill Construction Information Group, which we look to for reports of actual and forecasted growth in various construction related industries, including the overall nonresidential construction market. McGraw-Hill Construction s updated forecast for calendar 2008 indicates a total nonresidential construction reduction of 13% in square footage and an increase of 2% in dollar value. McGraw-Hill Construction s forecast for calendar 2009 indicates a total nonresidential construction reduction of 7% in square footage and 6% in dollar value prior to increasing in 2010. Additionally, we review the American Institute of Architects survey for inquiry and billing activity for the industrial, commercial and institutional sectors.

RESULTS OF OPERATIONS

We have aggregated our operations into three reportable segments based upon similarities in product lines, manufacturing processes, marketing and management of our businesses: metal coil coating; metal components; and engineered building systems. All segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction.

Products of all business segments use similar basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated. The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim and other related accessories. The engineered building systems segment includes the manufacturing of main frames, Long Bay® Systems and value added engineering and drafting, which are typically not part of metal components or metal coil coating products or services. The reporting segments follow the same accounting policies used for our condensed consolidated financial statements. We evaluate a segment s performance based primarily upon operating income before corporate expenses.

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Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of: (i) hot rolled, light gauge painted, and slit material and other services provided by the metal coil coating segment to both the metal components and engineered building systems segments; (ii) building components provided by the metal components segment to the engineered building systems segment; and (iii) structural framing provided by the engineered building systems segment to the metal components segment. Segment information is included in Note 5 of our condensed consolidated financial statements.

The following table represents sales, operating income and total assets attributable to these business segments for the periods indicated (in thousands, except percentages):

	Fiscal Three Months Ended				Fiscal Nine Months Ended			
	July 27, 2008		July 29, 2007		July 27, 2008		July 29, 2007	
		%		%		%		%
Sales:								
Metal coil coating	$ 90,732	19	$ 72,275	17	$ 233,178	19	$ 195,338	17
Metal components	214,774	45	193,140	44	546,146	44	511,257	44
Engineered building systems	280,767	59	256,323	59	745,998	59	693,013	60
Intersegment sales	(108,677)	(23)	(87,657)	(20)	(270,094)	(22)	(238,114)	(21)
Total sales	$ 477,596	100	$ 434,081	100	$ 1,255,228	100	$ 1,161,494	100
Operating income:								
Metal coil coating	$ 11,360	13	$ 8,166	11	$ 20,760	9	$ 18,570	10
Metal components	34,044	16	16,852	9	62,869	12	38,060	7
Engineered building systems	26,644	9	30,876	12	68,242	9	67,318	10
Corporate	(16,333)		(13,647)		(48,148)		(39,993)	
Total operating income (% of sales)	$ 55,715	12	$ 42,247	10	$ 103,723	8	$ 83,955	7
Unallocated other expense	(4,399)		(7,074)		(15,920)		(20,881)	
Income before income taxes	$ 51,316		$ 35,173		$ 87,803		$ 63,074	

	July 27, 2008		October 28, 2007	
		%		%
Total assets:				
Metal coil coating	$ 196,451	14	$ 180,930	13
Metal components	395,968	28	363,888	27
Engineered building systems	740,284	53	695,880	52
Corporate	63,993	5	102,360	8
Total assets	$ 1,396,696	100	$ 1,343,058	100

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the segments.

FISCAL THREE MONTHS ENDED JULY 27, 2008 COMPARED TO FISCAL THREE MONTHS ENDED JULY 29, 2007

Consolidated sales for the three months ended July 27, 2008 were $477.6 million compared with $434.1 million for the three months ended July 29, 2007. Sales were up 10.0%, or $43.5 million. Of this increase, $61.0 million related to increased pricing on increased steel costs, partially offset by decreased external tonnage volumes in the metal coil coating, metal components and engineered buildings systems segments. Lower tonnage volumes in all three segments in the third quarter of fiscal 2008 compared with the same period in 2007 were driven by reduced demand for such products resulting from the 15.8% reduction in low-rise nonresidential (less than 5 stories) square-footage starts as reported by

McGraw-Hill.

Consolidated cost of sales increased by 7.7% for the three months ended July 27, 2008 to $349.1 million compared with $324.1 million for the three months ended July 29, 2007. Gross margins were 26.9% for the three months ended July 27, 2008 compared to 25.3% for the same prior year period. The increase in the gross margin percentage was a result of increases in margins at the metal coil coating and metal components segments, partially offset by decreased margins at the engineered building systems segment.

Metal coil coating sales increased $18.5 million to $90.7 million in the three months ended July 27, 2008 from $72.3 million in the prior year s period. Sales to third parties for the three months ended July 27, 2008 increased $4.6 million to $27.9 million from $23.3 million in the prior year s period as a result of increased pricing on higher raw material costs and a shift in product mix from tolling revenue for coating services to package sales of coated steel products, partially offset by a decrease in external tonnage volumes. The remaining $13.8 million represents an increase in intersegment sales for the three months ended July 27, 2008 compared with the prior year s period. Metal coil coating third-party sales accounted for 5.8% of total consolidated third-party sales in the three months ended July 27, 2008 compared to 5.4% in the three months ended July 29, 2007.

