



USG INVESTOR DAY

MARCH 8, 2018

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, including but not limited to, advanced manufacturing investment, returns, benefits, spend range and replication; the timing of our share repurchase program; projected margin expansion, increased shareholder value and sustainability; benefits of macro and industry trends; organic growth; incremental revenue opportunities; paths to margin expansion for Performance Materials and Ceilings; Ceilings sales CAGR; the impact of the Ceilings Plus acquisition; expected square feet of Ensemble™; continued shift toward premium finishes; USG Boral revenue growth; benefit to USG Boral from USG's strategy; USG Boral growth from new markets; reinvestment in the business; SG&A in the medium-term; profitability at all points in the cycle; 2018 SG&A; 2018 end-market and financial outlooks; 2020 end-market, USG volumes and financial outlooks; 2020 margin guidance; free cash flow generation improvement; and the effect of growth and cost initiatives. 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. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update any forward-looking statement. Actual results may differ materially due to various other factors, including: economic conditions, such as employment levels, the availability of skilled labor, household formation, home ownership rate, new and existing home price trends, availability of mortgage financing, interest rates, deductibility of mortgage interest and real estate taxes, consumer confidence, job growth and discretionary business investment; competitive conditions and our ability to maintain or achieve price increases; the loss of one or more major customers, including L&W, and the increasing number of our customers with significant buying power; increased costs, or decreased availability, of key raw materials, energy or transportation; unexpected operational difficulties or catastrophic events at our facilities; our ability to successfully 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; exposure to risks of operating internationally; our ability to innovate and protect our intellectual property and other proprietary rights; our ability to make capital expenditures and achieve the expected return on investment; a disruption in our information technology systems; compliance with environmental and safety regulations or product safety concerns; the outcome in legal and governmental proceedings; the ability of a small number of stockholders to influence our business and stock price; our ability to successfully pursue and complete acquisitions, joint ventures and other transactions to complement or expand our businesses; significant changes in factors and assumptions used to measure our defined benefit plan obligations; our ability to return capital to stockholders; the occurrence of an "ownership change" within the meaning of the Internal Revenue Code; our ability pursue strategic opportunities without increasing our debt and leverage ratio; the effects of acts of terrorism or war upon domestic and international economies and financial markets; and acts of God. 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.

Agenda



9 am

Introduction

Bill Madsen
Senior Director, Investor Relations

Welcome and Strategic Review

Jenny Scanlon
President & CEO

Gypsum

Greg Salah
SVP & President, Gypsum

Performance Materials

John Reale
SVP & President, Performance Materials

Ceilings

Chris Macey
SVP & President, Ceilings

10:30 am **Q&A**

10:50 am **Break**

11 am

USG Boral

Joe Holmes
SVP, Manufacturing, Technology & Global Operations

Advanced Manufacturing

Ken Banas
VP, Advanced Manufacturing & Corporate Excellence

Financial Overview

Matt Hilzinger
EVP & CFO

Noon

Q&A

Closing Remarks

Jenny Scanlon
President & CEO

12:30 pm **Leadership Luncheon & Product Showcase**

Welcome and Strategic Review

Jenny Scanlon
President & CEO

Key Messages



1

Transformed Company to a Pure Manufacturer with Enhanced Portfolio, Focused Division Structure and Refreshed Operating Model

2

Pivoting to a New Strategy with Emphasis on Margin Expansion in a Supportive Macroeconomic Environment

3

Favorable Cost Position Improving Further through Advanced Manufacturing, Operational Excellence and Established Culture of Safety

4

Leader in Providing Innovative Products and Deploying a Nimble Commercialization Process to Address Industry Challenges

5

Strong Balance Sheet and Disciplined Capital Allocation Strategy Provide Flexibility with Goal of Enhanced Shareholder Returns

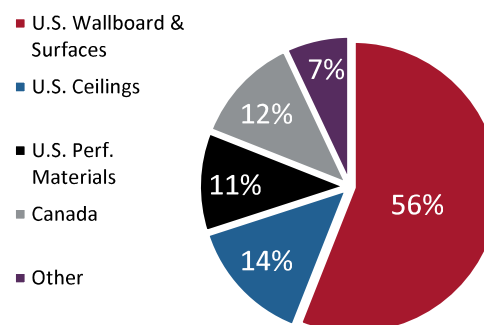


USG at a Glance

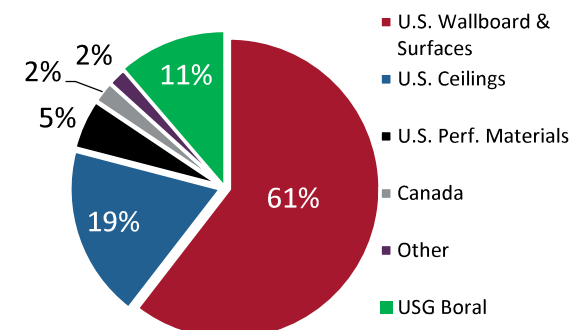


Founded	1902
Market Cap ¹	\$4.7B
Headquarters	Chicago, IL
Employees ²	6,800
Plant Locations ²	51
2017 Sales ²	\$3,204M
2017 AOP ³	\$438M
2017 Adjusted EPS ³	\$1.80

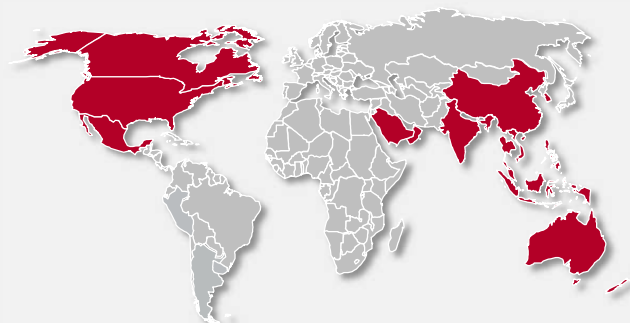
2017 SALES²



2017 ADJ. OPERATING PROFIT (AOP)³



GLOBAL FOOTPRINT



- #1** IN NORTH AMERICAN GYPSUM
- #1** IN AUSTRALIA / ASIA GYPSUM (USG BORAL)
- #2** IN NORTH AMERICAN CEILINGS

Leading Manufacturer of Building Materials and Innovative Solutions

1. As of 2/28/2018.

2. Does not include USG Boral Joint Venture, which has: 3,200 employees, 49 plant locations and US\$1.2B sales in CY 2017.

3. Non GAAP metric – See reconciliation to GAAP results in Appendix.

Experienced Leadership Team with Deep Industry Knowledge



Jenny Scanlon
President & CEO
20+ Years in Industry

☒ Presenting Today



Matt Hilzinger
EVP & CFO
5+ Years



Brian Cook
EVP & Chief
Administrative Officer
35+ Years



Dominic Dannessa
EVP & Chief Customer
Innovation Officer
40+ Years



Joe Holmes
SVP, Manufacturing,
Tech & Global Ops
30+ Years



Chris Macey
SVP & President,
Ceilings
20+ Years



John Reale
SVP & President,
Performance Materials
30+ Years



Greg Salah
SVP & President,
Gypsum
30+ Years



Michelle Warner
SVP, General Counsel &
Corporate Secretary
2+ Years



Ken Banas
VP, Advanced Mfg. &
Corporate Excellence
15+ Years



Sean Gillen
VP & Treasurer
1+ Years



Mary Martin
VP & Associate
General Counsel
15+ Years



Jeanette Press
VP & Controller
5+ Years



Peter Savu
VP, Manufacturing
& Supply Chain
30+ Years



S. Veeramasuneni
VP & Chief
Innovation Officer
15+ Years

USG Then and Now | Significant Transformation of USG



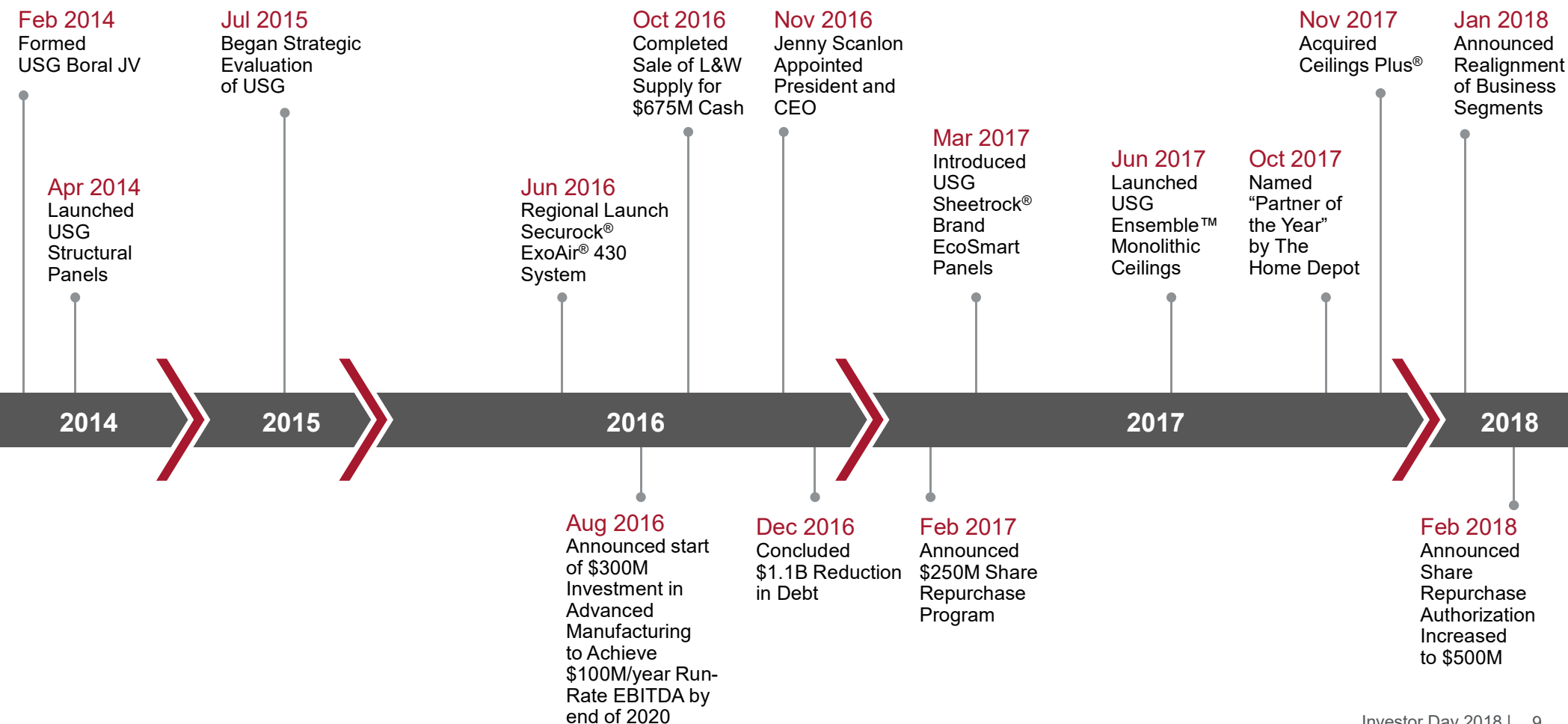
	2012	2017	IMPACT
ADJ. OPERATING PROFIT¹	\$91M	\$438M	+\$347M
AOP % MARGIN¹	4%	14%	+10%
TOTAL DEBT	\$2,309M	\$1,089M	-\$1,220M
INTEREST EXPENSE	\$206M	\$69M	-\$137M
LEVERAGE²	9.5x	1.8x	-7.7x
CAPEX	\$70M	\$168M	+\$98M
SHARE REPURCHASES	\$0M	\$184M	+\$184M
PORTFOLIO	N. America and Europe Manufacturing and Distribution	N. America, Asia, Australasia and Middle East Manufacturing	

Improved Operational and Financial Metrics

1. Non GAAP Metric. See reconciliation to GAAP results in Appendix.

2. Non GAAP Metric. Net adjusted debt/adjusted EBITDA. See reconciliation to GAAP results in Appendix.

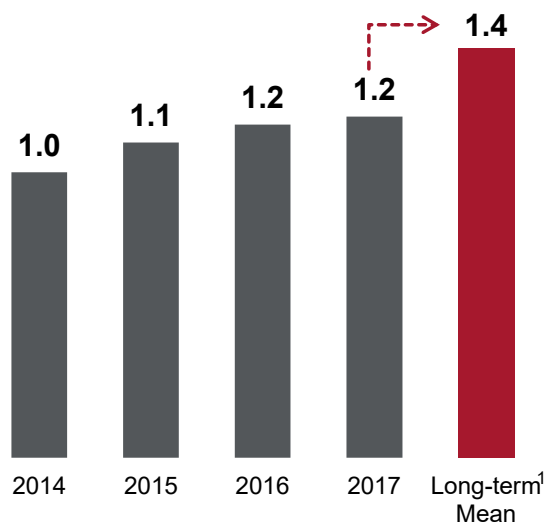
Recent Actions Taken to Transform Company, Portfolio and Balance Sheet



Transformation Achieved with Industry Fundamentals Lagging Long-Term Averages



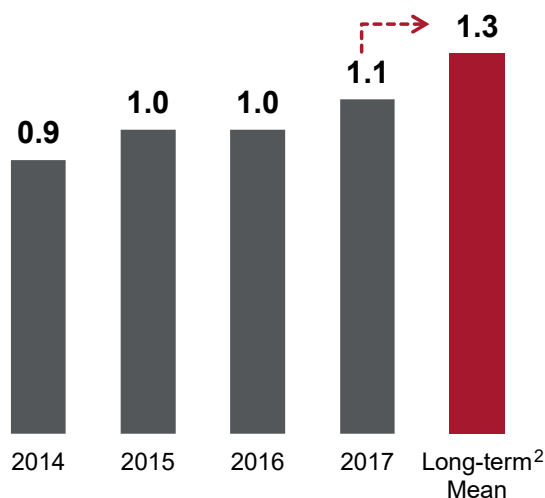
RESIDENTIAL ANNUAL STARTS (M UNITS)



RESIDENTIAL DRIVERS

Economic Growth, Household Formation, New and Existing Home Prices, Employment Levels, Wage Growth, Rental Rates, Mortgage Rates, Inventory of Homes, Population Age Distribution

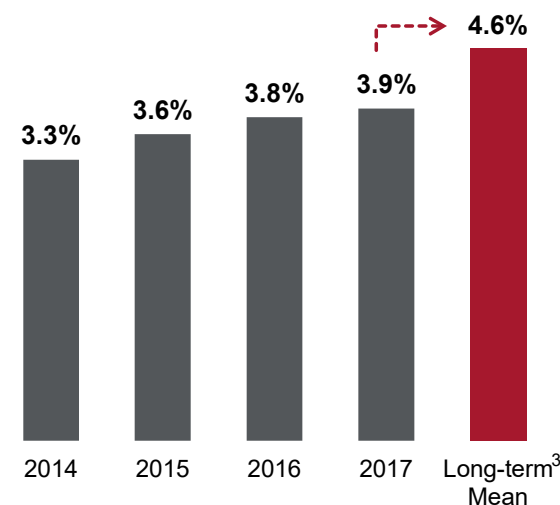
NON-RESIDENTIAL LAGGED ANNUAL STARTS (BSF)



NON-RESIDENTIAL DRIVERS

Economic Growth, Demographics, Commercial Building Type, Age of Building Stock, Government Spending, Building Turnover, Residential Activity

R&R HOME IMPROVEMENT



REPAIR AND REMODEL DRIVERS

Avg. Age of Housing and Commercial Stock, Existing Home Prices / Sales, Consumer Confidence, Office Vacancy Rates, CEO / Business Confidence

Significant Potential Industry Upside Remains

1. Since 1960. Note that all information that is available was used in the analysis to quantify the long-term averages.

2. Since 1976. Note that all information that is available was used in the analysis to quantify the long-term averages.

3. Private residential fixed investment as a percent of GDP since 1950.

We are a leading manufacturer of building products and innovative solutions around the world.

We will extend our leadership and achieve unparalleled customer loyalty to fuel profitable growth.

Four Pillars of Our Strategy



**PROFITABLY
GROW OUR CORE
PORTFOLIO**



**INNOVATE
TO ADDRESS
INDUSTRY
CHALLENGES**



**ALIGN AND
ENABLE OUR
ORGANIZATION**



**MAINTAIN
DISCIPLINED
CAPITAL
ALLOCATION**

Strategy Intended to Achieve Superior Performance at All Points in the Cycle

Logical, Focused Portfolio



	2017 SALES	2017 AOP MARGIN ¹	SUSTAINABLE COMPETITIVE ADVANTAGES
 Gypsum	\$1.9B²	16.0%²	<ul style="list-style-type: none"> • #1 position with leading brand, technology and established price premium • Large North American footprint to support leading channel partners' growth • Preferred by contractors who pull USG-branded products through the channel
 Performance Materials	\$373M²	6.4%²	<ul style="list-style-type: none"> • Accelerating commercialization of new, disruptive products projected to grow faster than the industry • Portfolio of solutions that simplify and speed-up the construction process • Focused on margin expansion via scale, pricing and operational excellence
 Ceilings	\$477M²	19.3%²	<ul style="list-style-type: none"> • Strong #2 position with track record of sustaining high AOP margins • Innovating and investing to expand presence in high-growth categories • Significant installed base providing recurring annuity business • Exclusive distribution with leading distributors and strong relationships with retailers
 USG Boral	\$1.2B³	14.1%³	<ul style="list-style-type: none"> • #1 or #2 position in many fast-growing construction markets • Adoption toward dry construction techniques driving additional demand • Leveraging USG technology to gain share, expand price premium and lower costs

Positioned to Drive Profitable Growth

1. Non GAAP Metric. AOP Margins have been recast for change in employee retirement plan accounting – See Appendix for reconciliation.

2. Gypsum, Performance Materials and Ceilings Sales and AOP Margin reflect U.S. Wallboard & Surfaces, U.S. Performance Materials and U.S. Ceilings segment results, respectively.

