

USG – KEY ELEMENTS OF THE *USG BORAL BUILDING PRODUCTS* JOINT VENTURE

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Strategic Rationale:

- Provides USG with immediate access to some of the world's fastest growing markets
- Positions USG to deliver on all three pillars of its Plan to Win: Strengthen the Core, Diversify Earnings, and Differentiate through Innovation
- Secures and strengthens the long-term leadership position of USG on a broader stage across many of its product solutions
- Brings together Boral's leading plasterboard manufacturing and distribution footprint in Asia and Australasia with USG's advanced technologies delivering competitive advantages
- Immediately accretive. Expected CY2014 net impact to USG earnings of \$7 -\$12M.

Operating Benefits:

- Significant phased synergies >US\$50m p.a. within 3 years of 2-year technology roll-out
- Leading market position across Asia, Australasia, and the Middle East
- Expands the reach of USG's ceilings, Durock, Fiberock, joint treatment and flooring products

Financial Structure and Valuation:

- US\$500m upfront cash payment to Boral upon completion (expected January 2014), plus the potential for up to US\$75m earn-out payments (US\$25m in 3 years and US\$50m in 5 years) if JV earnings targets are achieved
- US\$1.6bn valuation includes \$1.35bn for Boral's assets and US\$250m for USG's assets/IP
- The transaction is value accretive, NPV positive, and Balance Sheet positive for shareholders

Balance Sheet & Earnings Impacts:

- USG expects to fund this through US\$350M in long term debt and \$150M in cash from its balance sheet
- JV's net income will be reflected as an Equity Method Investment, below the Operating Profit line within USG's Consolidated Statement of Operations

Market Data:

- Operations in 12 countries across Asia, Australasia and the Middle East, #1 or #2 market positions in most markets
- 6.8 BSF of plasterboard capacity upon completion of current upgrades

Organizational Impact:

- Frederic de Rougemont appointed CEO, Paul Monzella appointed CFO of USG Boral Building Products effective on completion; Jennifer Scanlon appointed Chairman
 - Two-year, US~\$50m capital expenditures to roll out new technologies across 25 plasterboard lines
 - Introduction of complementary products and business rebranding from commencement of JV
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