Operating income of the metal coil coating segment increased by 39.1% to $11.4 million compared to $8.2 million in the prior year s period primarily due to increased gross profit. Generally, package sales of coated steel products contribute lower margins and higher revenue compared to tolling revenue for coating services. However, the margins were higher on increased package sales of coated steel products due to the tight supply and increased demand. As a percentage of total segment sales, operating income in the three months ended July 27, 2008 was 12.5%, compared to 11.3% in the three months ended July 29, 2007.

Metal components sales increased $21.6 million to $214.8 million in the three months ended July 27, 2008 compared to $193.1 million in the prior year s period. Sales were up due to increased pricing compared to the prior year s period, partially offset by a decrease in external tons shipped. Sales to third parties for the three months ended July 27, 2008 increased $14.1 million to $180.4 million from $166.3 million in the prior year s quarter. The remaining $7.5 million represents an increase in intersegment sales for the three months ended July 27, 2008 compared with the prior year s period. Metal components third-party sales accounted for 37.8% of total consolidated third-party sales in the three months ended July 27, 2008 compared to 38.3% in the three months ended July 29, 2007.

Operating income of the metal components segment increased by 102.0% in the three months ended July 27, 2008 to $34.0 million compared to $16.9 million in the prior year s period. This $17.2 million increase resulted from a $16.3 million increase in gross profit and a $0.9 million decrease in selling and administrative expenses. The gross margins were higher primarily due to increased pricing compared to the prior year s period which had been depressed due to an over abundance of steel inventory in the market at that time. In addition, cost of sales was offset by a pretax $1.0 million out-of-period reversal of amounts previously recorded in accounts payable related to inventory received but not invoiced. The decrease in selling and administrative expenses was primarily due to decreases in various expenses, partially offset by a $1.0 million increase in bonus expense on higher profit activity.

Engineered building systems sales increased $24.4 million to $280.8 million in the three months ended July 27, 2008 compared to $256.3 million in the prior year s period. This increase resulted from increased pricing as a result of increased steel costs, partially offset by a decrease in external tons shipped. Sales to third parties for the three months ended July 27, 2008 increased $24.8 million to $269.3 million from $244.5 million in the prior year s period. The remaining $0.3 million represents a decrease in intersegment sales for the three months ended July 27, 2008. Engineered building systems third-party sales accounted for 56.4% of total consolidated third-party sales in the three months ended July 27, 2008 compared to 56.3% in the three months ended July 29, 2007.

Operating income of the engineered building systems segment decreased by 13.7% in the three months ended July 27, 2008 to $26.6 million compared to $30.9 million in the prior year s period. This $4.2 million decrease resulted from a $0.9 million decrease in gross profit and a $3.3 million increase in selling and administrative expenses. The gross margins were lower due to decreased overall tonnage volumes, partially offset by increased pricing as a result of higher raw material costs. The higher pricing was also the result of stronger sales in the more complex, larger structure markets such as energy, manufacturing and institutional markets compared to a reduced demand in the less complex markets. The increase in selling and administrative expenses was primarily due to a $2.7 million increase in bonus expense on higher profit activity and increases in other various expenses.

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Consolidated selling, general and administrative expenses, consisting of engineering, drafting, selling and administrative costs, increased to $72.8 million in the three months ended July 27, 2008 compared to $67.8 million in the prior year s period. Of this $5.0 million increase, we incurred $4.7 million in bonus expense on higher profit activity. As a percentage of sales, selling, general and administrative expenses were 15.2% for the three months ended July 27, 2008 as compared to 15.6% for the three months ended July 29, 2007.

Consolidated interest expense for the three months ended July 27, 2008 decreased by 25.6% to $5.4 million compared to $7.2 million for the prior year s period. We repaid $21.7 million of our Term Loan in January 2008. In addition, lower interest rates reduced the interest expense associated with the variable portion of our outstanding debt.

Consolidated other income, net for the three months ended July 27, 2008 increased by 545.6% to $0.8 million compared to $0.1 million for the prior year s period. This increase was primarily due to foreign currency exchange gains in Mexico due to the weakening of the U.S. dollar against the Mexican peso during the three months ended July 27, 2008 compared with the prior year s period.

Consolidated provision for income taxes for the three months ended July 27, 2008 increased by 40.3% to $19.4 million compared to $13.8 million for the prior year s period. The increase was primarily due to a $16.1 million increase in pre-tax earnings, partially offset by the reduced effect of permanent tax differences.