3. USG Boral is a 50/50 joint venture with Boral Limited; results are not consolidated.

Investments to Pursue Profitable Growth



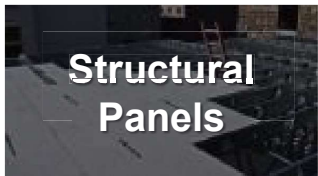
- Industry's only sustainable wallboard; patent protected
- Reduced weight for job site speed and safety
- Lightest weight product on the market



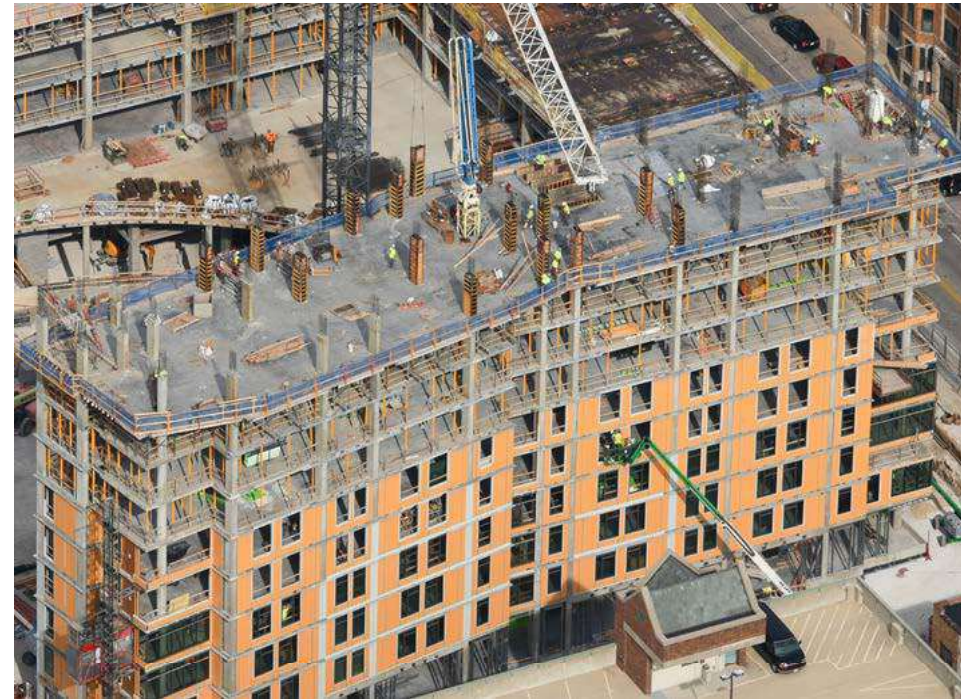
- Industry's first acoustical drywall; patent protected
- Seamless look of drywall with superior acoustical properties



- Industry's first factory-applied air barrier
- 40% faster installation time than spray-on barrier
- Removal of job site step contributes to modular / off-site construction capability



- Industry's only noncombustible concrete panel; patent protected
- 80% lighter than traditional concrete
- Eliminates delays of poured cement and reduces labor costs



New Products Focused on Solving Key Industry Trends

Advanced Manufacturing to Increase Profitability



\$300M
CUMULATIVE
MULTI-YEAR
INVESTMENT¹



\$100M
RUN-RATE EBITDA
EXPECTED BY
END OF 2020



\$25M
YoY EBITDA
BENEFIT
EXPECTED IN 2018



400+
PROJECTS

Margin Expansion Independent of Volume and Price

1. Investment includes ~\$250M in Capital Expenditures and \$50M in expenses.

Innovation Driving Continued Differentiation and New Ideas



USG CORPORATE INNOVATION CENTER



(Libertyville, IL)

INNOVATION PRIORITIES

45% CONTINUOUS IMPROVEMENT	35% DIVISION INITIATIVES	20% BIG IDEAS
Support of Existing Portfolio	Product-Line Extensions and Improvements	Next Generation Transformational Technologies
COST REDUCTIONS/ PRODUCT QUALITY ENHANCEMENTS	\$10-50M ANNUAL SALES OPPORTUNITIES	\$50-100M+ ANNUAL SALES OPPORTUNITIES

Balance Between Cost Reductions, Product Improvements and Next Generation Ideas

Purposeful Innovation Addresses Key Industry Trends



Demonstrated Benefits of USG Products

Job Site Efficiency



- **Faster to install** (Securock® ExoAir®, EcoSmart, Structural)
- **Lighter weight** (EcoSmart, Structural)
- **Reduces** likelihood of weather **delays** (Securock® ExoAir®, Structural)
- **Cost savings** vs. traditional method (Structural, Securock® Exoair®)

Sustainability



- **Energy savings** can be achieved (Securock® ExoAir®)
- Substantially **less waste** generated (EcoSmart)
- **Less water** used and **less CO₂** (EcoSmart)
- **Reduction** in greenhouse gases (Structural)

High Performing Solutions



- **Seamless look** of drywall with **high-end acoustics** (Ensemble™)
- Pre-applied membrane for **consistent performance** (Securock® ExoAir®)
- **Modular panelization** capabilities (Securock® ExoAir®, Structural)

USG Innovates for Current and Emerging Customer Needs

Accelerated Commercialization of New Product Platforms



COMMERCIALIZATION PROCESS

1 ALIGN, VALIDATE AND PRIORITIZE

- ✓ Ensure Alignment to Strategy
- ✓ Validate and Prioritize Initiatives
- ✓ Validate Voice of Customer

2 ACCELERATE DEVELOPMENT

- ✓ Process Control to Accelerate
- ✓ Identify Resource Impacts
- ✓ Assess Organizational Capability

3 GO-TO-MARKET DISCIPLINE

- ✓ Identify Pilot Markets
- ✓ Test Business Model
- ✓ Map to Launch and Scale

SHORTENED COMMERCIALIZATION CYCLE

Years from Ideation to Invoice

8-12 Yrs.



Industry
Average

9 Yrs.



Durock™

7 Yrs.



UltraLight

5 Yrs.



Ensemble™

4 Yrs.



EcoSmart &
Securock® ExoAir®

Quicker Adoption and Higher Rate of Successful Outcomes

Align and Enable Our Organization



DIVISIONS

GYPSUM



- Wallboard
- Surfaces

PERFORMANCE MATERIALS



- Building Envelope
- Structural
- Underlayment

CEILING



- Tile & Grid
- Ensemble™
- Specialty & Ceilings Plus®

USG BORAL



- Wallboard
- Ceilings
- Finishes & Steel Framing

SHARED SERVICES

CUSTOMER-FACING

INVENTION TO INVOICE

MANUFACTURING TECHNOLOGY

SUPPORT

Structured to Focus on Being Cost Effective, Agile and Responsive

Strategy Built on a Strong Operational Foundation



OUR CORE VALUES



PUTTING VALUES INTO ACTION: *WAYS OF WORKING*

- ✓ *We focus on meeting the needs of our customers*
- ✓ *We use the right data and analytics to make decisions*
- ✓ *We move with a sense of urgency*
- ✓ *We are candid and direct in our communication*
- ✓ *We hold ourselves accountable*

Disciplined Capital Allocation Will Fuel Our Future



**Maintain
Flexible
Balance
Sheet**

**Reinvest for
Lower Cost
and Organic
Growth**

**Return
Cash to
Shareholders**

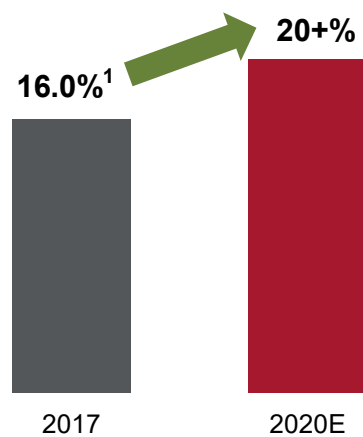
Acquisitions

Disciplined Use of Capital to Drive Shareholder Value

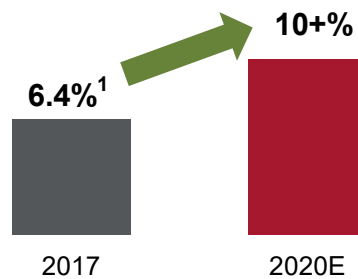
Expected Adjusted Operating Profit Margin Expansion



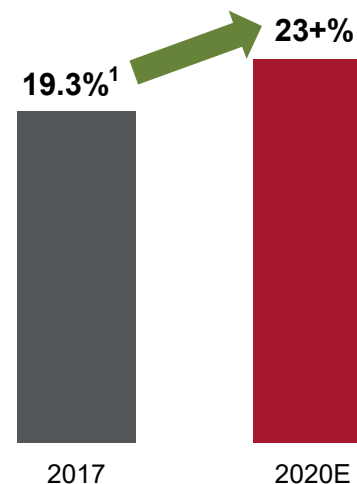
U.S. WALLBOARD & SURFACES



U.S. PERFORMANCE MATERIALS



U.S. CEILINGS



Expect Margin Expansion Across All Businesses

1. Non GAAP Metric. AOP Margins have been recast for change in employee retirement plan accounting – See Appendix for reconciliation.

USG Investment Thesis



✓ **Transformed company** operating in a **supportive macroeconomic environment**

✓ **Logical, focused portfolio** with leading positions in high growth markets across **divisions in North America, Asia and Australasia**

✓ **New strategy** focused on customer needs, manufacturing cost reductions and price optimization to enable **margin expansion throughout the cycle**

✓ **Strong balance sheet and** projected **growing free cash flow** will enable capital allocation flexibility and EPS growth

✓ **Experienced and passionate management** team executing a clear strategy expected to drive **superior performance** and **increase shareholder value**



Gypsum

Greg Salah
SVP & President, Gypsum

Key Messages



1 Technology Leader Within the Industry

2 Broad Product Portfolio to Target all Market Segments

3 Largest Footprint in North America to Support Future Growth

4 Partnered with Leading Customers Across all Channels

5 Capturing Value for Quality and Service



Gypsum at a Glance



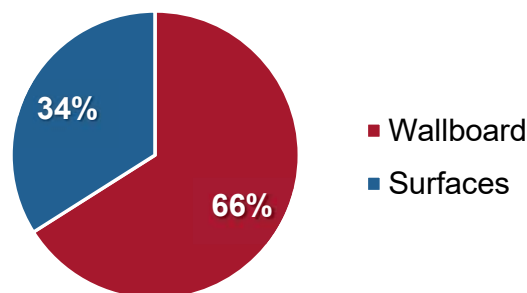
2017 FINANCIAL HIGHLIGHTS¹

Net Sales	\$1.9B
AOP ²	\$306M
AOP Margin ²	16.0%

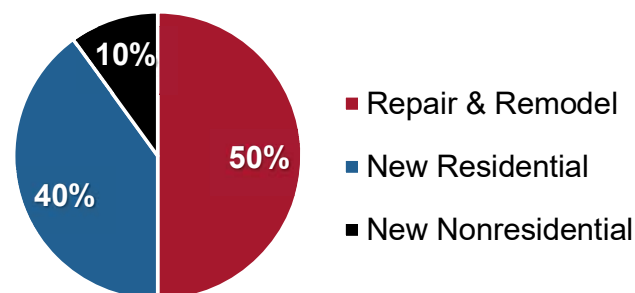
KEY BRANDS

Wallboard	Sheetrock® Tablaroca® Securock®
Surfaces	Sheetrock® Durabond® Diamond® Easy Sand™ Supremo® Beadex®

2017 NET SALES BY PRODUCT



2017 NET SALES BY MARKET



#1
MARKET SHARE
IN NORTH AMERICA
for Wallboard,
Joint Compound and
Finishing Accessories

#1
CUSTOMER
PREFERRED BRAND:
Sheetrock®

Largest Manufacturer of Gypsum Wallboard in North America

1. Represents U.S. Wallboard and Surfaces reportable segment.
2. Non GAAP Metric. AOP and AOP Margin have been recast for change in employee retirement plan accounting – See Appendix for reconciliation

Gypsum Business Overview



WALLBOARD



HIGH
PERFORMANCE
COMMERCIAL

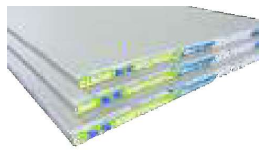
Sheetrock® Mold Tough® | Other Specialty Panels



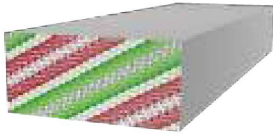
Sheetrock® Firecode®



5/8" Sheetrock® EcoSmart



Sheetrock® UltraLight



1/2" Sheetrock® EcoSmart

% of Sales

Glass-Mat

High
Performance
Panels

Commercial

Residential

SURFACES

% of Sales

Bead & Trim

Accessories

Industrials

Dry
Compound

Ready Mix
Compound

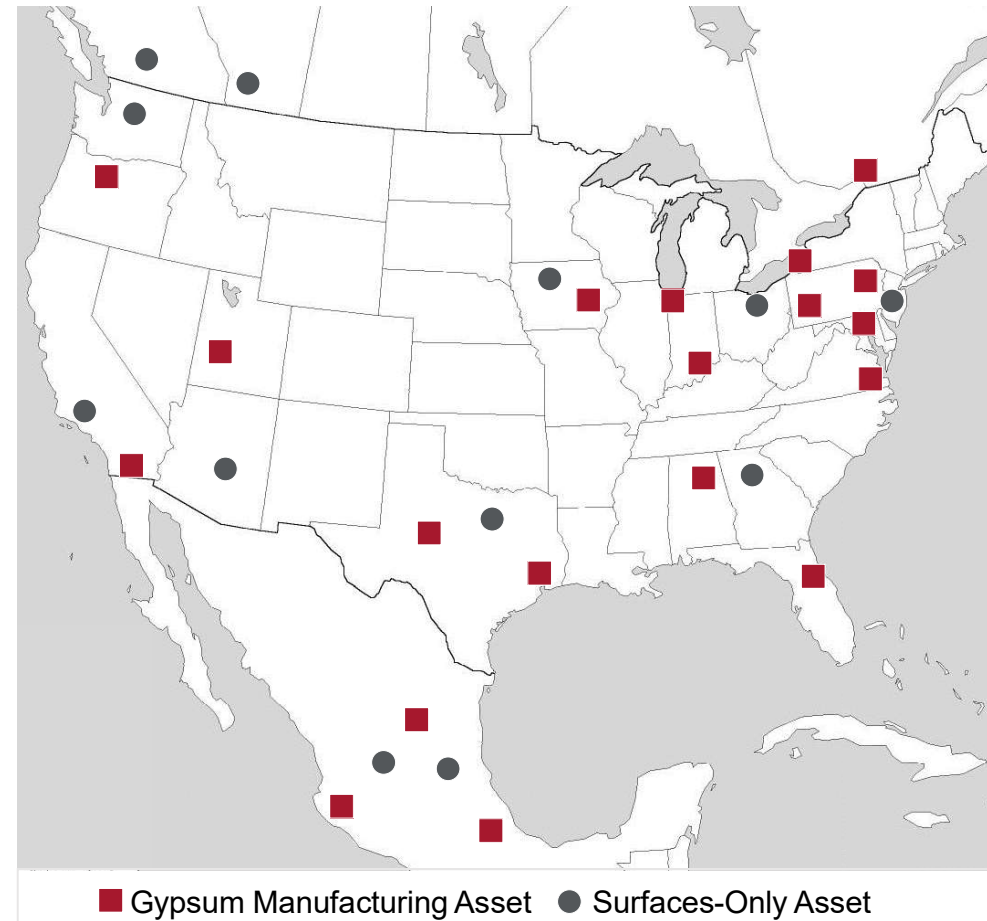


Broad Product Portfolio to Target all Market Segments

Strategically-Located Manufacturing Footprint



- North American footprint is a competitive advantage when selling to big box retail and national specialty distributors
- Manufacturing footprint better enables our ability to respond to our customers' needs
- Capital deployed in markets with highest growth forecasts
- Markets are prioritized based on cost position, structure and customer proximity
- Operate mines or quarries at 12 locations
- Sufficient low-cost capacity ready to serve the growing market



Product Portfolio Aligned with the Markets We Serve



RESIDENTIAL

COMMERCIAL

KEY CUSTOMERS

RETAIL



SPECIALTY DEALERS



MULTI-REGION CONTRACTORS

- CAS
- P-Walls
- Coakley
- FL Crane
- PCI
- AJ

SINGLE-FAMILY

MULTI-FAMILY

New

R&R

New

R&R

New

R&R



Sub-Scale
New Resi



Large-Tract
Single-Family



Single-unit
repair/remodel



Med-Large Multi-Family

Multi-story residential apartments
(~4+ stories)



Greenfield
commercial
building
construction



Fit-out and/or
repair of existing
commercial
space

25-30%

10%

25%

10%

5-10%

20-25%

Wallboard Product

1/2"

5/8"

1/2"

5/8"

5/8"

MKT.1
EXAMPLES

MKT.

