



USG Corporation Fourth Quarter 2013 Earnings Conference Call and Webcast

February 6, 2014



Forward-Looking Statements



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management's expectations about future conditions. Actual business, market or other conditions may differ materially from management's expectations and, accordingly, may affect our sales and profitability or other results and liquidity. Actual results may differ materially due to various other factors, including: economic conditions, such as the levels of new home and other construction activity, employment levels, the availability of mortgage, construction and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence; capital markets conditions and the availability of borrowings under our credit agreement or other financings; our substantial indebtedness and our ability to incur substantial additional indebtedness; competitive conditions, such as price, service and product competition; shortages in raw materials; changes in raw material and energy costs; volatility in the assumptions used to determine the funded status of our pension plans; the loss of one or more major customers and our customers' ability to meet their financial obligations to us; capacity utilization rates for us and the industry; our ability to expand into new geographic markets and the stability of such markets; our ability to successfully enter into and operate the joint venture with Boral Limited, including risks that our joint venture partner, Boral Limited, may not fulfill its obligations as an investor or may take actions that are inconsistent with our objectives; our ability to protect our intellectual property and other proprietary rights; changes in laws or regulations, including environmental and safety regulations; the satisfactory performance of certain business functions by third party service providers; our ability to achieve anticipated savings from cost reduction programs; the outcome in contested litigation matters; the effects of acts of terrorism or war upon domestic and international economies and financial markets; and acts of God. We assume no obligation to update any forward-looking information contained in this presentation. Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the "Risk Factors" in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

- Overview
James S. Metcalf
Chairman, President and CEO
- Financial Results
Matthew F. Hilzinger
Executive VP, Chief Financial Officer
- Building on the Recovery
James S. Metcalf
Chairman, President and CEO
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James S. Metcalf
Chairman, President and CEO

James S. Metcalf

Chairman, President and CEO



Fourth Quarter 2013 Results



\$ Millions	4Q13	4Q12	Change
Net Sales			
North American Gypsum	590	508	82
Worldwide Ceilings	154	141	13
Building Products Distribution	314	282	32
Eliminations	(143)	(116)	(27)
Total USG Corporation	915	815	100
Operating Profit/(Loss)			
North American Gypsum	75	17	58
Worldwide Ceilings	19	14	5
Building Products Distribution	4	(10)	14
Corporate & Eliminations	(38)	(29)	(9)
Total USG Corporation	60	(8)	68

Strategic Priorities



- Strengthen our core businesses
- Diversify the sources of our earnings
 - Strategic geographic extensions
 - Adjacent products/systems
- Differentiate through innovation



Matthew F. Hilzinger
Executive VP,
Chief Financial Officer



Q4 2013 Consolidated Financial Results



\$ Millions (except EPS)	4Q 2013	4Q 2012
Net sales	915	815
Gross profit	151	85
% of net sales	17%	10%
SG&A	91	80
Operating profit (loss)	60	(8)
Interest expense	52	52
GAAP Net income/(loss)	(3)	(13)
Diluted EPS	(0.03)	(0.11)
Restructuring and asset impairment charges	-	13
Pension settlement charges	16	-
Loss (income) from discontinued operations	1	(52)
Other	8	-
Adjusted net income/(loss)*	22	(52)

FY 2013 Consolidated Financial Results



\$ Millions (except EPS)	FY 2013	FY 2012
Net sales	3,570	3,224
Gross profit	581	395
% of net sales	16%	12%
SG&A	320	304
Operating profit	258	73
Interest expense	203	206
GAAP Net income/(loss)	47	(126)
Diluted EPS	0.42	(1.19)
Restructuring and asset impairment charges	3	18
Pension settlement charges	16	-
Loss (income) from discontinued operations	2	(57)
Other	5	41
Adjusted net income/(loss)*	73	(124)