Diluted earnings per share for the three months ended July 27, 2008 increased by 59.8% to $1.63 per diluted share compared to $1.02 per diluted share for the prior fiscal period. The increase was primarily due to a $10.6 million increase in net income resulting from the factors described above and a decrease in the number of weighted average shares assumed to be outstanding in the diluted earnings per share calculation. There was no dilution effect of the Notes for the three months ended July 27, 2008 compared to $0.05 per share for the prior fiscal period.

FISCAL NINE MONTHS ENDED JULY 27, 2008 COMPARED TO FISCAL NINE MONTHS ENDED JULY 29, 2007

Consolidated sales for the nine months ended July 27, 2008 were $1.3 billion compared with $1.2 billion for the nine months ended July 29, 2007. Sales were up 8.1%, or $93.7 million. Of this increase, $69.5 million related to increased pricing on increased steel costs and $10.0 million was attributable to the Garco acquisition. These increases were partially offset by decreased tonnage volumes in the metal coil coating and metal components segments in the first nine months of 2008 compared with the same period in 2007 which were driven by reduced demand for such products. Tonnage volumes increased slightly at the engineered buildings systems segment.

Consolidated cost of sales increased by 7.2% for the nine months ended July 27, 2008 to $940.8 million compared with $878.0 million for the nine months ended July 29, 2007. Gross margins were 25.0% for the nine months ended July 27, 2008 compared to 24.4% for the same prior year period. The gross margin percentage was higher as a result of increased margins at the metal components segment, partially offset by decreased margins at the metal coil coating and engineered building systems segments.

Metal coil coating sales increased $37.8 million to $233.2 million in the nine months ended July 27, 2008 from $195.3 million in the prior year s period. Sales to third parties for the nine months ended July 27, 2008 increased $14.0 million to $74.6 million from $60.5 million in the prior year s period as a result of a shift in product mix from tolling revenue for coating services to package sales of coated steel products and increased pricing on higher raw material costs, partially offset by a decrease in external tonnage volumes. The remaining $23.8 million represents an increase in intersegment sales for the nine months ended July 27, 2008 compared with the prior year s period. Metal coil coating third-party sales accounted for 5.9% of total consolidated third-party sales in the nine months ended July 27, 2008 compared with 5.2% in the nine months ended July 29, 2007.

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Operating income of the metal coil coating segment increased by 11.8% to $20.8 million compared to $18.6 million in the prior year s period primarily due to increased gross profit. However, the margins were lower as a result of a change in product mix from tolling revenue for coating services to package sales of coated steel products. Package sales of coated steel products contribute lower margins and higher revenue compared to tolling revenue for coating services. In addition, operating income included an out of period pretax charge of $0.9 million to correct work-in-process standard costs in our metal coil coating segment. As a percentage of total segment sales, operating income in the nine months ended July 27, 2008 was 8.9%, compared to 9.5% in the nine months ended July 29, 2007.

Metal components sales increased $34.9 million to $546.1 million in the nine months ended July 27, 2008 compared to $511.3 million in the prior year s period. Sales were up primarily due to increased pricing on increased raw material costs, partially offset by a decrease in external tons shipped. Sales to third parties for the nine months ended July 27, 2008 increased $25.8 million to $463.9 million from $438.2 million in the prior year s period. The remaining $9.1 million represents an increase in intersegment sales for the nine months ended July 27, 2008 compared with the prior year s period. Metal components third-party sales accounted for 37.0% of total consolidated third-party sales in the nine months ended July 27, 2008 compared to 37.7% in the nine months ended July 29, 2007.

Operating income of the metal components segment increased by 65.2% in the nine months ended July 27, 2008 to $62.9 million compared to $38.1 million in the same period of the prior year. This $24.8 million increase resulted from a $21.6 million increase in gross profit and a $3.2 million decrease in selling and administrative expenses. The gross margins were higher due to increased pricing compared to the prior year s period which had been depressed due to an over abundance of steel inventory in the market at that time and due to our ability to effectively manage our raw material and manufacturing costs. In addition, we incurred charges of $1.7 million in cost of sales related to the exit of our residential overhead door product line which were partially offset by a $1.0 million gain on the disposition of related property and equipment. Cost of sales also included an offset of a pretax $1.0 million out-of-period reversal of amounts previously recorded in accounts payable related to inventory received but not invoiced. The decrease in selling and administrative expenses was primarily due to decreases in various expenses, including a $1.7 million decrease in wages and incentive compensation costs and a $1.1 million decrease in advertising costs.

Engineered building systems sales increased $53.0 million to $746.0 million in the nine months ended July 27, 2008 compared to $693.0 million in the prior year s period. This increase resulted from increased pricing as a result of increased steel costs and by sales of $9.7 million attributable to the Garco acquisition. Sales to third parties for the nine months ended July 27, 2008 increased $53.9 million to $716.7 million from $662.8 million in the prior year s period. The remaining $1.0 million represents a decrease in intersegment sales for the nine months ended July 27, 2008. Engineered building systems third-party sales accounted for 57.1% of total consolidated third-party sales in both the nine months ended July 27, 2008 and July 29, 2007.