1. Management estimate of the North American wallboard market.

Macro Trends Expected to Benefit Our Product Portfolio



MACRO TREND IMPACTING GYPSUM BUSINESS

SELECT USG SOLUTION

Job Site Efficiency

- Contractor concern about availability of skilled labor
- Job site productivity to enable faster project completion
- Safety on the job a top priority

Light Weight Portfolio of Products

Sustainability

- LEED Certification credit
- 400+ architectural firms adopted Architecture 2030 Challenge
- Tenant desires for use of sustainable materials

Sheetrock® EcoSmart: The Only Architectural Specifiable Wallboard

High Performing Solutions

- Architects and contractors loyal to trusted system and product solutions
- Energy conservation efforts pushing adoption to higher performing solutions

Broad Portfolio of Products and Technical Support at Job Sites

Focused On Key Trends Driving Profitable Growth

Competitive Advantages



Sheetrock® Brand

**Extensive
Portfolio of New
Products**

**Partner to Leading
Distributors and
Retailers**

**Low Cost
Manufacturing
Serving N. America**

**Strategic Supply of
Natural and
Synthetic Gypsum**

Leveraging Our Advantages to Drive Profitable Growth

Gypsum Strategic Initiatives



**Extend Our
Leadership**

**Create Greater
Customer Loyalty**

**Improve
Profitability**

Provide Customers a Portfolio of Products that Positions Them to Win

Extend Our Leadership

Gypsum Leadership

- **#1** share position
- **#1** in capacity, positioned to capture disproportionate share of future growth
- Only manufacturer with **North American footprint**
- The **broadest product portfolio** to serve all segments
- Capturing **pricing premiums** for technology, quality and service

Innovation Leadership

Average Weight

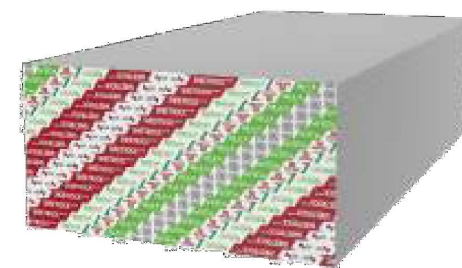
105 lbs. / sheet

Weight

Competitors
Firecode

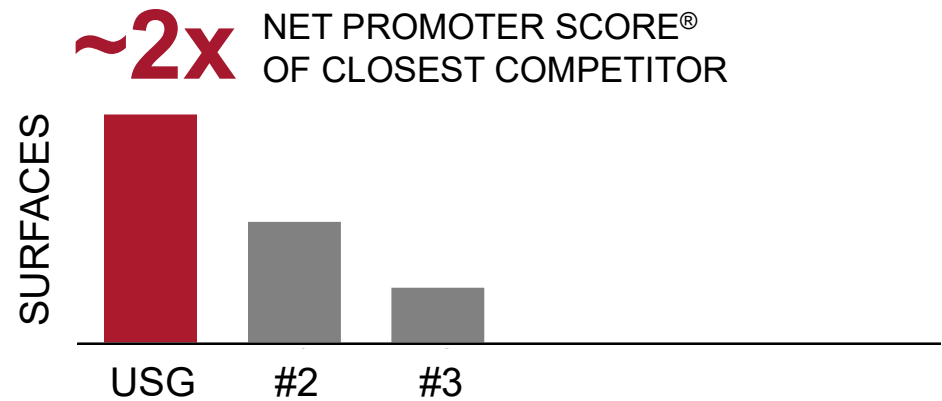
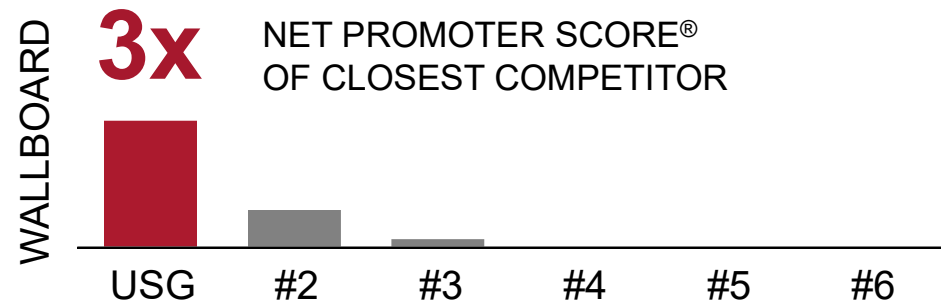
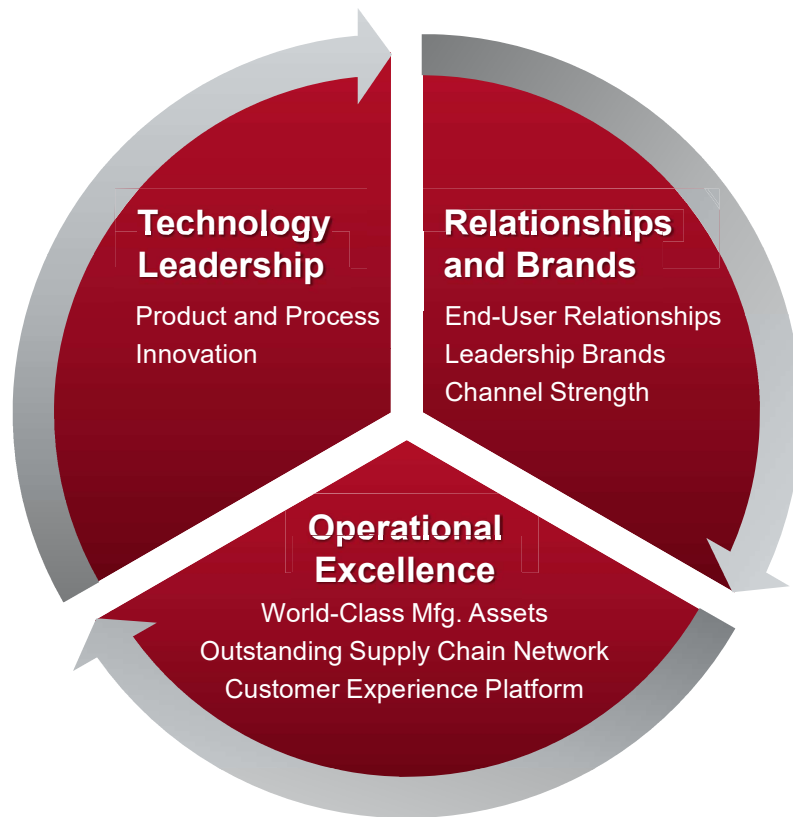
**20% lighter
vs. competition**

84 lbs. / sheet



USG 5/8"
EcoSmart Firecode®

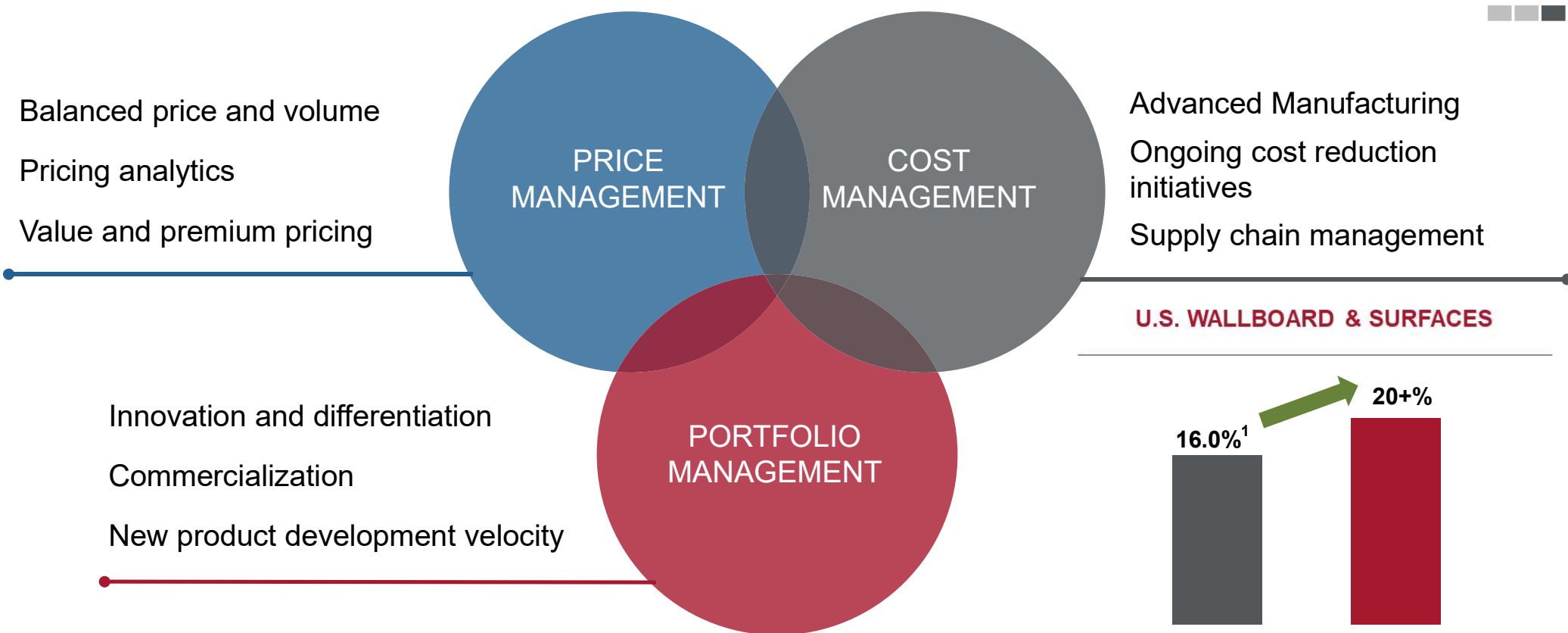
Create Greater Customer Loyalty



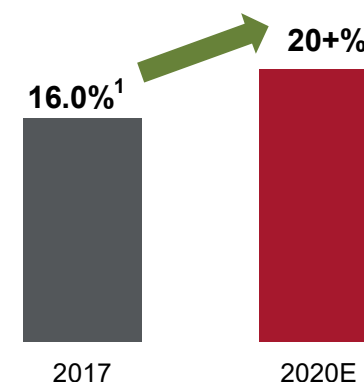
Organization Structured to Deliver Superior Customer Experience

Note: Net Promoter Score is a trademark of Bain & Company; Surfaces competitors shown only for national players; results are based on the 2017 survey

3 Levers to Improve Profitability



U.S. WALLBOARD & SURFACES



Successful Execution Expected to Result in Margin Expansion

1. Non GAAP Metric. AOP Margins have been recast for change in employee retirement plan accounting – See Appendix for reconciliation.

Innovation Case Study – 5/8” Sheetrock® EcoSmart



Industry Insight

- Increased emphasis on sustainability
- Only wallboard manufacturer to commit to Architecture 2030 Challenge

Approach

- Researched alternative product formulations; changed how wallboard is made
- Identified value drivers for various customer groups
- Conducted market pilots and prioritized customer segments and markets

Benefits

- Contractors: Lighter weight, faster installation
- Architects: More sustainable materials
- Owners: Higher performance at same installed cost
- USG: Sells product at a premium

COMMERCIAL VOLUME





- Macroeconomic and Industry Indicators Supporting Continued Growth
- Broad and High Quality Product Portfolio that Positions Dealers and Contractors to Win in The Market
- Superior Product Solutions that Address Critical Issues Facing the Construction Industry
- Low-Cost North American Manufacturing Network
- Incremental Operating Leverage and Advanced Manufacturing Expected to Drive Continued Margin Expansion
- Focused Sales Organization with Strong Technical and Selling Skills

Performance Materials

John Reale
SVP & President, Performance Materials

Key Messages



1 Innovation that Enables Disruptive Solutions to Meet Customer Needs



2 Fully Commercialized Solutions Ready to Capitalize on Industry Trends

3 Opportunity for Significant Market Penetration and Share Gain



4 Margins Expected to Expand with Scale, Price Improvement and Operational Efficiency

5 Management with Proven Track Record of Profitable Growth





Video: Solving Customer Challenges

Performance Materials at a Glance



2017 FINANCIAL HIGHLIGHTS¹

Net Sales	\$373M
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AOP ²	\$24M
------------------	-------

AOP Margin ²	6.4%
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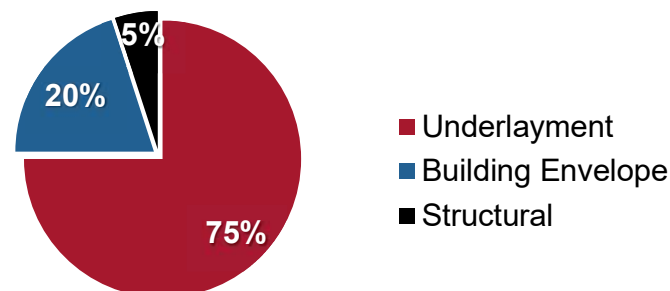
KEY BRANDS

Building Envelope	Securock® ExoAir® 430
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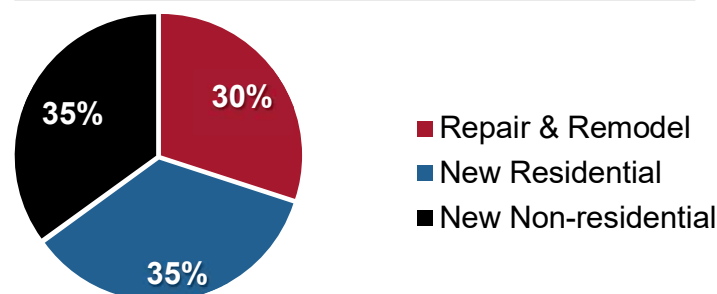
Structural	USG Structural Panels
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Underlayment	Durock™ Fiberock® Levelrock®
--------------	-----------------------------------

2017 NET SALES BY PRODUCT



2017 NET SALES BY MARKET



Newly Formed
Business Division to
Better Capture
**Growth
Potential**

Customer Focused Solutions Across End Markets

1. Represents U.S. Performance Materials reportable segment.
2. Non GAAP Metric: AOP and AOP Margin have been recast for change in employee retirement plan accounting – See Appendix for reconciliation

Performance Materials Business Overview



SUPERIOR SOLUTIONS:

- SPEED OF CONSTRUCTION
- SUSTAINABILITY
- PERFORMANCE

#1 IN BACKER BOARDS FOR TILE INSTALLATION

#1 IN POURED FLOORING FOR MULTI-FAMILY CONSTRUCTION

✓ GROWING IN WATERPROOFING SYSTEMS AND COMMERCIAL FLOORING

Macro Trends Will Continue to Benefit Our Product Portfolio



Macro Trend Impacting Construction Industry

Job Site Efficiency

- Contractor concern about availability of skilled labor
- Job site productivity to enable faster project completion
- Growth in modular, panelized construction practices

Sustainability

- Energy code adoption increases demand for commercial sector higher performing buildings
- Building designs require lighter-weight solutions

High Performing Solutions

- Need for products that offer faster drying times and superior strength than poured concrete
- Risk of mold and water damage driving shift to higher performing solutions

SELECT USG SOLUTIONS

Securock® ExoAir® 430

USG Structural Panels

Underlayment Products including
Durock™ and Levelrock®

Focused On Key Trends Driving Profitable Growth

Competitive Advantages



Leading Brands –
Durock™
Levelrock®
Securock®

**Patent Protected
Technology**

**Co-Located
Manufacturing for
Lower Costs**

**Best-in-Class
Distribution
Network**

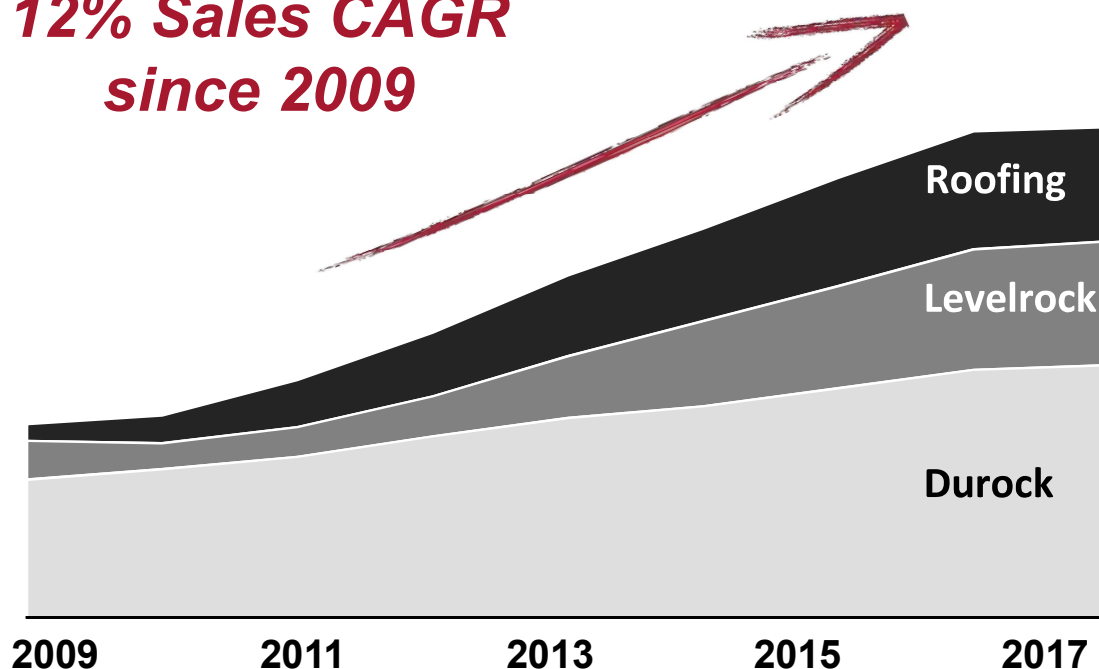
**Deep Experience
with Scaling New
Products**

Transforming the Way Buildings Are Constructed

Established Track Record Scaling Businesses



**12% Sales CAGR
since 2009**



PRODUCT	KEY TO GROWTH
Securock® Roofing	<ul style="list-style-type: none">• Leveraged existing technology platforms and plant networks• Grew revenue from \$9M to \$60M since 2009
Levelrock® Poured Floors	<ul style="list-style-type: none">• Invented gypsum self-leveling platform• Tripled sales since 2009• Reached #1 position in multifamily within 10 years
Durock® Cement Boards	<ul style="list-style-type: none">• Led by #1 Durock Brand, grew Tilebacker portfolio sales to \$135M• Nearly doubled sales since 2009

Experienced Management Team with Track Record for Growing New Products

Innovative Solutions that Address Customer Needs



MARKET¹

**MANUALLY APPLIED
BUILDING ENVELOPE**

~\$900M

**POURED STRUCTURAL
CONCRETE**

~\$1.2B

**COMMERCIAL CEMENT
FLOORING**

~\$800M

**MANUAL MUD
SHOWER BED**

~\$725M

OLD METHOD



USG SOLUTION

SECUROCK® EXOAIR®



USG STRUCTURAL PANELS



USG LEVELROCK®



DUROCK™ SHOWER SYSTEMS



Higher Performing Products in Large Addressable Markets

1. Management's estimate as of March 8, 2018 based on an analysis prepared by Treacy & Company.

Performance Materials Strategic Initiatives



**Establish
Leadership in
Building
Envelope**



**Commercialize
New-to-Market
Structural Panel**



**Penetrate
Fast-Growing
Waterproofing
Underlayment**



**Leverage Gypsum
Expertise to Grow
Commercial
Flooring**

Organic Growth Expected to Lead to Scale and Margin Expansion

Establish Leadership in Building Envelope



DYNAMICS IN ~\$900M TOTAL ADDRESSABLE MARKET

- Changing building codes require higher performing building envelope
- Field applied methods are constrained by weather and cause delays in the construction cycle
- Interior finishing cannot start while waiting on the building envelope
- Growth in pre-fabrication and modular segments provide additional opportunity