North American Gypsum

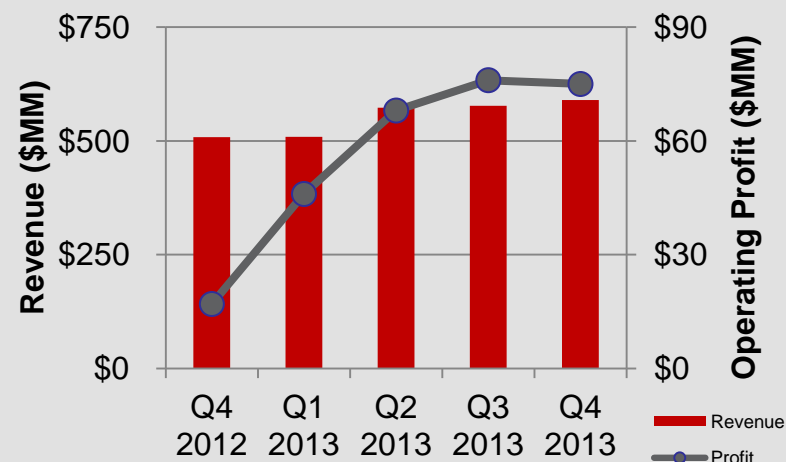


Q4 2013 Highlights

- UltraLight represented 59% of fourth quarter shipments
- Improved sales and margins in our substrates business
- Highest quarterly wallboard volume since the fourth quarter of 2008

Q4 2012 Operating Profit	\$17
US Wallboard Margin	\$30
US Wallboard Volume	\$7
Other Products	\$2
GTL	\$5
Mining (including impairment)	\$11
CGC/Mexico	\$3
Pension Settlement Charge	(\$9)
<u>Restructuring and other costs</u>	<u>\$9</u>
Q4 2013 Operating Profit	\$75

\$ (in millions)	Q4 2013	Q4 2012	Variance
Net Sales	\$590	\$508	\$82
Operating Profit	\$75	\$17	\$58
Adjustments	\$9	\$11	(\$2)
Adjusted Operating Profit*	\$84	\$28	\$56
DD&A	\$34	\$30	\$4



Worldwide Ceilings

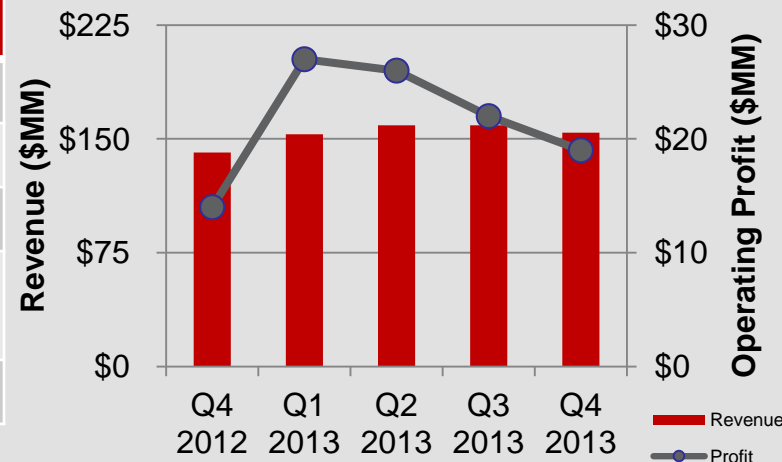


Q4 2013 Highlights

- Record fourth quarter operating results
- Commercial choppiness expected to continue, but we see demand recovering
- Trend towards higher performing, higher margin products drove margin improvement

Q4 2012 Operating Profit	\$14
Tile & Grid Margin	\$6
Tile & Grid Volume	\$2
CGC	(\$1)
<u>Pension Settlement Charge</u>	<u>(\$2)</u>
Q4 2013 Operating Profit	\$19

\$ (in millions)	Q4 2013	Q4 2012	Variance
Net Sales	\$154	\$141	\$13
Operating Profit	\$19	\$14	\$5
Adjustments	\$2	-	\$2
Adjusted Operating Profit*	\$21	\$14	\$7
DD&A	\$4	\$4	-