Operating income of the engineered building systems segment increased by 1.4% in the nine months ended July 27, 2008 to $68.2 million compared to $67.3 million in the prior year s period. This $0.9 million increase resulted from a $7.5 million increase in gross profit, partially offset by a $6.6 million increase in selling and administrative expenses. The gross margins were higher due to higher pricing, partially offset by higher raw material costs. The higher pricing was also the result of stronger sales in the more complex, larger structure markets such as energy, manufacturing and institutional markets compared to a reduced demand in the less complex markets. In addition, the Garco acquisition accounted for $3.7 million of the increase in gross profit. The increase in selling and administrative expenses was primarily due to a $2.7 million increase as a result of the Garco acquisition, a $3.2 million increase in bonus expense on higher profit activity and a $1.7 million increase in 401(k) incentive costs. This increase was partially offset by a $1.4 million decrease in depreciation and amortization costs due to intangible assets being fully amortized.

Consolidated selling, general and administrative expenses, consisting of engineering, drafting, selling and administrative costs, increased to $210.7 million in the nine months ended July 27, 2008 compared to $199.5 million in the prior year s period. Of this $11.1 million increase, $5.3 million related to bonus expense on higher profit activity and $2.9 million related to the accelerated vesting of certain benefits and restricted stock grants of former executives upon retirement. In addition, we incurred a $2.7 million increase due to the Garco acquisition, a

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$1.4 million increase of bad debt expense, a $1.3 million increase in health insurance costs and a $1.1 million increase in temporary contract labor. These increases were partially offset by $1.6 million in amortization and depreciation due to intangible assets being fully amortized and $1.0 million in workers compensation and general liability insurance costs. As a percentage of sales, selling, general and administrative expenses were 16.8% for the nine months ended July 27, 2008 as compared to 17.2% for the nine months ended July 29, 2007.

Consolidated interest income for the nine months ended July 27, 2008 increased by 293.6% to $0.9 million compared to $0.2 million for the prior year s period. This increase was primarily due to higher invested cash balances during the nine months ended July 27, 2008 compared with the prior year s period.

Consolidated interest expense for the nine months ended July 27, 2008 decreased by 18.5% to $17.9 million compared to $21.9 million for the prior year s period. We repaid $21.7 million of our Term Loan in January 2008. In addition, lower market interest rates reduced the interest expense associated with the variable portion of our outstanding debt.

Consolidated provision for income taxes for the nine months ended July 27, 2008 increased by 35.3% to $33.5 million compared to $24.8 million for the prior year s period. The increase was primarily due to a $24.7 million increase in pre-tax earnings, partially offset by the reduced effect of permanent tax differences.

Diluted earnings per share for the nine months ended July 27, 2008 increased by 53.3% to $2.79 per diluted share compared to $1.82 per diluted share for the prior fiscal period. The increase was primarily due to a $16.0 million increase in net income resulting from the factors described above and a decrease in the number of weighted average shares assumed to be outstanding in the diluted earnings per share calculation. There was no dilution effect of the Notes for the nine months ended July 27, 2008 compared to $0.10 per share for the prior fiscal period.

LIQUIDITY AND CAPITAL RESOURCES

General

On July 27, 2008 we had working capital of $202.3 million compared to $129.1 million at the end of fiscal 2007, a $73.2 million increase. Our cash and cash equivalents decreased $35.2 million to $39.9 million compared to $75.1 million at October 28, 2007. The decrease in cash resulted from cash used in financing activities of $26.7 million primarily due to the mandatory prepayment provisions of our senior secured credit facility, $11.6 million of cash used in investing activities and $0.2 million effect of exchange rate changes, partially offset by $3.2 million of cash provided by operating activities. The cash used in investing activities was primarily related to $17.9 million used for capital expenditures primarily related to a new IPS facility, computer software, a new division office building and facility equipment. The cash provided by operating activities was impacted by a $105.7 million increase in current assets and a $20.1 million increase in current liabilities from the end of fiscal 2007. The increase in current liabilities is related to increases in accounts payable and other current liabilities. The increase in current assets is primarily related to increases in inventory and accounts receivable resulting from higher steel costs which increased the cost of inventory and the transactional value of receivables.

We invest our excess cash in various overnight investments.