VALUE PROPOSITION

- Converting contractors to a first-to-market, pre-applied air barrier solution
- Saving time by installing 40% faster
- Addressing labor shortages and sustainability concerns
- Allows builders to save weeks or months in the construction cycle

\$30-50M

ESTIMATED INCREMENTAL REVENUE
OPPORTUNITY BY 2020



Establish Leadership through Innovations that Solve Job Site Challenges

Commercialize New-to-Market Structural Panel



DYNAMICS IN ~\$1.2B TOTAL ADDRESSABLE MARKET

- Poured concrete is slow, subject to weather and increasingly cost prohibitive
- Owners and builders pushing for faster conversion cycles
- Adoption of modular solutions enabling faster and more flexible construction

VALUE PROPOSITION

- Converting contractors to first-to-market noncombustible concrete structural panel
- Providing architectural flexibility due to 10% the weight of poured concrete and pan decking
- Saving contractors up to 10-15% installed cost per sq. ft. versus a poured concrete system
- Increasing our capacity (sold-out in 2017)

\$35-55M

ESTIMATED INCREMENTAL REVENUE
OPPORTUNITY BY 2020

Modular Construction



Mid Rise Multi-family



Faster and Less Expensive Than Poured Concrete

Penetrate Fast-Growing Waterproofing Segment



DYNAMICS IN ~\$725M TOTAL ADDRESSABLE MARKET

- Consumer preference shifting towards showers and open bathroom space
- Growing high-end residential, multi-family, and hospitality
- Need for guaranteed water management performance

VALUE PROPOSITION

- Durock™ recognized as industry leading brand
- Leveraging our position in Durock™ tilebacker to grow waterproofing systems
- Saves an estimated 2 days in labor and 40% in total installed costs compared to spray or roll applied process
- Dramatically reduces call-backs for the contractor

\$35-55M

ESTIMATED INCREMENTAL REVENUE
OPPORTUNITY BY 2020



Extending Our Leadership in Tilebacker Boards to Waterproofing

Leverage Gypsum Expertise to Penetrate Commercial Flooring



DYNAMICS IN ~\$800M TOTAL ADDRESSABLE MARKET

- Poured concrete floors are slow to cure and prone to cracking
- Gypsum floors install faster and offer superior fire and sound performance
- Leading floorcovering manufacturers approving poured gypsum underlayment as alternative

VALUE PROPOSITION

- Providing contractors with a gypsum solution more versatile and contractor-friendly
- Saves contractors up to 30% by greatly reducing floor prep work including shot-blasting
- Offers the option to mix bulk sand at job-site provides significant cost savings to contractors

\$40-60M

ESTIMATED INCREMENTAL REVENUE
OPPORTUNITY BY 2020

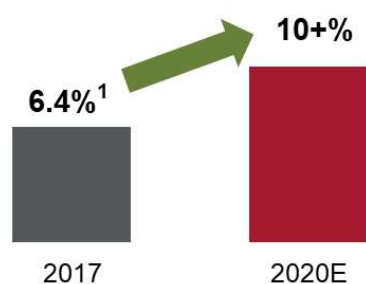


Technology Challenging Older, Lower-Performing Methods

Path to Expected Margin Expansion



U.S. PERFORMANCE MATERIALS



- Underlying market dynamics support increasing demand
- Expect to gain meaningful share in new channels with large addressable markets
- Additional volumes expected to drive lower cost and higher operating leverage
- Pricing potential on value proposition versus current adoption approach
- Expected to decrease costs via Advanced Manufacturing and other cost reduction initiatives

Each Factor Expected to Contribute to Meaningful Margin Expansion by 2020

1. Non GAAP Metric. AOP Margins have been recast for change in employee retirement plan accounting – See Appendix for reconciliation.



- Innovation that Enables Disruptive Solutions to Meet Customer Needs
- Fully Commercialized Solutions Ready to Capitalize on Industry Trends
- Opportunity for Significant Market Penetration and Share Gain
- Margins Expected to Expand with Scale, Price Improvement and Operational Efficiency
- Management with Proven Track Record of Profitable Growth

Ceilings

Chris Macey
SVP & President, Ceilings

Key Messages



1 Expected to Expand Margins via Mix Shift Towards Premium Finishes



2 Investing in Our Capabilities for Specialty and Monolithic Solutions



3 Focused on Growth through Innovation to Meet Future Customer Needs



4 Partnered with Exclusive Leading Distribution and Retail Partners Across N.A.

Ceilings at a Glance



2017 FINANCIAL HIGHLIGHTS¹

Net Sales \$477M

AOP² \$92M

AOP Margin² 19.3%

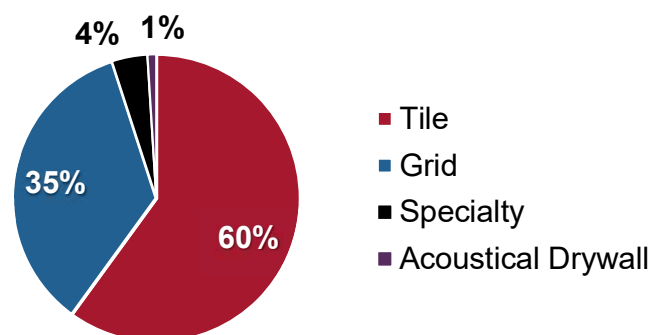
KEY BRANDS

Tile Radar™ • Eclipse™ • Mars™ • Halcyon™ • Ceilings Plus® • Parti™

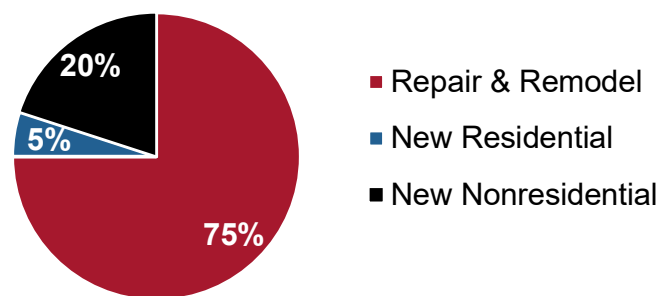
Grid & Components Donn® • DX® • DXL™ • Identitee® • Curvatura™ • Compasso® • Fineline® • Centricitee™

Acoustical Drywall & Specialty USG Ensemble™ • USG Ceilings Plus®

2017 NET SALES BY PRODUCT



2017 NET SALES BY MARKET



A LEADING MANUFACTURER of Specifiable Ceilings Products Used Primarily in Commercial Markets

Highly Profitable #2 Manufacturer of Ceilings in North America

1. Represents U.S. Ceilings reportable segment.
2. Non GAAP Metric: AOP and AOP Margin have been recast for change in employee retirement plan accounting – See Appendix for reconciliation

Ceilings – USG Product Overview



PRODUCT OVERVIEW



Wall to Wall



Clouds

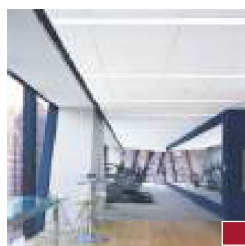


Open Plenum



USG Ensemble™

USG Ceilings Plus™: Metal, Wood



USG Halcyon
Logix™



USG Mars™
High NRC

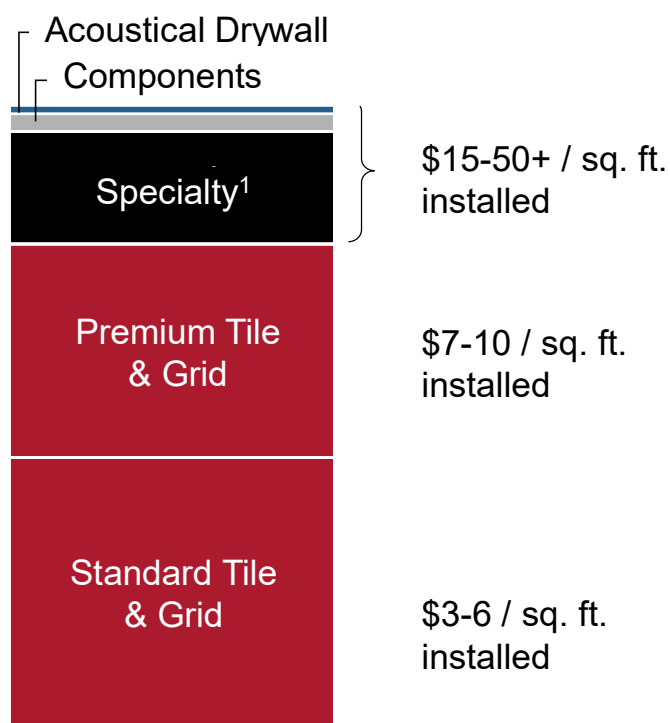


USG Donn®
Suspension



USG Radar™

USG CEILINGS



A Spectrum of Products and New Innovations to Solve Customer Needs

Competitive Advantages



**Broad Portfolio of
Specifiable
Products for
Ceilings and Walls**

**Legacy Installed
Base Generating
Recurring
“Annuity” Revenue**

**Proven Innovation
and Advanced
Specialty
Capabilities**

**Ability to Bring
Customer
Preferred Products
to Market**

**Valued Partner
for Architects,
Contractors and
Distributors**

Differentiated Value Proposition to Strengthen Our Position



**Capitalize on the
Change in Mix**



**Strategically
Invest**



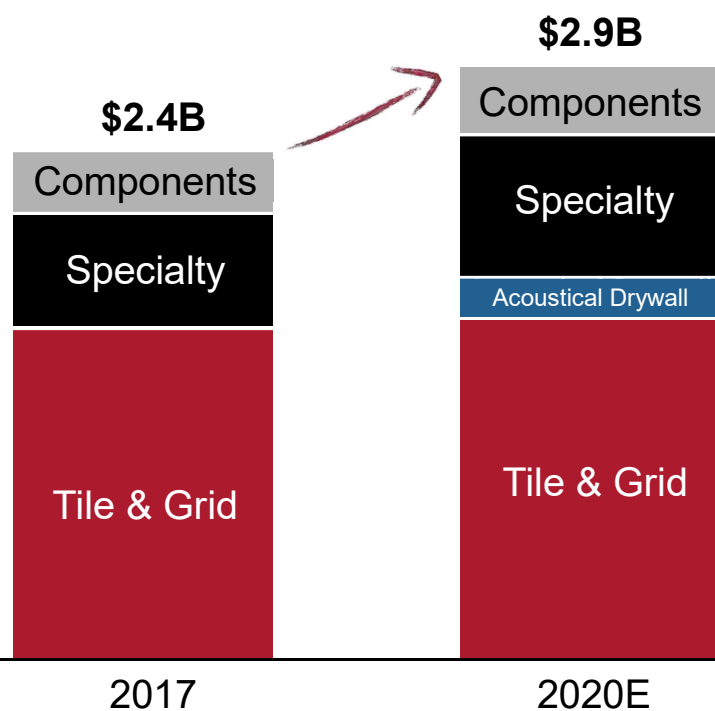
**Innovate and
Disrupt**

Provide Customers a Portfolio of Products that Positions Them to Succeed

Capitalize on the Change in Product Mix



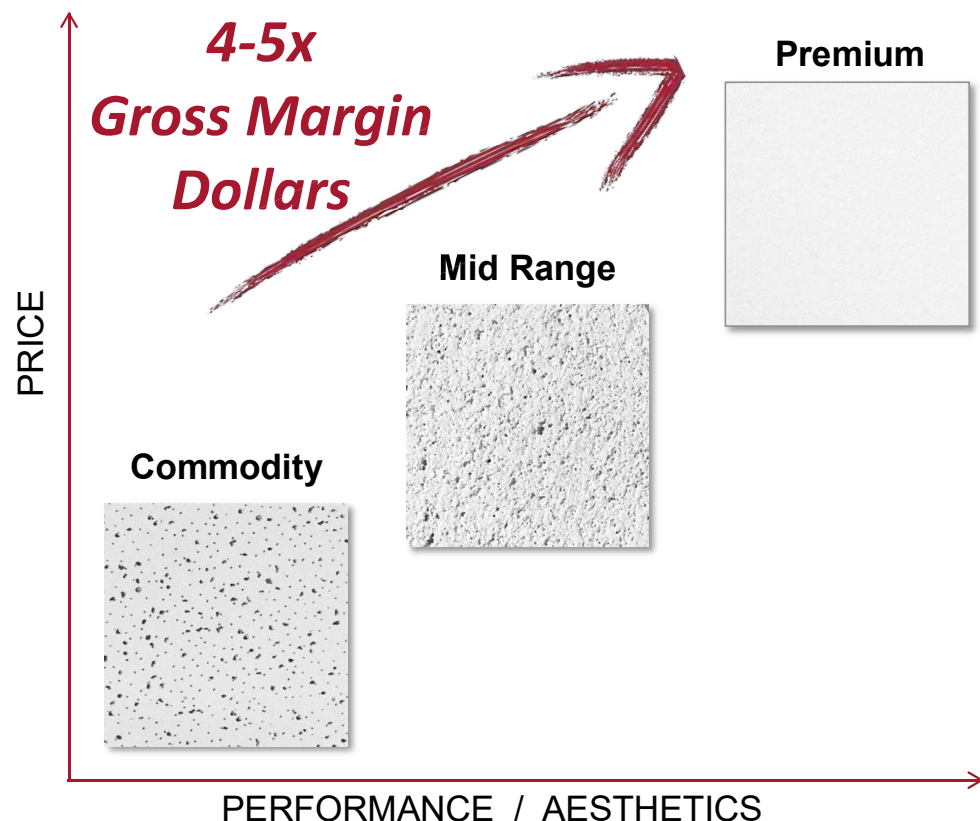
Total Addressable Market¹ (North America)



	3 Year Expected Sales CAGR ¹	USG Portfolio Examples
Components	3-4%	Compäso™
Specialty	6-9%	USG Ceilings Plus™
Acoustical Drywall	10+%	USG Ensemble™
Tile & Grid	1-2%	USG Mars™ USG Radar™

USG Investing in a Richer Mix with Higher Expected Growth Rates

Continuing Profitable Growth in Core Tile & Grid Business



DRIVERS OF PROFITABLE GROWTH

- Continued architectural shift towards premium solutions
- 100 bps of mix improvement from commodity to premium each of last 4 years
- Current portfolio is 70% commodity and mid range, and 30% premium
- Exclusive distribution partners that understand the value of full USG portfolio

Expected Margin Improvement due to Shift Towards Premium Solutions

Strategically Invest: Specialty Ceilings



- Fastest growing opportunity, driven by:
 - Architect, builder and owner **desire for inspirational and creative environments**
 - Alternatives to Open Plenum that improve acoustics
 - **Trend towards premium** higher-end finishes
- Participating in Specialty Ceilings **requires advanced digital engineering technology** and sophisticated go-to-market capabilities
- While **higher in SG&A** versus core tile, winning in Specialty **unlocks opportunities to pull-through full portfolio** of USG products



Opportunity to Enhance Specifier Relationships and Portfolio Cross-Sell

Ceilings Plus® Acquisition



CEILINGS PLUS® 

FINANCIAL HIGHLIGHTS

CEILINGS PLUS®
2017 SALES
\$45M¹

ACQUIRED IN
NOV 2017
\$52M
CASH

Acquisition expected to be:

- Net present value positive
- Accretive to 2018 earnings by about \$0.03 per share, excluding one-time integration costs

INTEGRATION WELL UNDERWAY

- Leveraging combined sales forces to cross-sell
- Established pipeline of target projects
- Consolidating procurement spend and back office
- Optimizing our combined manufacturing capacity
- Transitioning all Ceilings Plus® employees to USG systems