Building Products Distribution

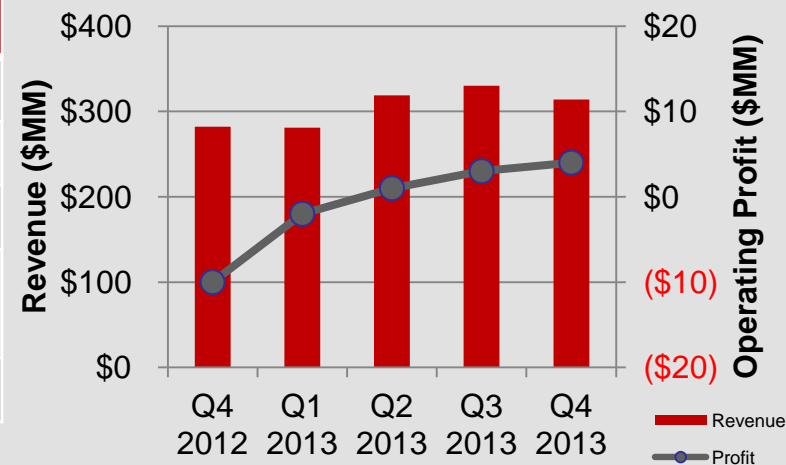


Q4 2013 Highlights

- Same store sales increase of 11%
- Third consecutive quarter of positive operating profit
- L&W last generated \$4M in operating profit on \$525MM in sales in Q3 2008
- Bad debt reserve lowered due to improved collections and lower risk of customer default

Q4 2012 Operating Loss	(\$10)
Wallboard	\$7
Other Core Products	\$4
Bad Debt Reserve	\$5
Pension Settlement Charge	(\$3)
<u>Other Costs</u>	<u>\$1</u>
Q4 2013 Operating Profit	\$4

\$ (in millions)	Q4 2013	Q4 2012	Variance
Net Sales	\$314	\$282	\$32
Operating Profit/(Loss)	\$4	(\$10)	\$14
Adjustments	\$3	-	\$3
Adjusted Operating Profit/(Loss)*	\$7	(\$10)	\$17
DD&A	\$3	\$3	-



USG Corporation

Other Consolidated Results



\$ Millions	12 months ended December 31, 2013	12 months ended December 31, 2012
Cash flow provided by operations	80	68
Capital Expenditures	(124)	(70)
Investments and Loans to JVs	(5)	(18)
Acquisition of Mining Rights	(17)	(16)
Other*	(-)	88
Adjusted cash flow (used for) investing activities**	(146)	(16)
Cash flow provided by (used for) financing activities***	350	(38)
Net cash (used for) provided by discontinued operations	(2)	9
Effect of exchange rate changes on cash	(7)	4
Adjusted increase in cash and cash equivalents**	275	27
	12/31/13	12/31/12
Cash and cash equivalents and marketable securities	952	677
Total liquidity	1,266	874
Total debt	2,355	2,309

* \$73MM in 2012 from sale of European operations

** US GAAP measure of net cash provided by (used for) investing activities was (\$157MM) in 2013 and \$138MM in 2012 and includes net (purchases)/sales of marketable securities of (\$11MM) in 2013 and \$154MM in 2012. Net increase in cash and cash equivalents of \$264MM in 2013 and \$181MM in 2012

*** Includes \$344MM in net proceeds from issuance of 5.875% Senior notes in 2013

James S. Metcalf

Chairman, President and CEO



- The residential recovery is underway and will continue to improve in 2014.
- Commercial remains choppy, but green shoots exist and future indicators are mostly positive.
- Repair and remodel is expected to be a major driver of our business. We have the right customer partners and the macro-factors indicate a sustainable demand environment.

Questions?