Debt

Credit Facility. Our senior secured credit facility includes a $125 million five-year revolving credit facility maturing on June 18, 2009, with a sub-facility for letters of credit of a maximum of $50 million, and a $400 million term loan maturing June 18, 2010. The term loan requires principal payments of $1.0 million each quarter and a final payment of $374.7 million at maturity. However, we made additional payments during fiscal 2006 and, as a result, will not be required to make any more principal payments until the maturity date except under the mandatory prepayment provisions in our senior secured credit facility. At October 28, 2007, under the mandatory prepayment provisions of our senior secured credit facility, an excess cash flow calculation required that $21.7 million of our term loan be paid within ninety days after the end of our fiscal year. Therefore, $22.3 million of our indebtedness primarily related to our term loan was classified as a current obligation at October 28, 2007. The

excess cash flow amount was paid during the first quarter of fiscal 2008. In addition, the credit facility provides for an incremental facility of $180 million to fund the payment of the cash portion of the conversion price from any future conversions of our 2.125% convertible senior subordinated notes due 2024. At July 27, 2008, letters of credit totaling approximately $14.0 million were outstanding under the revolving credit facility and $293.3 million was outstanding under the term loan. At October 28, 2007, letters of credit totaling approximately $14.1 million were outstanding on the revolving credit facility and $315.0 million was outstanding under the term loan.

Loans under the senior secured credit facility bear interest, at our option, as follows: (1) base rate loans at the base rate plus a margin, which for term loans is 0.5% and for revolving loans fluctuates based on our leverage ratio and ranges from 0.25% to 1.25%; and (2) LIBOR loans at LIBOR plus a margin, which for term loans is 1.50% and for revolving loans fluctuates based on our leverage ratio and ranges from 1.25% to 2.25%. Base rate is defined as the higher of the Wachovia Bank, National Association prime rate or the overnight Federal Funds rate, and LIBOR is defined as the applicable London interbank offered rate adjusted for reserves. Based on our current leverage ratios, we will pay a margin of 0.50% on base rate loans and 1.50% on LIBOR loans under the revolving facility and a margin of 0.50% on base rate loans and 1.50% on LIBOR loans under the term loan facility during the fourth quarter of fiscal 2008.

The senior secured credit facility is secured by (1) 100% of our accounts receivable, inventory and equipment and related assets such as our software, chattel paper, instruments and contract rights (excluding foreign operations), and (2) 100% of the capital stock and other equity interests in each of our direct and indirect operating domestic subsidiaries and 65% of the capital stock in each of our foreign subsidiaries.

The senior secured credit facility requires compliance with various covenants and provisions customary for agreements of this nature, including a restricted payments test, and a minimum ratio of Consolidated EBITDA (as defined in the senior secured credit facility) to interest expense of 5.0 to 1 and maximum ratios of total debt and senior debt to Consolidated EBITDA of 4.0 to 1 and 2.75 to 1, respectively. At July 27, 2008, our interest coverage, leverage and senior debt ratios were 8.36, 2.46 and 1.56, respectively, and we were in compliance with all ratio requirements and covenants in our senior credit facility. At October 28, 2007, our interest coverage, leverage and senior debt ratios were 6.32, 2.91 and 1.87, respectively, and we were in compliance with all ratio requirements and covenants in our senior credit facility. The senior secured credit facility also restricts our ability to incur additional debt and raise capital through equity financing.

At July 27, 2008 and October 28, 2007, we had approximately $111.0 million and $110.9 million, respectively, in unused borrowing capacity (net of letters of credit outstanding of approximately $14.0 million and $14.1 million, respectively) under the revolving credit facility, of which a total of $50.0 million may be utilized for standby letters of credit. In addition, we have $180.0 million of borrowing capacity under the incremental facility.

During June 2006, we entered into an interest rate swap agreement relating to $160 million of the $400 million term loan due June 2010 to manage our risk associated with changing interest rates. The fair value of the Swap Agreement, excluding accrued interest, as of July 27, 2008 and October 28, 2007, was a liability of approximately $4.0 million and $3.2 million, respectively. The interest rate swap agreement resulted in $1.7 million of additional interest expense during the first nine months of fiscal 2008.

Notes. In November 2004, we completed an offering of the $180.0 million aggregate principle amount of Notes with interest payable semi-annually. Interest on the Notes is not deductible for income tax purposes, which creates a permanent tax difference that is reflected in our effective tax rate. The Notes are general unsecured obligations and are subordinated to our present and future senior indebtedness.

We have the right to redeem the Notes, beginning on November 20, 2009, for a price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Each holder has the right to require that we repurchase the Notes after five, 10 and 15 years at 100% of the principal amount plus accrued and unpaid interest, if any, beginning November 15, 2009. Upon the occurrence of certain designated events, holders of the Notes will also have the right to require that we purchase all or some of their Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, and, in certain circumstances, a make whole premium. We must pay the repurchase price of the aggregate principal amount of the Notes in cash unless prohibited by limitations imposed by our existing or future senior credit facilities. The Notes are convertible into cash or, in

certain circumstances, a combination of cash and shares of our common stock, at a ratio of 24.9121 shares of common stock per $1,000 principal amount notes, which is equivalent to an initial conversion price of approximately $40.14 per common share. The ratio is subject to adjustments if certain events take place, and holders may convert only if the closing sale price per common share exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding calendar quarter. At both July 27, 2008 and October 28, 2007, $180.0 million principal amount of the Notes was outstanding. Our stock price did not exceed the conversion threshold of the Notes for at least 20 trading days in the 30 consecutive trading day period ended June 30, 2008. Therefore, our Notes currently may not be converted until such time as our stock price again exceeds the conversion threshold for the specified 20 of the last 30 consecutive trading days of a calendar quarter or upon other specified events, including if we call the Notes for redemption, which we may do beginning on November 20, 2009.