Increases Presence in High-Growth Segments and Enables Cross-Selling

1. Only \$4 million of sales was recorded with USG's results due to the acquisition closing on 11/30/17

Ceilings Plus® Product Examples



TRANSPORTATION

Doha
International
Airport



LAX
International
Airport



EDUCATION

Penn State
University



Oregon State
University



Inspirational and Creative Solutions Resonate Across Key Verticals

Ceilings Plus® Product Examples



OFFICE

CIVIC

**AOL
Time Warner
(NYC)**



**Hyatt HQ
(Chicago)**



**Public Library
(Orange, CA)**



**Freedom Forum
Newseum
(D.C)**

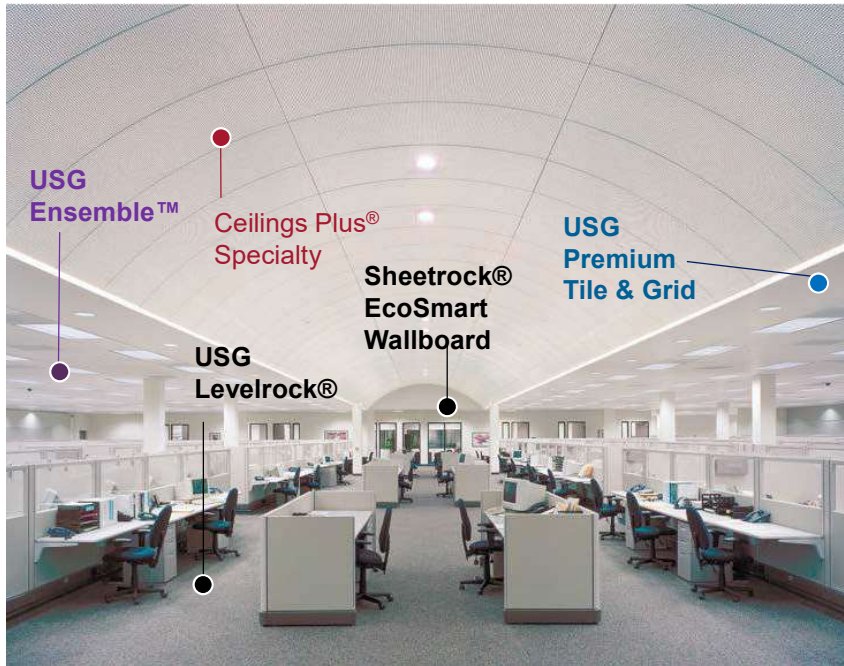


Inspirational and Creative Solutions Resonate Across Key Verticals

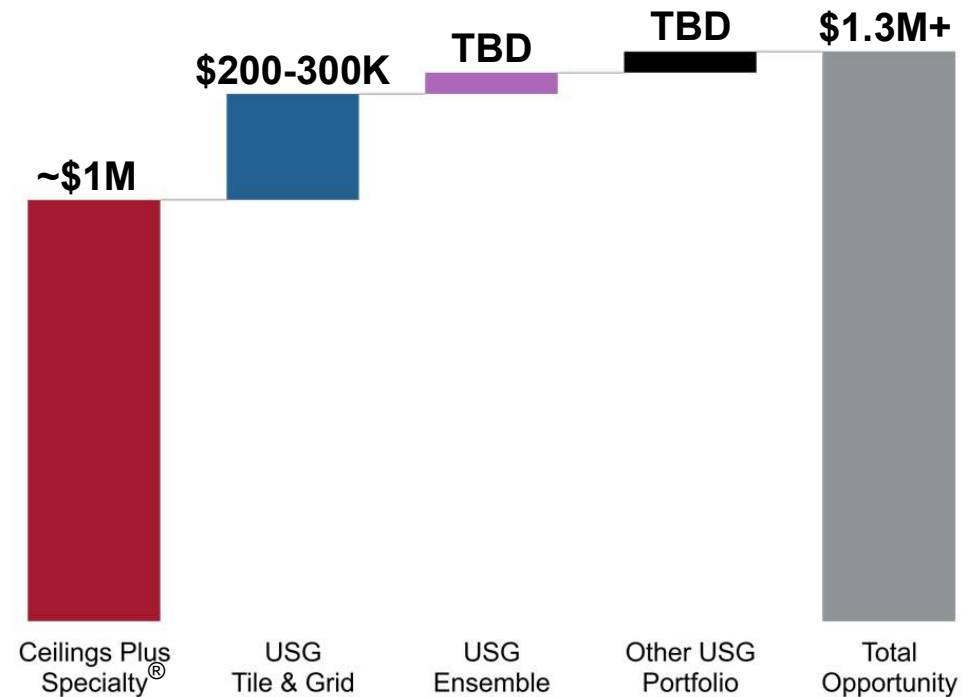
Specialty Enables Significant Pull-Through Business



ILLUSTRATIVE EXAMPLE: JOB SITE REVENUE POTENTIAL



- Differentiates USG from Competition
- Solves Acoustical Issues of Open Plenum
- Provides Incremental Pull-Through Opportunity



Innovate and Disrupt: Ensemble™



INDUSTRY INSIGHT

- Long-standing architectural need for acoustical drywall; driven by the desire for improved acoustics, monolithic look
- Growth of specialty ceilings and open plenum

APPROACH

- Multi-year development effort led by USG Research; conducted in-depth end user, segment research
- Leveraged USG leadership in wallboard, surfaces and acoustical technologies, installation expertise

BENEFITS

- Architects: Acoustical drywall option
- Contractors: Familiar drywall-like install, finishing
- USG: Leverage entire USG product portfolio to maximize margins

SINCE LAUNCH IN JUNE 2017

- Won multiple iconic jobs across key verticals
- Robust pipeline of projects as architects and designers specify
- Displacing acoustical plasters and drywall ceilings
- >10M sq. ft. expected by 2020



Ensemble™ Leverages USG's Innovation Leadership Across the Portfolio

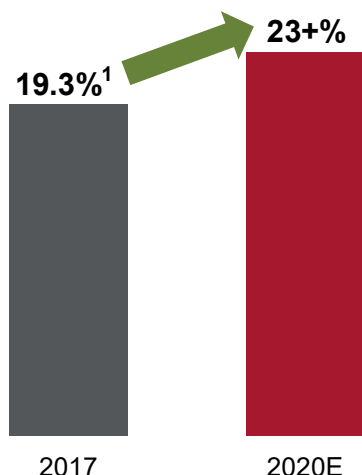


Ensemble™ Leverages Innovation from Products Across the USG Portfolio

Path to Expected Margin Expansion



U.S. CEILINGS



▀ Mix shift towards premium solutions expected to continue

▀ Intend to achieve margin growth even with cost inflation

▀ Pull-through opportunities unlocked by acquisition of USG Ceilings Plus™

▀ Accelerated adoption of Ensemble™ to displace acoustical plasters and drywall ceilings

▀ Reduction in cost expected due to Advanced Manufacturing and other cost efficiencies

Each Factor Expected to Contribute to Meaningful Margin Expansion by 2020

1. Non GAAP Metric. AOP Margins have been recast for change in employee retirement plan accounting – See Appendix for reconciliation.

Key Takeaways



- Continued Shift Towards Premium Finishes Expected to Drive Opportunity for Profitable Growth
- USG's Investment in Ceilings Plus® Enhances Our Ability to Win in the Fastest Growing Market Segments
- Ensemble™ Satisfies a Long-sought Industry Need for Acoustical Drywall and Leverages Several USG Innovations
- USG Ceilings is Investing to Deliver Superior Performance and Continued Profitable Growth

USG Ceilings is Well-Positioned for Profitable Growth

Question & Answer Session

Break



USG Boral

Joe Holmes
SVP, Manufacturing, Technology & Global Operations

Key Messages



1

50% Owned JV that is Self-funded, Cash-Positive and Pays a Consistent Dividend



2

Strong Market Positions in World's Fastest Growing Construction Markets



3

Revenue Growth Expected in Excess of Underlying Markets



4

USG Boral is Expected to Benefit from USG's Strategy

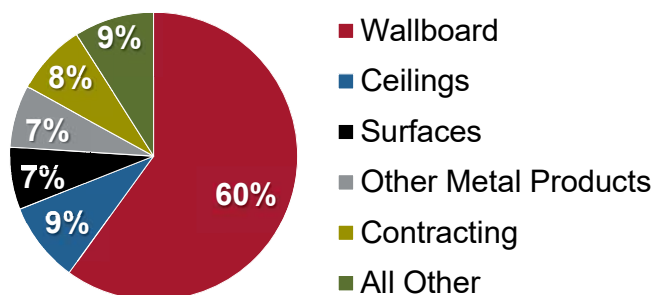
USG Boral at a Glance



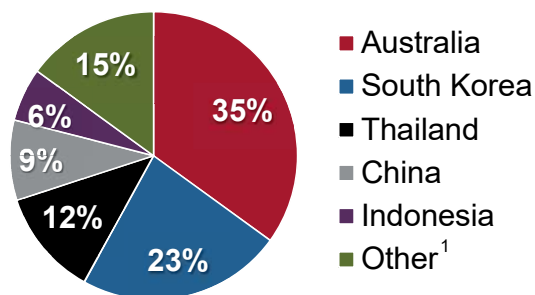
KEY HIGHLIGHTS

Established	2014
USG Ownership	50%
Headquarters	Singapore
Employees	3,200
Number of Countries	14
Plant Locations	49
2017 Revenue ²	\$1.2B
2017 AOP ^{2,3}	\$169M

2017 NET SALES BY PRODUCT



2017 NET SALES BY MARKET



A LEADING MANUFACTURER NETWORK,
Partnered with a
World-Class Building
Product Innovator

Leading Manufacturer with Committed Shareholders

1. Category of "other" includes Vietnam, India, Middle East and Other Southeast Asia Countries
2. USG Boral results are not consolidated; results are accounted for via equity method
3. Non GAAP metric - See reconciliation to GAAP results in the Appendix

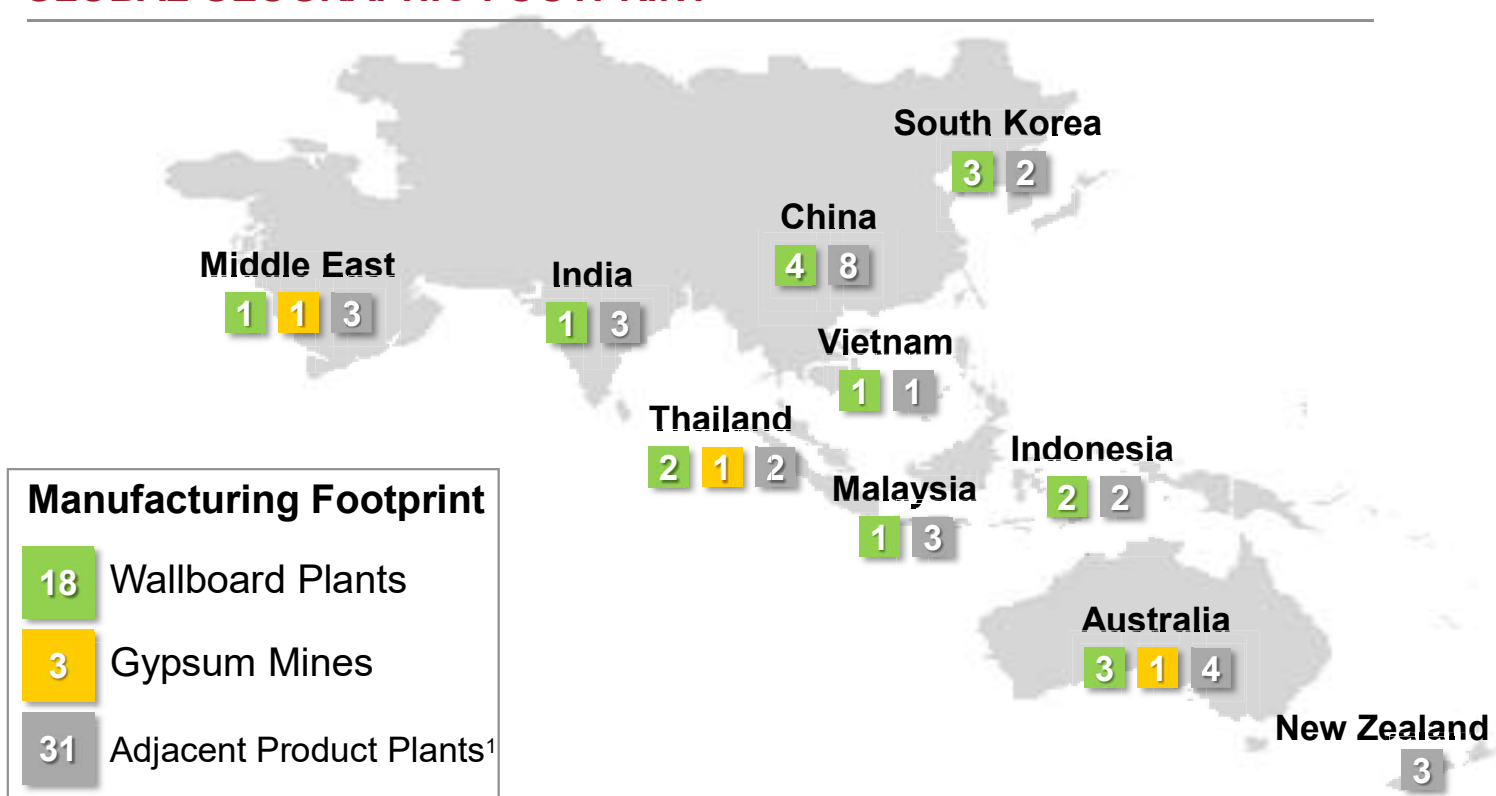
USG Boral Overview



STRONG STRATEGIC FIT

- Markets in all phases of maturity requires the same products as USG: wallboard, surfaces, performance materials and ceiling products
- Expansive network of manufacturing facilities and gypsum quarries
- USG Boral manufactures or sells products from all three USG businesses

GLOBAL GEOGRAPHIC FOOTPRINT



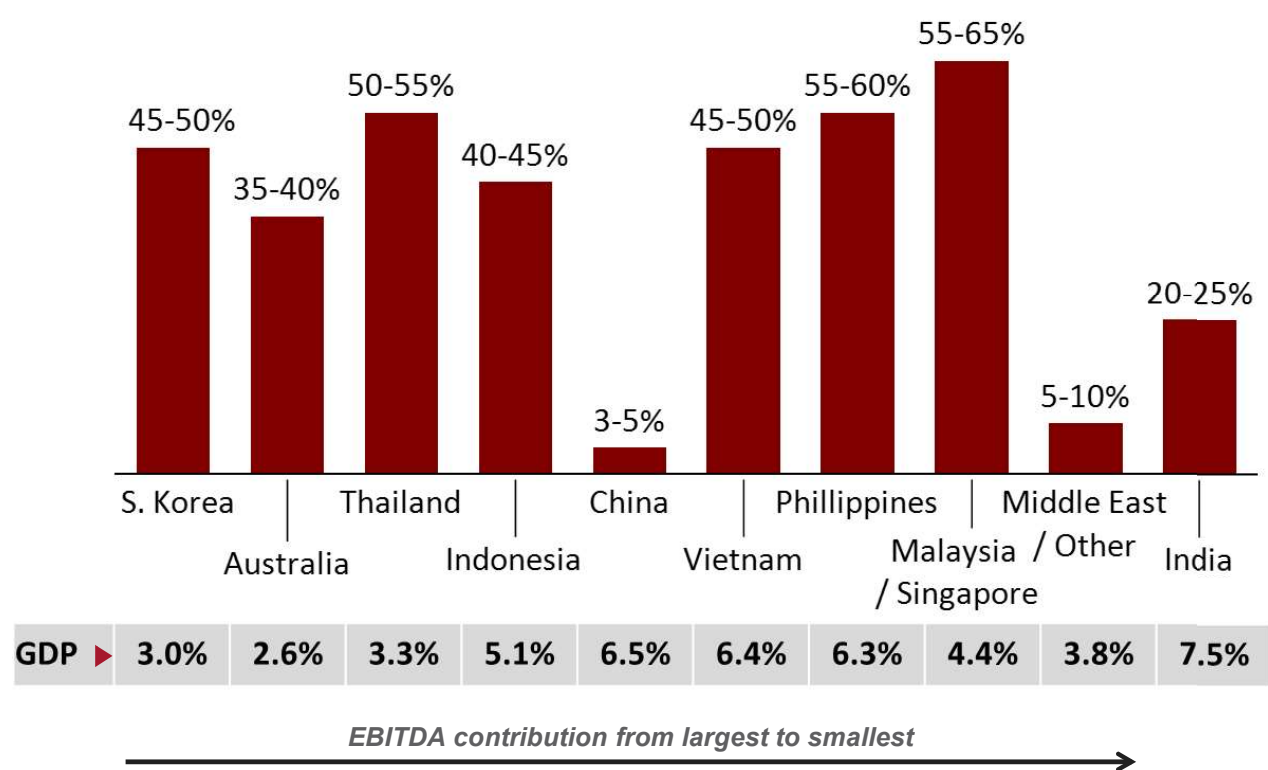
Located in Fastest Growing Construction Markets in the World

¹ Mineral fiber ceiling tile, metal ceiling grid, metal products, joint compounds, mineral wool and cornice production.

USG Boral Wallboard Market Overview



WALLBOARD MARKET SHARE 2017¹



- 6.8 BSF of wallboard production capacity in a market of ~34 BSF (roughly size of U.S.)
- Excluding China, USG Boral market share across the JV region is ~40%
- Growth is expected to come from market growth, dry construction adoption, new markets and adjacent products
- GDP growth rates vary across large geography, yielding a general balance in market activity

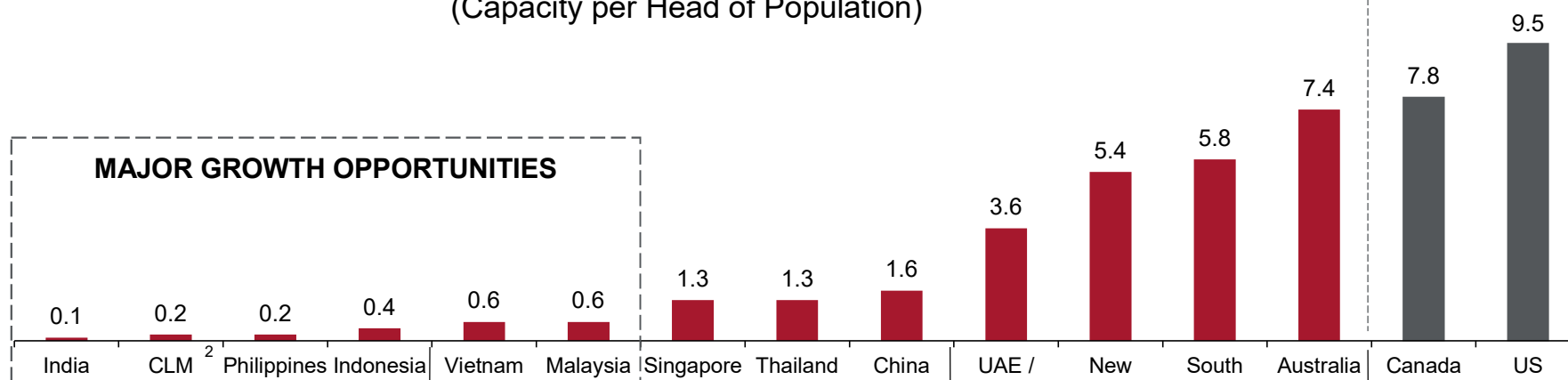
Strong Wallboard Share Across Most of the USG Boral Territory

Growing Demand with Shift in Construction Techniques



HIGH POPULATION, LOW PENETRATION COUNTRIES OFFER THE HIGHEST POTENTIAL GROWTH

Wallboard Market Penetration: FY2017
(Capacity per Head of Population)



MAJOR GROWTH OPPORTUNITIES

	Low Penetration				Medium Penetration					High Penetration				Canada & US	
in Millions															
Population	▶ 1,339	76	105	264	96	32	6	69	1,410	14	5	51	25	37	326
Market Size ¹ (meters)	▶ 69	17	18	100	57	19	8	88	2,213	50	27	295	186	289	3,103
Market Position ¹	▶ #2	#1	#1	#1	#2	#1	#1	#1	#4	#3	#4	#2	#1	#1	#1