James S. Metcalf

Chairman, President and CEO



Appendix: Non-GAAP Financial Measures



In this presentation, the corporation presents the non-GAAP financial measures adjusted operating profit (loss) and adjusted net income (loss), which exclude certain charges. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help investors' ability to analyze underlying trends in the corporation's business, evaluate its performance relative to other companies in its industry and provide useful information to both management and investors by excluding certain items that may not be indicative of the corporation's core operating results. In addition, the corporation uses adjusted operating profit and adjusted net income as a component of the measurement of incentive compensation.

Adjusted Operating Profit/(Loss) Reconciled to GAAP Operating Profit/(Loss)



\$ Millions	4Q13	4Q12	Change
Adjusted Operating Profit (loss)			
North American Gypsum	84	28	56
Worldwide Ceilings	21	14	7
Building Products Distribution	7	(10)	17
Corporate & Eliminations	(36)	(27)	(9)
TOTAL	76	5	71
Pension Settlement Charges			
North American Gypsum	9	-	9
Worldwide Ceilings	2	-	2
Building Products Distribution	3	-	3
Corporate	2	-	2
TOTAL	16	-	16
Restructuring and Long-Lived Asset Impairment Charges			
North American Gypsum	-	11	(11)
Worldwide Ceilings	-	-	-
Building Products Distribution	-	-	-
Corporate	-	2	(2)
TOTAL	-	13	(13)
Reported GAAP Operating Profit (loss)			
North American Gypsum	75	17	58
Worldwide Ceilings	19	14	5
Building Products Distribution	4	(10)	14
Corporate & Eliminations	(38)	(29)	(9)
TOTAL	60	(8)	68

Adjusted Operating Profit/(Loss) Reconciled to GAAP Operating Profit/(Loss)



\$ Millions	FY 2013	FY 2012	Change
Adjusted Operating Profit (loss)			
North American Gypsum	276	130	146
Worldwide Ceilings	96	84	12
Building Products Distribution	8	(33)	41
Corporate & Eliminations	(103)	(90)	(13)
TOTAL	277	91	186
Pension Settlement Charges			
North American Gypsum	9	-	9
Worldwide Ceilings	2	-	2
Building Products Distribution	3	-	3
Corporate	2	-	2
TOTAL	16	-	16
Restructuring and Long-Lived Asset Impairment Charges			
North American Gypsum	3	15	(12)
Worldwide Ceilings	-	1	(1)
Building Products Distribution	(1)	-	(1)
Corporate	1	2	(1)
TOTAL	3	18	(15)
Reported GAAP Operating Profit (loss)			
North American Gypsum	264	115	149
Worldwide Ceilings	94	83	11
Building Products Distribution	6	(33)	39
Corporate & Eliminations	(106)	(92)	(14)
TOTAL	258	73	185

Adjusted Net Income/(Loss) Reconciled to GAAP Net Income/(Loss)



\$ Millions	4Q13	4Q12	Change
Net (Loss) – GAAP Measure	(3)	(13)	10
Less:			
Income (loss) from discontinued operations, net of tax	(1)	52	(53)
Add Back:			
Restructuring and asset impairment charges	-	13	(13)
Pension settlement charges	16	-	16
Withholding taxes on dividends between foreign entities	6	-	6
Bridge loan commitment financing fee	2	-	2
Adjusted Net Income/(Loss) – Non-GAAP Measure	22	(52)	74

Adjusted Net Income/(Loss) Reconciled to GAAP Net Income/(Loss)



\$ Millions	FY 2013	FY 2012	Change
Net Income/(Loss) – GAAP Measure	47	(126)	173
Less:			
(Loss)/Income from discontinued operations, net of tax	(2)	57	(59)
Add Back:			
Restructuring charges	3	18	(15)
Pension settlement charges	16	-	16
Reduction in valuation allowance for deferred tax assets	(3)	-	(3)
Withholding taxes on dividends between foreign entities	6	-	6
Bridge loan commitment financing fee	2	-	2
Loss on extinguishment of debt	-	41	(41)
Adjusted Net Income/(Loss) – Non-GAAP Measure	73	(124)	197