Capital Structure. We are currently in discussion with various banks to refinance our existing debt agreements, which have maturities in 2009 and 2010. Our intention is to complete a refinancing transaction in a prudently timely manner based on market conditions.

Cash Flow

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operating cash needs. To meet our short- and long-term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. However, we have recently, as well as in the past, sought to raise additional capital and may do so again in the future.

We expect that, for the foreseeable future, cash generated from operations and the available borrowings under our senior secured credit facility will be sufficient to provide us the ability to fund our operations, provide the increased working capital necessary to support expected growth and fund planned capital expenditures of approximately $12 million for the remainder of fiscal 2008 and expansion when needed. We expect to fund total planned capital expenditures of approximately $30 million for fiscal 2008.

We expect that, to the extent we are unable to pay in full any outstanding balance of the revolving portion of our senior secured credit facility by its maturity date in June 2009, the remaining installment on our term loan by its maturity date in June 2010, or the $180.0 million convertible senior subordinated notes upon conversion or maturity, we will refinance any then outstanding balance by means of a new senior credit facility or other public or private equity or debt financings. There can be no assurance that any of these external sources of funds will be available to us at the time they are needed or that any of those financings can be arranged on acceptable terms, or terms as favorable as those now enjoyed by us under our existing indebtedness.

We have used available funds to repurchase shares of our common stock under our stock repurchase program. During the first nine months of fiscal 2008, we did not purchase any shares of common stock under the stock repurchase program. However, we withheld shares of restricted stock to satisfy tax-withholding obligations arising in connection with the vesting of awards of restricted stock related to our 2003 long-term stock incentive plan.

Our corporate strategy points to the synergistic value of potential acquisitions in our metal coil coating, metal components and engineered building systems segments. From time to time, we may enter into letters of intent or agreements to acquire assets or companies in these business lines. The consummation of these transactions could require cash payments and/or issuance of additional debt.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of July 27, 2008, we were not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

During the nine months ended July 27, 2008, we committed to a component inventory purchase obligation totaling $10.9 million over the next three years. If we cancel the contract prior to the production of the component inventory,

we will be obligated to pay a pro-rata portion of $0.2 million cancellation charge based on a specified quantity to be produced and purchased under the contract. In addition, during the three months ended July 27, 2008, we committed to a component inventory purchase obligation totaling $14.5 million over the next three years. If we cancel the contract prior to the production of the component inventory, we will be obligated to pay a pro-rata portion of $0.7 million cancellation charge based on a specified quantity to be produced and purchased under the contract. There have been no other material changes in our future contractual obligations since the end of fiscal 2007 other than the normal expiration of existing contractual obligations. See Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 28, 2007 for more information on Contractual Obligations.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are most important to the portrayal of our financial position and results of operations. These policies require our most subjective judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies include those that pertain to revenue recognition, insurance accruals, share-based compensation, income taxes, accounting for acquisitions, intangible assets and goodwill, allowance for doubtful accounts and contingencies, which are described in Item 7 of our Annual Report on Form 10-K for the year ended October 28, 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). FSP APB 14-1 will change the accounting for certain convertible debt instruments, including our Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially in cash upon conversion, an entity shall separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of FSP APB 14-1 for our Notes is that the equity component will be included in the paid-in-capital section of stockholders equity on our consolidated balance sheet and the value of the equity component will be treated as an original issue discount for purposes of accounting for the debt component of the Notes. Higher interest expense will result by recognizing the accretion of the discounted carrying value of the Notes to their face amount as interest expense over the term of the Notes using an effective interest rate method. FSP APB 14-1 is effective for our fiscal year ended 2010, does not permit early application and will be applied retrospectively to all periods presented. While this accounting pronouncement does not change the economic substance or cash flow requirements for the Notes, the amount reported as interest expense in our consolidated statement of operations will increase due to the accretion of the discounted carrying value of the Notes to their face amount. The Notes will also reflect higher than previously reported interest expense due to retrospective application. We are currently evaluating the impact of adopting FSP APB 14-1 but anticipate the reported interest expense on our Notes will increase from 2.125% to 7.125%. The retroactive application of this FSP to fiscal years 2005 to 2009 will result in an increase to annual interest expense of approximately $7.2 million in fiscal 2005, gradually increasing to approximately $9.3 million in fiscal 2009. We have assumed the Notes would be settled in fiscal 2009 upon our call option date and, therefore, we will not have additional prospective interest expense upon adoption.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.* This Statement requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. We will implement this statement during our second quarter of fiscal 2009.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). This Statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the

deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 established a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. In addition, SFAS 160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. We will implement this statement in our fiscal year that begins November 2, 2009 and apply it as applicable. We currently do not have any ownership interests which would be impacted by SFAS 160.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces FASB Statement No. 141, *Business Combinations*, but retains the fundamental requirements in Statement 141. SFAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, SFAS 141(R) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and determines disclosures to enable users of the financial statement to evaluate the nature and financial effects of the business combination. We will implement this statement for all future acquisitions following the date of adoption in our fiscal year that begins November 2, 2009. The impact of adoption of SFAS 141(R) on our financial position or results of operations is dependent upon the nature and terms of business combinations, if any, that we may consummate in fiscal 2010 and thereafter.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for our fiscal year that begins November 3, 2008. We are evaluating the impact of adopting SFAS 159 but currently do not intend to elect the fair value option for any financial assets or liabilities.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurement* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB staff position 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2) which partially delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). As a result of the deferral, SFAS 157 is effective for our fiscal year that begins November 3, 2008 for financial assets and financial liabilities carried at fair value and non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, and for our fiscal year that begins November 2, 2009 for nonrecurring, non-financial assets and liabilities that are recognized or disclosed at fair value. We are currently evaluating the impact of adopting SFAS 157.

FORWARD LOOKING STATEMENTS

This Quarterly Report includes statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, our forward-looking statements can be identified by the words anticipate, believe, continue, could, estimate, exp forecast, goal, intend, may, objective, plan, potential, predict, projection, should, will or other similar words. We have base statements on our management s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking

information, including any earnings guidance. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations and the related statements are subject to risks, uncertainties, and other factors that could cause the actual results to differ materially from those projected. These risks, uncertainties, and other factors include, but are not limited to:

- industry cyclicality and seasonality and adverse weather conditions;
- fluctuations in customer demand and other patterns;
- raw material pricing and supply;
- competitive activity and pricing pressure;
- the ability to make strategic acquisitions accretive to earnings;
- general economic conditions affecting the construction industry;
- ability to service or refinance our debt; and
- other risks detailed under the caption Risk Factors in our Annual Report on Form 10-K as filed with the SEC.

We expressly disclaim any obligations to release publicly any updates or revisions to these forward-looking statements to reflect any changes in our expectations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Steel Prices

We are subject to market risk exposure related to volatility in the price of steel. For the fiscal nine months ended July 27, 2008, steel constituted approximately 73% of our cost of sales. Our business is heavily dependent on the price and supply of steel. Our various products are fabricated from steel produced by mills to forms including bars, plates, structural shapes, sheets, hot rolled coils and galvanized or Galvalume-coated coils. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions, domestically and internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. We believe steel prices will not change as dramatically in the fourth quarter of fiscal 2008 as compared with the significant increases we experienced during the first nine months of fiscal 2008. Because we have periodically adjusted our contract prices, particularly in the engineered building systems segment, we have generally been able to pass increases in our raw materials costs through to our customers. The graph below shows the monthly CRU index data for the North American Steel Price Index over the historical five-year period. The CRU North American Steel Price Index has been published by the CRU Group since 1994. The index, based on a CRU survey of industry participants, is now commonly used in the settlement of physical and financial contracts in the steel industry. The prices surveyed are purchases for forward delivery, according to lead time, which will vary. For example, the July index would likely approximate our fiscal September steel purchase deliveries based on current lead-times. The volatility in this steel price index is comparable to the volatility we experience in our average cost of steel.

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Source: www.crugroup.com

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of steel in excess of our current production requirements. However, from time to time, we may purchase steel in advance of announced steel price increases. We can give no assurance that steel will remain available or that prices will not continue to be volatile. While most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other reasons, not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial position.

We rely on a few major suppliers for our supply of steel and may be adversely affected by the bankruptcy, change in control, financial condition or other factors affecting those suppliers. During the first nine months of fiscal 2008, we purchased approximately 37% of our steel requirements from two vendors. No other vendor accounted for over 10% of our steel requirements during fiscal 2008. A prolonged labor strike against one or more of our principal domestic suppliers, or financial or other difficulties of a principal supplier that affects its ability to produce steel, could have a material adverse effect on our operations. Furthermore, if one or more of our current suppliers is unable for financial or any other reason to continue in business or to produce steel sufficient to meet our requirements, essential supply of our primary raw materials could be temporarily interrupted and our business could be adversely affected. Alternative sources, however, including foreign steel, are currently believed to be sufficient to maintain required deliveries.

With steel accounting for approximately 73% of our cost of sales for the fiscal nine months ended July 27, 2008, a 1% change in the cost of steel would have resulted in a pre-tax impact of approximately $6.9 million for the nine months ended July 27, 2008, if such costs were not passed on to our customers. The impact to our financial results of operations would be significantly dependent on the competitive environment and the costs of other alternative building products, which could impact our ability to pass on these higher costs.