Major Growth Opportunities in USG Boral Territory

1. Management estimate as of March 8, 2018

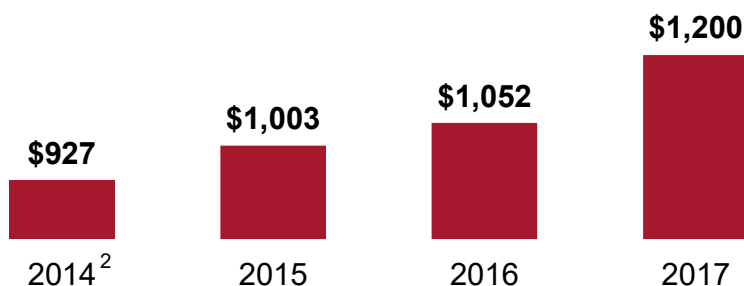
2. Cambodia, Laos, and Myanmar

Strong Track Record of Continued Growth Since JV Formation

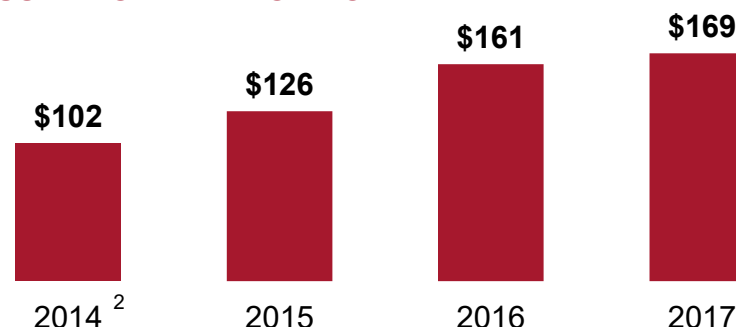


\$ in Millions

SALES

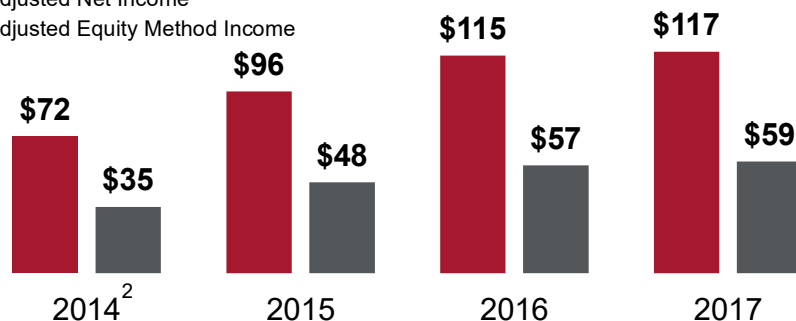


ADJUSTED OPERATING PROFIT¹

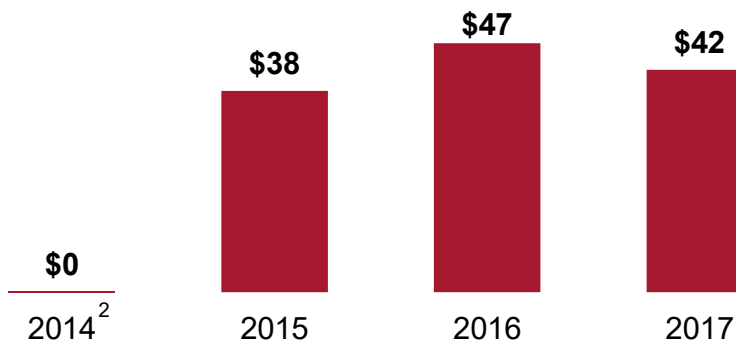


ADJ. NET INCOME¹ & ADJ. EQUITY METHOD INCOME¹

■ Adjusted Net Income
■ Adjusted Equity Method Income



DIVIDENDS to USG



Great Growth While Laying a Foundation for the Future

1. Non GAAP Metric – See reconciliation to GAAP results in the Appendix.

2. JV was formed on 2/28/14 – 2014 represents a 10 month period

Competitive Advantages



**Operational
Excellence
(Manufacturing
and Supply Chain)**

**Superior Brand
Reputation**

**Access to USG
Innovation and
Technology**

**Highly Trained
Sales Force to
Educate Architects**

**Strong Natural
Gypsum Reserve
Position**

Significant Opportunity in High Growth Regions



**Accelerate
Wallboard
Penetration**



**Expand Adjacent
Products**



**Maintain Strength
through
Operational
Excellence**

Profitable Revenue Growth Above Underlying Markets

Accelerate Wallboard Penetration



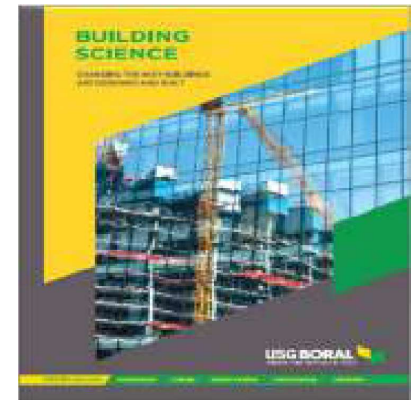
USG BORAL EASYFINISH™

- Centrally-led commercialization initiative with dedicated business unit resources in sales and technical support
 - Market Test Phase completed in Thailand and Indonesia
 - Broader rollout to China, Malaysia, Philippines and Vietnam



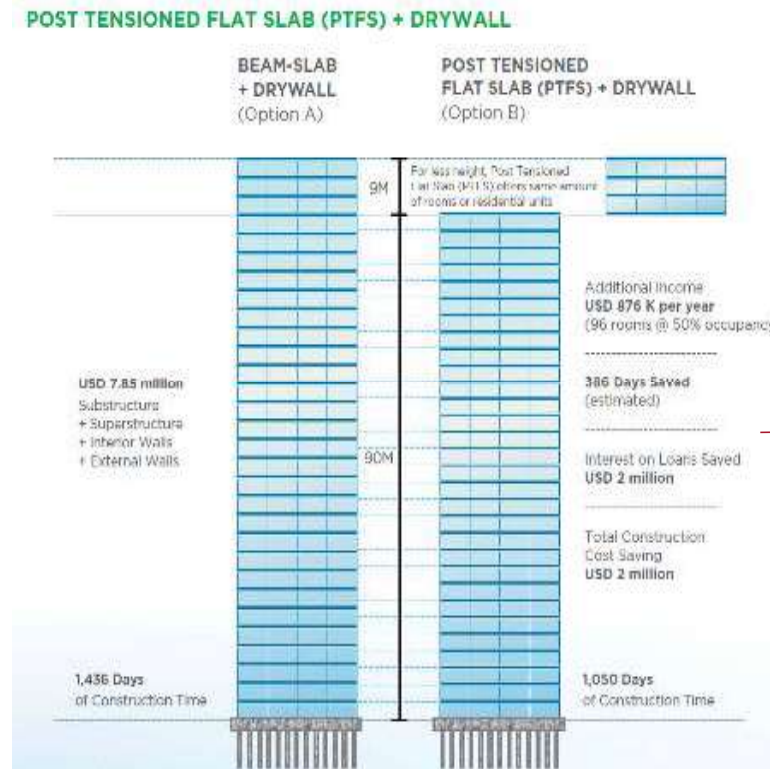
CONVERT CUSTOMERS TO USE OF WALLBOARD SYSTEMS

- A key driver of wallboard adoption is the conversion of traditional wet construction to light-weight materials
- A sales approach has been developed that communicates the benefits of wallboard systems
- Targeted project segments:
 - Education and research
 - Healthcare
 - Hospitality
 - Multi-family and low rise
 - Office and commercial



Continue to Drive Growth by Increasing Adoption of “Dry Construction”

Converting Customers to Wallboard Systems



Benefits of Wallboard Systems

- ✓ 32% reduction in construction time
- ✓ 21% reduction in total construction costs
- ✓ Offers more rooms/units at the same building height

Wallboard Systems Are the Faster and More Cost Effective Option

Expand Adjacent Products



Surfaces

- Expand in other segments including skimming and plastering
- Leverage R&D Surfaces lab to accelerate innovation and improve quality



Ceilings

- Pursue mineral fiber ceiling tiles market share growth in all markets
- Accelerate metal ceilings growth
- Launch innovative products, such as Ensemble™ and Architectural Specialty



Metals

- Focus on premium markets to increase metal stud and track to plasterboard ratio
- Focus on new products, like acoustical studs, and high margin accessories for improved profitability



Performance Materials

- Develop glass-mat boards as an entry point into exterior or semi-exterior applications
- Innovation in the exterior envelope and modular construction markets



Category Leadership Connected to USG Businesses

Maintain Strength through Operational Excellence



OPERATING INITIATIVES



Supply Chain



Lean Six Sigma



Country Specific Initiatives



Manufacturing Excellence

ACTIONS

Centralize strategic sourcing across the JV to maximize purchasing power and improve operating margins across all product lines; create processes for logistics management and production planning

Develop and implement a program that focuses on reducing manufacturing costs through waste reduction and streamlined processes across geographies to increase operating margins

Australia: Invest in lightweight portfolio

South Korea: Develop sag-resistant products

India: Build state-of-the-art plant

Vietnam: Introduce new wallboard line

Identify cost saving projects applicable to current and green field manufacturing facilities



- Leading Wallboard Positions in World's Fastest Growing Regions
- Revenue Growth Rate Expected to Exceed Underlying Markets
- Leveraging USG's Product Portfolio to Maintain Advantage over Competitors
- Self-funded Growth – Capex to Date Fully Funded from Operations
- History of Annual Dividend Payments to JV Partners

Advanced Manufacturing

Ken Banas
VP, Advanced Manufacturing & Corporate Excellence

Key Messages



1

Building on Strong Operational Culture with Advanced Manufacturing Program; Transforming Business and Furthering Our Technological Lead



2

300/100: Investing Expected \$300M Over Four Years, Targeting an Expected \$100M Incremental Run-Rate EBITDA by end of 2020 (\$80M in EBIT)



3

Projects Focused on Three Dimensions: Capital to Improve Efficiency, Breakthrough Technology and Advancing the Workforce



4

Advanced Manufacturing Expected to Deliver Sustainable Cost Savings and Build a Foundation and Framework for More Value Creation in the Future

Advanced Manufacturing Video

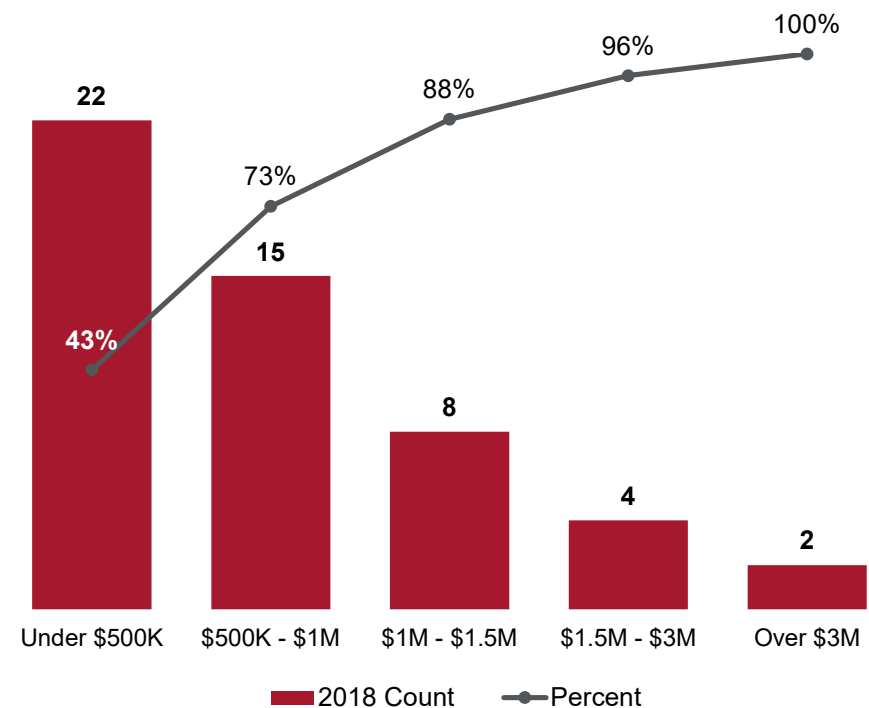


Approach to Successful Execution



- Dedicated full-time project team of 30 Engineers, Leads and former Plant Managers, driving results quickly while ensuring long-term recognition of benefits at all points of the cycle
- Rigorous stage gate methodology for all projects:
 - Refines estimates as new technology is piloted
 - Explores replication opportunities for every solution
 - Monitors benefits realization throughout the projects
 - Drives achievement of benefits hurdle rate
- Robust benefits audit after project completion to ensure investment is generating the committed return
- Partnering with the entire manufacturing workforce and all technical organizations – all hands on deck for this transformational initiative

EXPECTED PROJECT SPEND RANGE – 2018



Full Portfolio of Projects Expected to be Replicated Across Our Entire Network

What is Advanced Manufacturing?



CAPITAL TO IMPROVE EFFICIENCY

Increase capital funds to allow for investment in industry-leading technologies across the full manufacturing network – leveraging the Center of Manufacturing Excellence

Replicate “best technologies” across all locations

BREAKTHROUGH TECHNOLOGY

Adapt automation and technologies that are new to the gypsum industry or our manufacturing processes and bring them into our facilities

Implement at a single location before replicating across plant network and product lines

ADVANCING THE WORKFORCE

Provide the operational framework, training and data to empower every member of the workforce to deliver continuous improvement

Establish the foundation for employees to drive increased value in the future

Capital to Drive Efficiency



CAPITAL TO DRIVE
EFFICIENCY

BREAKTHROUGH
TECHNOLOGY

ADVANCING THE
WORKFORCE

- **Kiln Upgrades:** Advances in energy-efficient board drying technology lowers gas usage; improves product sustainability and quality; and lowers waste with fewer jams
- **Material Handling Improvements:** Finer control of product manufacturing lines improves efficiency and speed; lowers waste and damage; and enables faster response time to changing customer demands
- **Predictive Maintenance:** Decreases costly machine downtime; keeps machines operating in the optimal way; and improves throughput by increasing machine uptime
- **Automated Tarping:** Reduces costs with less manpower to tarp and strap loads; improves safety; and improves product quality through delivery to customer location

CAPITAL TO DRIVE
EFFICIENCY

BREAKTHROUGH
TECHNOLOGY

ADVANCING THE
WORKFORCE

- **Continuous Miner:** Replaces current drill-and-blast approach, reduces manpower by 50%; allows 24/7 operation; eliminates waste rock, minimizing need to blend synthetic gypsum; smoother floor lowers maintenance on other equipment
- **Automated Guided Vehicles (AGVs):** Lowers costs and provides improved inventory control with more workforce flexibility
- **Specialty Board Handling:** Reduces manpower by 50%, improving efficiency and lowering cost; significantly increases output to meet spikes in customer demand for some of our highest margin products; creates a safer work environment by reducing manual product handling
- **Mobile Monitoring:** Puts equipment and process monitoring capabilities into the hands of the operators on the floor; reduces manpower needs in control rooms; lowers cost; increases speed of decision making

CAPITAL TO DRIVE
EFFICIENCY

BREAKTHROUGH
TECHNOLOGY

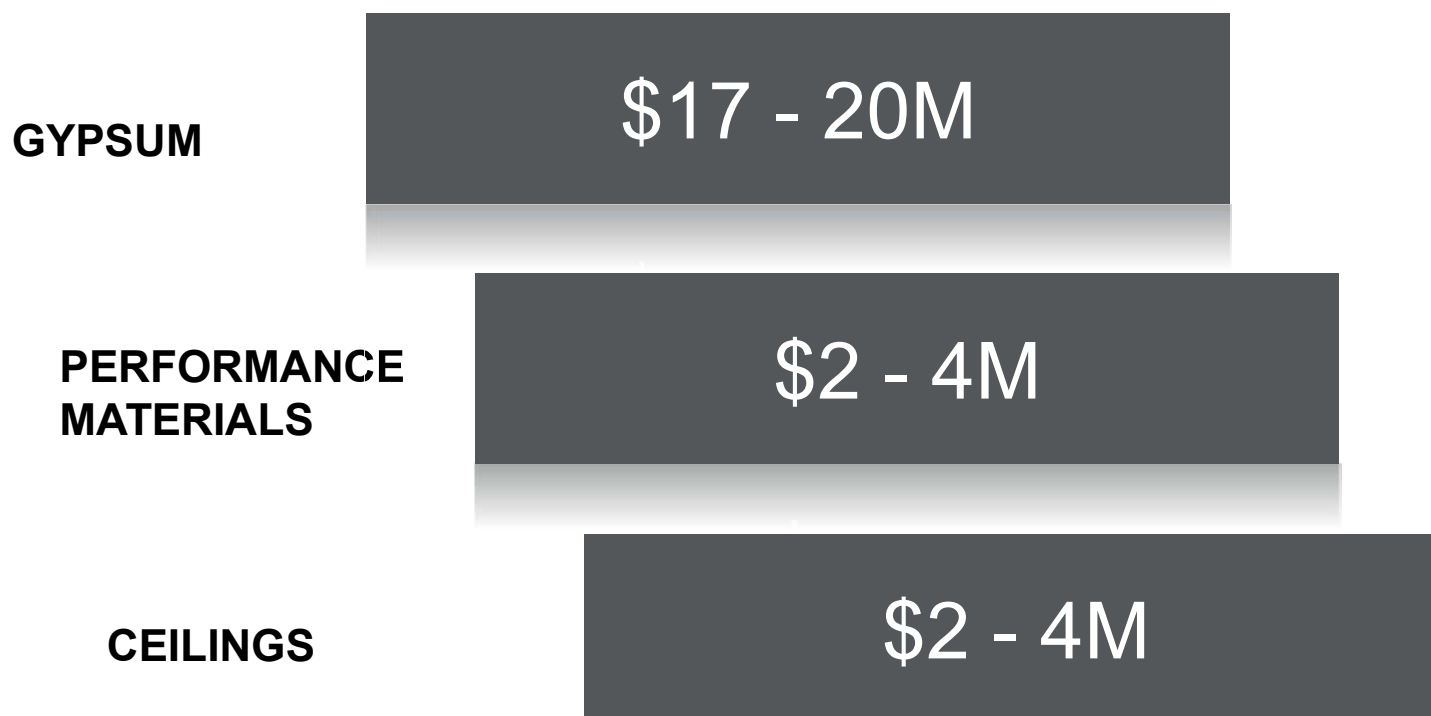
ADVANCING THE
WORKFORCE

- **Lean Management System:** Empowers every manufacturing employee to contribute ideas to lower cost, improve quality and drive efficiency; puts the decision-making closest to the opportunity area; drives strategic alignment from the C-suite to the plant floor
- **Advanced Analytics:** Real-time, granular data enables informed decisions on product formulations to drive the highest quality and lowest cost; and reduces manufacturing variance
- **Manufacturing Execution System:** Improves integration between machine data, inventory planning, and customer needs; reduces waste; lowers cost; expedites trials of innovative new products
- **Lean Six Sigma:** Leverages the strong foundation of process improvement at USG; process improvements to take advantage of new technologies; lowers cost; improves efficiency

Advanced Manufacturing Across Our Organization



ADVANCED MANUFACTURING INCREMENTAL EBITDA EXPECTED BY YEAR-END 2018



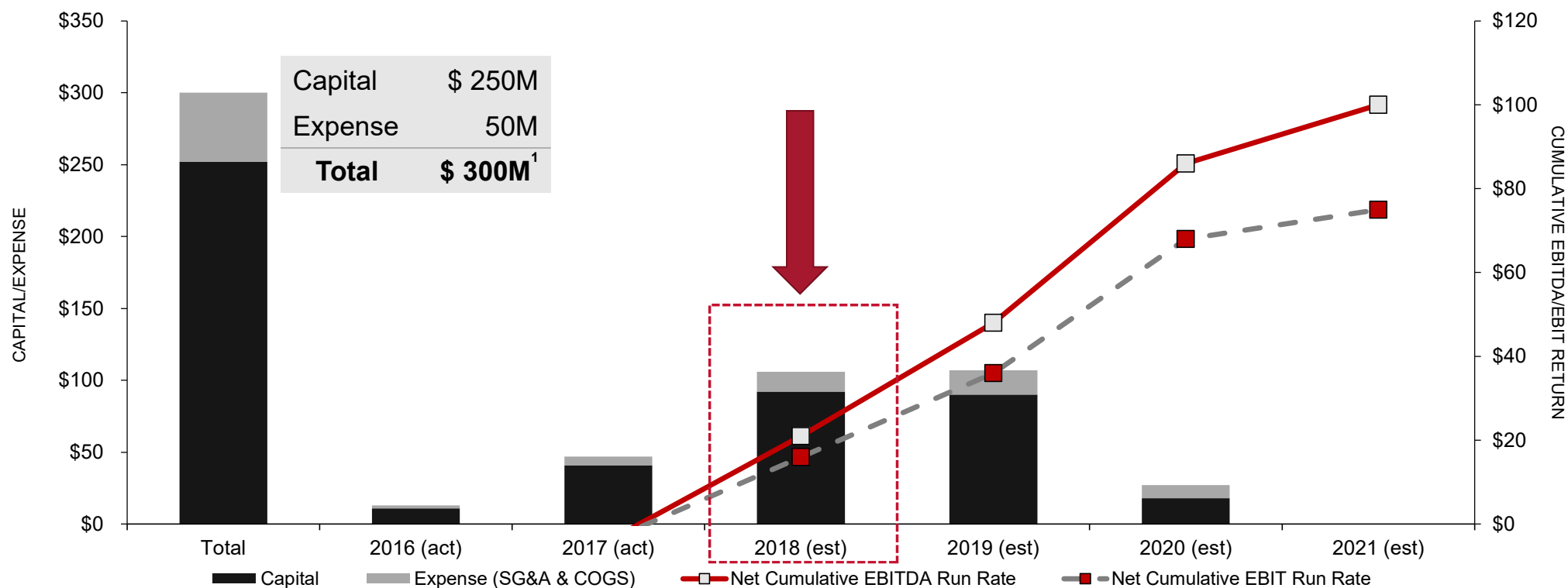
\$25M

OF INCREMENTAL
EBITDA EXPECTED
TO BE ACHIEVED
IN 2018

Advanced Manufacturing: Increasing Profitability



EXPECTED INVESTMENT AND RETURN TRAJECTORY



Margin Expansion Independent of Volume and Price

1.Total expected spend for the Advanced Manufacturing program



- Advanced Manufacturing Expected to Improve USG's Operating Leverage with \$100M in Ongoing Cost Reductions by end of 2020
- Furthers USG's Long-Term Technology Leadership
- Consists of a Risk Mitigated Portfolio of Projects with Pilot/Replication Approach Across USG's Broad Network
- Builds a Foundation for Additional Value Creation After the Program is Complete

Financial Overview

Matt Hilzinger
EVP & CFO

Key Messages



1 End Market Dynamics Supportive of Continued Growth

2 Reinvestment in the Business Expected to Drive Incremental Returns

3 Significant Operating Leverage due to Advanced Manufacturing and Ongoing Cost Initiatives

4 Strong Balance Sheet and Optimized Capital Structure Expected to Provide Significant Flexibility through Cycles

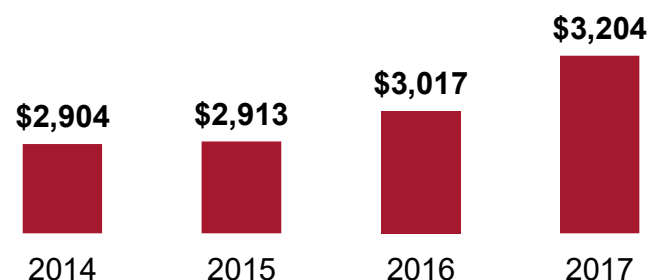
5 Expected to More than Double Free Cash Flow by 2020, which will Fund Capital Return and Strategic Acquisitions



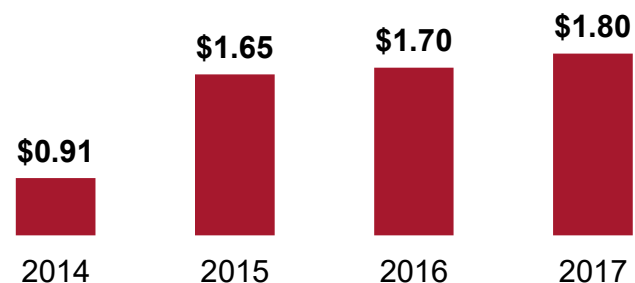
4-Year Financial Performance Recap



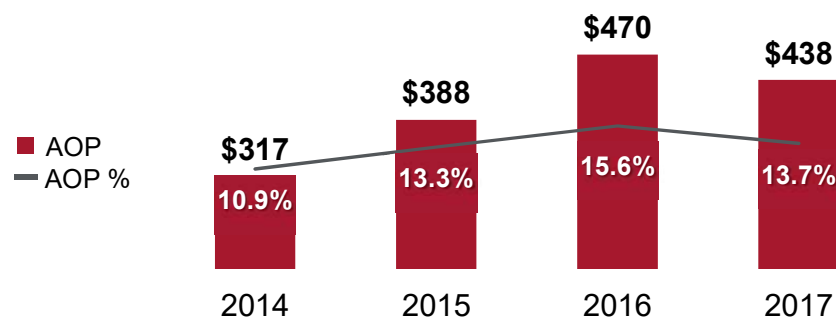
REVENUE (\$M)



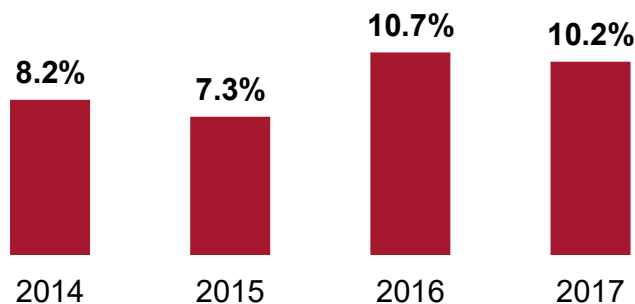
ADJUSTED EARNINGS PER DILUTED SHARE¹



ADJUSTED OPERATING PROFIT¹ \$(M)



RETURN ON INVESTED CAPITAL² (%)



Financial Snapshot of Relevant Metrics Since 2014

1. Non GAAP Metric - Please refer to Non-GAAP to GAAP Reconciliation Tables in the Appendix.

2. ROIC is calculated in the following manner: $AOP * (1 - 32) / (\text{total debt} + \text{shareholders' equity})$. 32% is an estimate of our effective tax rate over the period.

Deliberate Steps Taken to Position USG for Future Success



Transformed the Portfolio to Higher Return Businesses

Executed several divestitures and strategic acquisitions; increased exposure to higher-growth, higher-margin businesses

Reduced Cost and Improved Efficiency

Institutional focus on reducing costs at all levels across the entire corporation

Implemented new processes to improve working capital

Decreased Leverage and Optimized Capital Structure

Since 2013, reduced debt by \$1.2B, decreasing Net Leverage ratio by nearly 4 turns to sub-2.0x

No debt maturity until 2025

USG Now Focused on Reinvesting in the Business and Returning Capital to Shareholders

Transformed the Portfolio



DIVESTED SEVERAL NON-CORE ASSETS / EXITED REGIONS

- Exited Europe (2013)
- Exited Russia and Europe via Knauf-USG JV (2015)
- Exited South America (2016)

FORMED USG BORAL JV (2014)

- Provided immediate access to large, fast-growing markets
- Aligned with countries experiencing high rates of urbanization and adoption of dry construction practices
- Dampened cyclicalality of USG

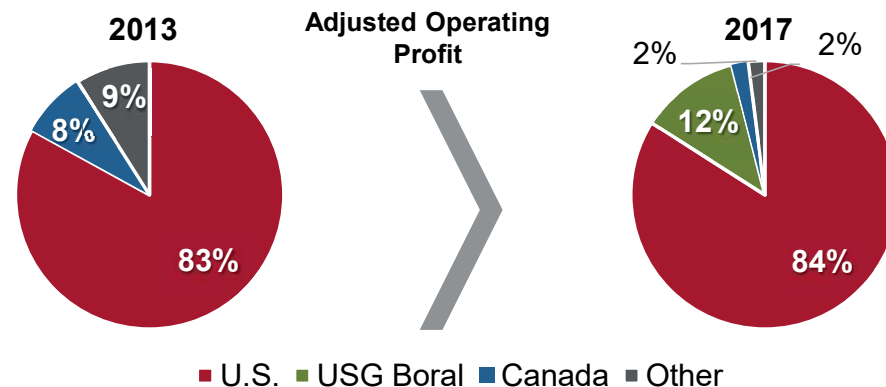
DIVESTED L&W SUPPLY (2016)

- Sold for \$675M; 12.9x LTM EBITDA
- Eliminated channel conflict and sharpened focus on core
- Proceeds used to de-lever balance sheet, invest in Advanced Manufacturing and enabled capital return

ACQUIRED CEILINGS PLUS® (2017)

- Access to fast growing specialty business and pull-through opportunities

SHIFTED PROFIT MIX TO HIGHER GROWTH GEOGRAPHIES¹



SIGNIFICANTLY EXPANDED ADJUSTED OPERATING MARGIN²



Refocused Portfolio on High Growth and High Return Businesses and Geographies

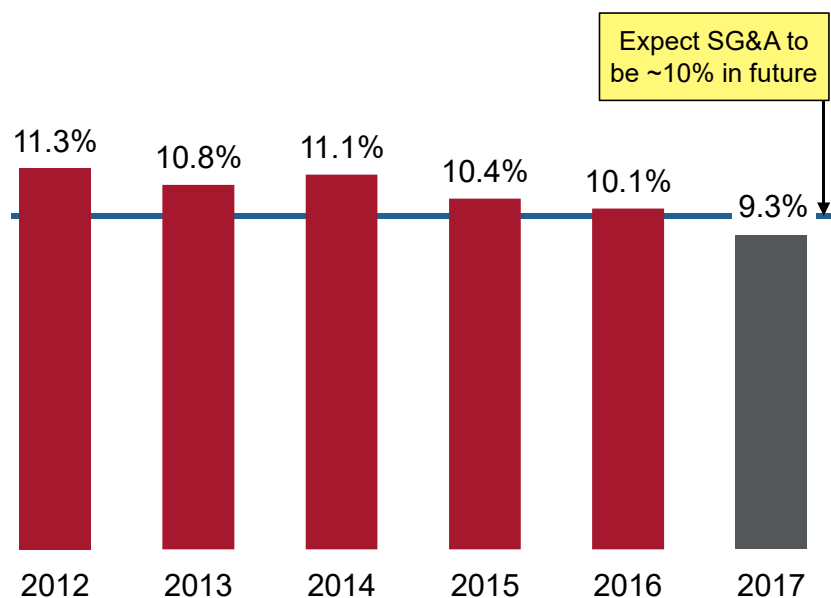
1. Represents operating profit contribution by geography,

2. Non GAAP metric: Please refer to GAAP to Non-GAAP Reconciliation Tables in the Appendix. Note that 2013 is unadjusted (i.e. includes results from L&W, which was sold in 2016).

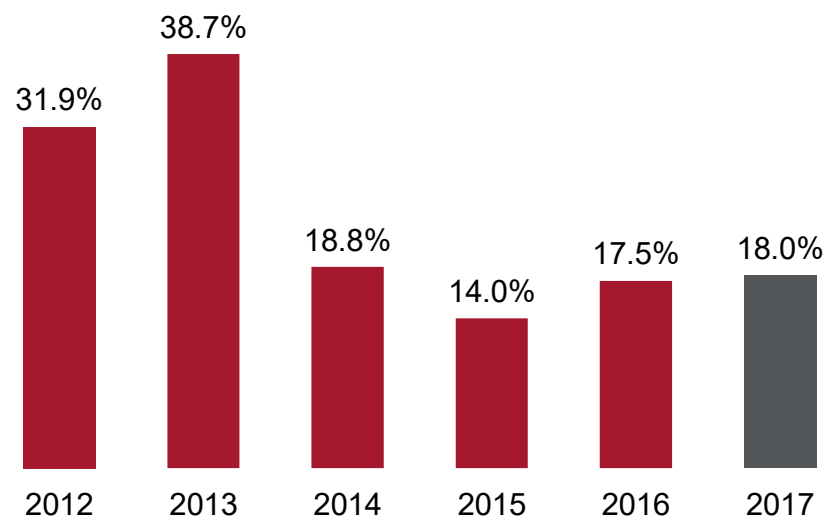
Reduced Cost and Improved Efficiency



SG&A/SALES¹ (%)



WORKING CAPITAL / SALES¹ (%)



Consistent Improvement Across Cost and Efficiency Metrics

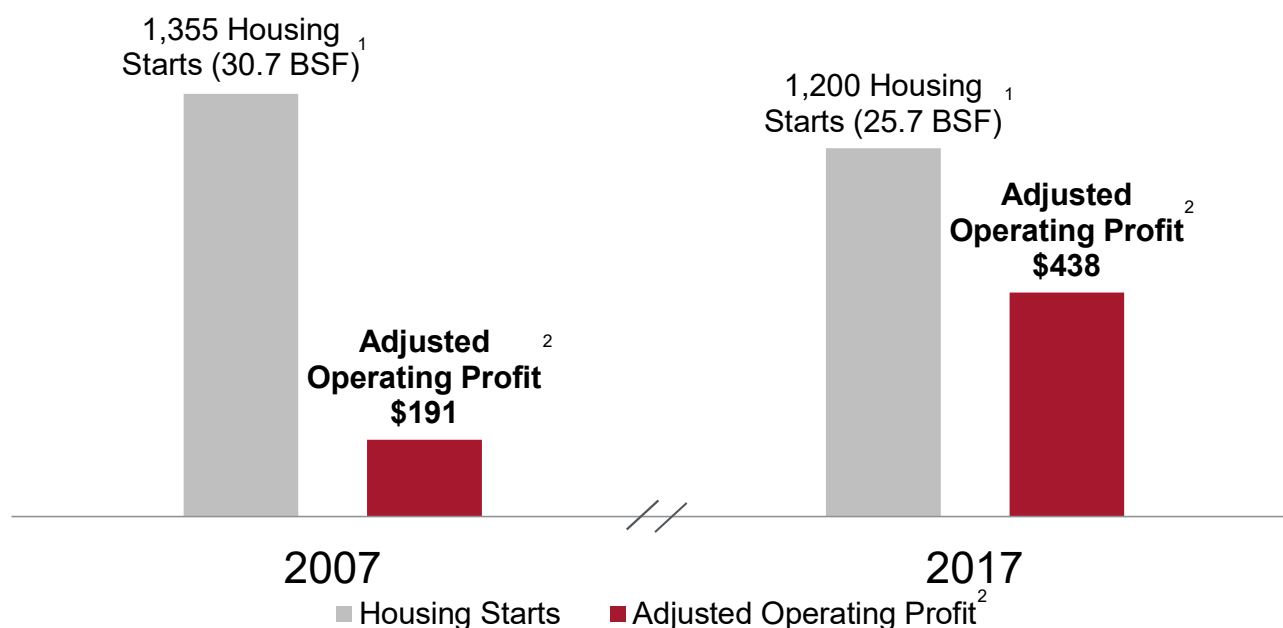
1. Results have been adjusted to exclude results from L&W, which was sold in 2016.