Interest Rates

We are subject to market risk exposure related to changes in interest rates on our senior credit facility, which includes revolving credit notes and term notes. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Under our senior credit facility, we may, at our option, fix the interest rate for certain borrowings based on a spread over LIBOR for 30 days to six months. At July 27, 2008, we had $293.3 million outstanding under our senior secured credit facility. Based on this balance and considering the Swap Agreement discussed below, an immediate change of 1% in the interest rate would cause a change in interest expense of approximately $1.5 million on an annual basis.

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We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not purchase or hold any derivative financial instruments for trading purposes. As disclosed in Note 9 to the condensed consolidated financial statements, we have effectively converted $160 million of our $293 million term loan outstanding on our $400 million term loan due 2010 to fixed rate debt by entering into an interest rate swap agreement (Swap Agreement). At both July 27, 2008 and October 28, 2007, the notional amount of the Swap Agreement was $145 million.

We are exposed to credit loss in the event of nonperformance by the counterparty on the Swap Agreement. If the counterparty fails to meet the terms of the agreement, our exposure is limited to the net amount that would have been received, if any, over the remaining life of the Swap Agreement. We do not anticipate nonperformance as the contract is with a creditworthy counterparty and no material loss would be expected from nonperformance by the counterparty.

See Note 9 to the condensed consolidated financial statements for more information on the material terms of our long-term debt.

Foreign Currency Exchange Rates

We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. The functional currency for our Canada operations is the Canadian dollar. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated other comprehensive income in stockholders equity. The translation losses included in other comprehensive income for the nine months ended July 27, 2008 were $0.1 million and for the three months and nine months ended July 29, 2007 were $0.2 million and $0.1 million, respectively. The translation losses included in other comprehensive income for the three months ended July 27, 2008 were insignificant.

The functional currency for our Mexico operations is the U.S. dollar. Adjustments resulting from the re-measurement of the local currency financial statements into the U.S. dollar functional currency, which uses a combination of current and historical exchange rates, are included in net income in the current period. Net foreign currency exchange gains for both the three months and nine months ended July 27, 2008 were $0.5 million. Net foreign currency exchange losses for the nine months ended July 29, 2007 were $0.3 million. Net foreign currency exchange losses for the three months ended July 29, 2007 were insignificant.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures. Based upon such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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NCI BUILDING SYSTEMS, INC.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

See Part I, Item 1, Unaudited Condensed Consolidated Financial Statements, Note 12, which is incorporated herein by reference.

Item 1A. Risk Factors.

Refer to Item 1A. Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended October 28, 2007 filed with the Securities and Exchange Commission (the SEC). There have been no material changes in risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended October 28, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table shows our purchases of our common stock during the second quarter of fiscal 2008:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs [2]
April 28, 2008 to May 25, 2008				646,092
May 26, 2008 to June 22, 2008	217	$ 38.42		646,092
June 23, 2008 to July 27, 2008				646,092
Total	217	$ 38.42		646,092

(1) These shares were shares of restricted stock that were withheld to satisfy tax-withholding obligations arising in connection with the vesting of awards of restricted stock. The required withholding is calculated using the closing sales price reported by the New York Stock Exchange as of the vesting date.

(2) Our board of directors has authorized a stock repurchase program. Subject to applicable federal securities law, such purchases occur at times and in amounts that we deem appropriate. Shares repurchased are used primarily for later re-issuance in connection with our equity incentive and 401(k) profit sharing plans. On February 28, 2007, we publicly announced that our board of directors authorized the repurchase of an additional 1.0 million shares of our common stock. There is no time limit on the duration of the program. During the first nine months of fiscal 2008, we did not repurchase any shares of our common stock. At July 27, 2008, there were 0.6 million shares remaining authorized for repurchase under the program.

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Item 6. Exhibits

Exhibits

Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Index to Exhibits immediately preceding the exhibits filed herewith and such listing is incorporated herein by reference.

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SIGNATURES

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

NCI BUILDING SYSTEMS, INC.
(Registrant)

Date: September 3, 2008

By: /s/ Mark E. Johnson
Mark E. Johnson
Executive Vice President,
Chief Financial Officer and Treasurer

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Index to Exhibits

3.1	Restated Certificate of Incorporation, as amended through September 30, 1998 (filed as Exhibit 3.1 to NCI s Annual Report on Form 10-K for the fiscal year ended November 2, 2002 and incorporated by reference herein)
3.2	Certificate of Amendment to Restated Certificate of Incorporation, effective as of March 12, 2007 (filed as Exhibit 3.2 to NCI s Quarterly Report on Form 10-Q for the quarter ended April 29, 2007 and incorporated by reference herein)
3.3	Amended and Restated By-laws, effective as of December 6, 2007 (filed as Exhibit 3.1 to NCI s Current Report on Form 8-K filed December 12, 2007 and incorporated by reference herein)
*31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*32.1	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
*32.2	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)

* Filed herewith