Improved Profit Efficiency



ADJUSTED OPERATING PROFIT² VS. HOUSING STARTS

(MILLIONS)



- 2017 Adjusted Operating Profit ~2x 2007 with housing starts being ~11% lower
- Cost management efforts have reduced breakeven wallboard industry shipments to ~18 BSF from 26 BSF
- Due to transformational changes to our cost structure, we expect to be profitable at all points in the cycle
- Advanced Manufacturing and additional cost inflation offsets expected to further improve cost structure

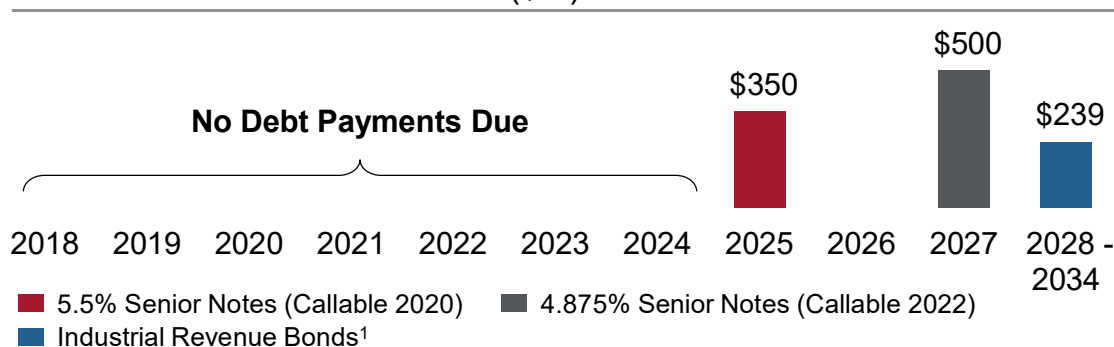
Expect to be Profitable at All Points in the Cycle

1. Represents total industry shipments in billions of square feet.
2. Non GAAP Metric – Please refer to Non-GAAP to GAAP Reconciliation Tables in the Appendix.

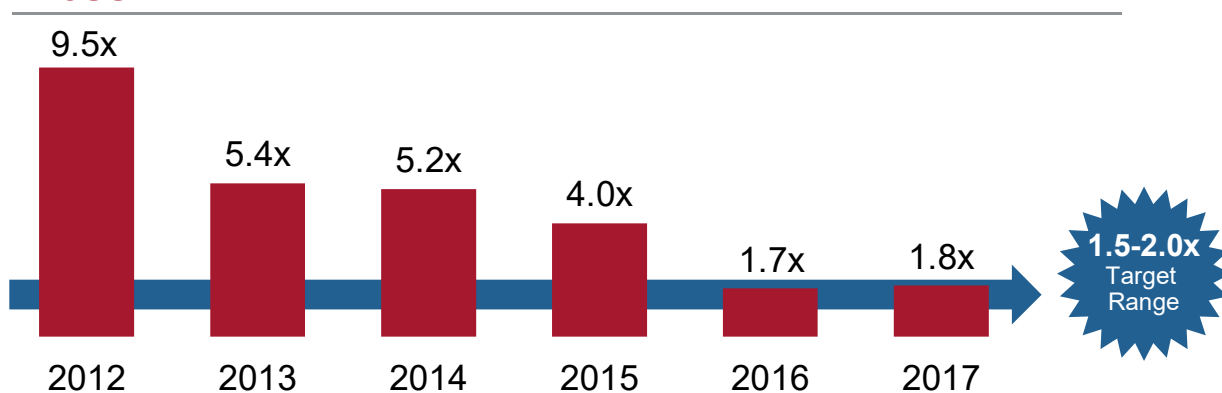
Decreased Leverage and Optimized Capital Structure



DEBT MATURITY SCHEDULE (\$M)



ADJUSTED NET DEBT / EBITDA²



- Reduced debt by \$1.2B since 2013
 - Lowered interest costs by \$154 million/yr.
- Achieved leverage ratio within targeted Adjusted Net Debt / EBITDA range of 1.5x to 2.0x
- ~\$650M of liquidity as of Dec. 31, 2017
- No debt maturities before 2025
- \$1.1B U.S. federal cash tax shield due to NOLs and foreign tax credits
- Credit Rating: BB+ (S&P), Ba1 (Moody's), BB+ (Fitch)

Low Cost and Long-Term Capital Structure a Significant Asset

1. Blended average interest rate of 5.875%.

2. Non GAAP Metric - Please refer to Non-GAAP to GAAP Reconciliation Tables in the Appendix.

Employing a Balanced Capital Allocation Strategy



Maintain Flexible Balance Sheet

- Target leverage ratio of 1.5x – 2.0x Adjusted Net Debt / EBITDA at the mid-cycle
- Generating stronger free cash expected to support target leverage ratio and enable additional capital allocation across priorities

Reinvest for Lower Cost and Organic Growth

- “Earn the Right to Grow” – Selectively investing in SG&A and CapEx for profitable growth
- Deploying Advanced Manufacturing to target \$100M incremental run-rate EBITDA by YE2020
- Strategically investing in R&D to drive first-to-market, contractor preferred products

Return Excess Cash to Shareholders

- Initiated \$250M share repurchase program in Feb. 2017; repurchased \$184M shares in 2017
- Increased authorization by \$250M to \$500M in Feb. 2018
- Total remaining authorization of \$316M expected to be utilized over 18 months

Acquisitions

- Adherence to strategic filters and financial criteria
- Focused on expanding product portfolio, technology and/or geographic presence
- Flexibility to participate in potential industry consolidation; opportunity in tuck-in targets

Properly Sized Balance Sheet, Began Buyback Program in 2017

STRATEGIC FOCUS AREAS

- ✓ Industry consolidation when actionable
- ✓ Product and technology additions in core or close adjacencies
- ✓ Selective geographic expansion

STRATEGIC CRITERIA

- ✓ Aligned with customer and end-user
- ✓ Importance to channel evolution
- ✓ Revenue and cost synergies
- ✓ Potential to reduce cyclicalities

FINANCIAL CRITERIA

**Growth and/or
Margin Enhancing**

**Accretive to
Earnings within
18 Months¹**

**Leverage Neutral
within 18 Months**

**ROIC > Cost of
Capital within
3-5 years**

Disciplined M&A Strategy Focused on Enhancing Shareholder Value

1. Exclusive of one-time integration costs.

Outlook: 2018



End-Market¹

New Residential Starts	Around 1.25M from 1.20M starts in 2017
Non-Residential	Low-to-mid single digit growth in starts
Repair and Remodel	Mid-single digit growth
USG Ceilings Volumes	Low-single digit growth
USG Boral Equity Method Income	Mid-single digit growth

Financial¹

Input Costs	3-5% baseline inflation; does NOT include AM Benefits or other cost efficiencies
Adj. SG&A	~\$355M
Capital Spending	Total: \$250M <ul style="list-style-type: none"> • Base: ~\$65M • Growth: ~\$95M • AM: ~\$90M
Income Taxes	Book taxes → 20-23% of 2018 pre-tax profits; \$0 net cash for U.S. federal taxes

No Change to Outlook Shared on Q4 Earnings Call (February 1st)

1. Management estimate as of March 8, 2018.
2. 2018 GAAP SG&A expected to be \$370M.

2018 Investments to Pursue Profitable Growth



AREAS OF INVESTMENT

1. Customer-Facing: Helping Customers Sell More Profitably
2. Increasing Speed of Innovation and Commercialization
3. Data Analytics to Drive Profitability

**\$31M² Incremental SG&A
Spend to Support Strategy**

2018 INCREMENTAL SG&A (in millions)

	U.S. Wallboard & Surfaces	U.S. Performance Materials	U.S. Ceilings	Corporate	Total
Technical Sales Personnel	-	\$4	\$4	-	\$8
Product Marketing	\$1	\$4	\$2	-	\$7
Customer Experience Platform	-	-	-	\$7	\$7
New Product Innovation	\$2	\$1	-	-	\$3
Commercialization	\$1	-	\$1	-	\$2
Pricing Analytics	-	-	-	\$2	\$2
Advanced Manufacturing ¹	\$2	-	-	-	\$2
Total	\$6	\$9	\$7	\$9	\$31

Increasing Investments Around Our Customers to Grow the Business

1. Represents incremental SG&A spend in 2018 over 2017 – no change from previous guidance
 2. See rollforward in the Appendix for management's expectation of the increase in SG&A from 2017 to 2018.

Outlook: 2020



End-Market and USG Volumes¹

End-Market	New Residential Starts	Mid-single digit growth per year 2020: ~1.4M in starts
	Non-Residential	Low-to-mid single digit growth per year 2020: ~1.2BSF in starts (lagged)
	Repair and Remodel	Mid-single digit growth per year
USG Volumes	Gypsum	Mid-single digit growth per year
	Performance Materials	15% CAGR, weighted towards backend
	Ceilings	Low-single digit growth per year

Financial¹

Input Costs	3-5% per year baseline inflation; does NOT include AM Benefits or other cost efficiencies
Adj. SG&A	~10% of net sales
Capital Spending	Total: \$130-\$190M <ul style="list-style-type: none"> Base: \$60-70M Growth: \$50-100M Advanced Manufacturing: ~\$20M
Income Taxes	Book taxes → 20-23% No U.S. federal cash taxes 2018-2020 due to NOL and foreign tax credits Expect total cash taxes of ~\$10M per year

Expect Healthy Fundamentals Across All End Markets

1. Management estimate as of March 8, 2018

USG's Operating Model in an Inflationary Environment



Pricing Initiatives

- Look to offset inflation through pricing in all businesses
- Price increases to reflect value proposition
- Improved product mix to higher margin solutions
- Pricing analytics

Cost Initiatives

- Advanced Manufacturing, including Lean
- Additional cost inflation offsets:
 - Manufacturing efficiencies
 - Sourcing
 - Logistics

Pricing and Cost Initiatives Expected to Expand Margins

2020E AOP Margin Guidance



	U.S. WALLBOARD & SURFACES	U.S. PERFORMANCE MATERIALS	U.S. CEILINGS	USG BORAL
2017 AOP (%) ¹	16.0%	6.4%	19.3%	14.1%
2020E End Market	<ul style="list-style-type: none"> Housing Starts: ~1.4M R&R Growth: mid-single digits 	<ul style="list-style-type: none"> Non-Residential Starts (Lagged): ~1.2BSF 	<ul style="list-style-type: none"> Non-Residential Starts (Lagged): ~1.2BSF 	<ul style="list-style-type: none"> GDP growth across geographies Wallboard penetration
USG Volume Growth	<ul style="list-style-type: none"> Mid-single digits 	<ul style="list-style-type: none"> ~15% CAGR, weighted towards back-end 	<ul style="list-style-type: none"> Low-single digit 	<ul style="list-style-type: none"> N/A
2020E Target	AOP: 20%+	AOP: 10%+	AOP: 23%+	USG equity income expected to increase ~mid-single digit annually
Key Drivers	<ul style="list-style-type: none"> + Market Growth + Growth Initiatives + Cost Initiatives - Inflation • <u>Guidance assumes wallboard price = flat to 2017 average annual price</u> 	<ul style="list-style-type: none"> + Market Growth + Growth Initiatives + Price Initiatives + Cost Initiatives - Inflation 	<ul style="list-style-type: none"> + Market Growth + Growth Initiatives + Price Initiatives + Cost Initiatives - Inflation 	<ul style="list-style-type: none"> + Market Growth + Growth Initiatives + Cost Initiatives - Inflation

- However, does not reflect management expectation in price
- Sensitivity: 1% increase in price = ~50bps of margin expansion for U.S. Wallboard & Surfaces segment

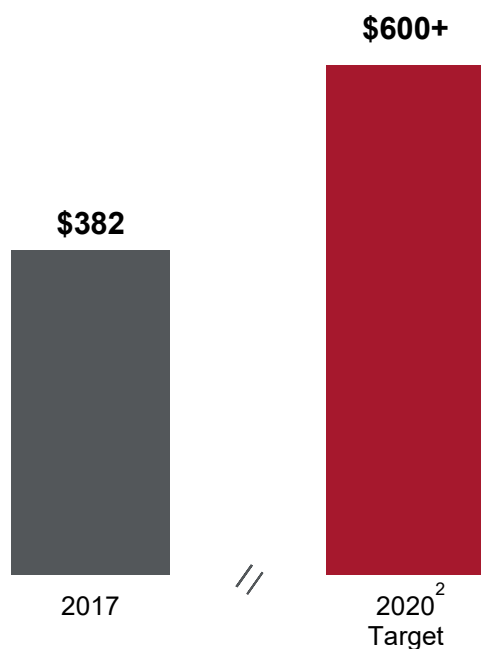
Significant Operating Margin Expansion Opportunities Expected Over the Next 3 Years

1. Non GAAP Metric – AOP Margins have been recast to reflect change in employee retirement plan accounting per ASU 2017-07. Please refer to Non-GAAP to GAAP Reconciliation Tables in the Appendix.

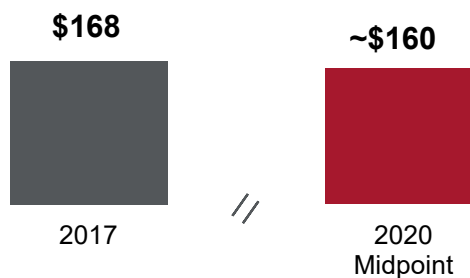
Free Cash Flow Generation Improvement Expected



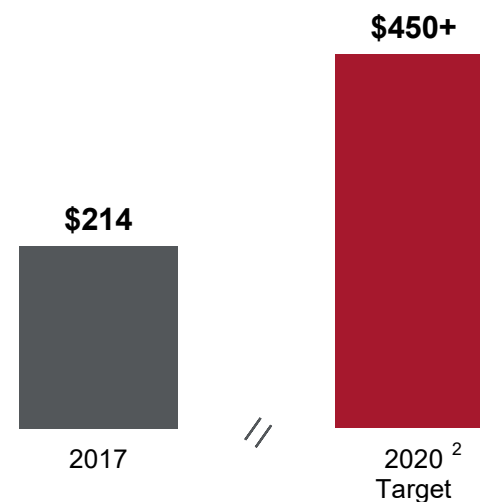
CASH FLOW FROM OPS (\$M)



CAPITAL EXPENDITURES (\$M)



FREE CASH FLOW¹ (\$M)



Strong Cash Flow Provides Flexibility to Increase Shareholder Returns

1. Non GAAP Metric: Calculated by subtracting capital expenditures from cash flow from operations.
2. Management's estimate as of March 8, 2018

Key Takeaways



- USG Volumes Expected to be up Mid-Single Digits
- Fortified Balance Sheet with Net Leverage Target of 1.5x – 2.0x
- Expect Margin Expansion Across all Segments by 2020
- More than Double Free Cash Flow Expected by 2020
- Capital Return with Disciplined M&A

Question & Answer Session

Closing Remarks

Jenny Scanlon
President & CEO

USG Investment Thesis



✓ **Transformed company** operating in a **supportive macroeconomic environment**

✓ **Logical, focused portfolio** with leading positions in high growth markets across **divisions in North America, Asia and Australasia**

✓ **New strategy** focused on customer needs, manufacturing cost reductions and price optimization to enable **margin expansion throughout the cycle**

✓ **Strong balance sheet and** projected **growing free cash flow** will enable capital allocation flexibility and EPS growth

✓ **Experienced and passionate management** team executing a clear strategy expected to drive **superior performance** and **increase shareholder value**



Biographies



JENNIFER SCANLON

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Jennifer F. Scanlon is president and chief executive officer, and a member of the USG Board of Directors. She has led the company through some of its most significant strategic moves in recent history, including establishing the USG Boral Building Products joint venture and leading the divestiture of L&W Supply Corporation. Scanlon previously served as chairman of the board for USG Boral Building Products, as president, USG International and as president, L&W Supply Corporation.

Scanlon joined USG in 2003 as director of strategy implementation for Supply Chain Management and Customer Relationship Management. She holds a B.A. in government and computer applications from the University of Notre Dame and an MBA in finance and marketing from the University of Chicago.

Scanlon serves on the boards of Norfolk Southern Corporation, the National Association of Manufacturers, the Chicago Council of Global Affairs and SHORE Community Services, Inc. She is a member of the Economic Club of Chicago, The Chicago Network and the Executives' Club of Chicago.



MATT HILZINGER

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Matthew F. Hilzinger is executive vice president and chief financial officer. He is responsible for all of the company's financial activities, including the strategy and vision of corporate finance, accounting, investor relations and treasury functions, as well as strategic planning.

Hilzinger joined USG Corporation in 2012. From March 2002 to 2012, Hilzinger was with Exelon Corporation, where he served as chief financial officer from 2008 to 2012 responsible for finance and risk management, and as corporate controller from 2002 to 2008. Prior to joining Exelon, Hilzinger was chief financial officer at Credit Acceptance Corporation in 2001. From 1997 to 2001, Hilzinger was at Kmart Corporation, where he last served as vice president, corporate controller.

Hilzinger graduated from the University of Michigan with a bachelor's degree in business administration in 1985. He became a certified public accountant in 1987.

Hilzinger is a member of the board of directors for the American Red Cross of Greater Chicago, United Way of Greater Chicago and FuelCell Energy Inc.



JOE HOLMES

SENIOR VICE PRESIDENT, USG CORPORATION MANUFACTURING, TECHNOLOGY AND GLOBAL OPERATIONS

Joseph W. Holmes is senior vice president, Manufacturing, Technology and Global Operations. He is responsible for USG's manufacturing, supply chain, technical services and engineering groups, as well as the USG Boral Building Products joint ventures.

Holmes joined USG in 1984 and has held various roles, including vice president, Enterprise Technology and vice president, Manufacturing. Holmes also served as general manager and vice president of operations for L&W Supply Corporation and most recently as chief technology officer and chief operating officer for USG Boral Building Products.

Holmes holds a bachelor's degree in chemical engineering from the University of Texas and has served as a member of the Board of Directors of USG Boral Drywall LLC, Zawawi Gypsum LLC, USG Middle East, Ltd. and SGI Co., Ltd.



CHRIS MACEY

SENIOR VICE PRESIDENT, USG CORPORATION PRESIDENT, CEILINGS DIVISION

Christopher D. Macey is senior vice president, USG Corporation, and president of the Ceilings division. He is responsible for the strategic direction, business growth, profitability and new product development of USG's ceilings business.

Macey joined USG in 2006 as vice president of Sales and Marketing for CGC Inc., USG's Canadian subsidiary. He has held a variety of leadership roles in USG's Canadian, Mexican and Latin American businesses. Macey holds a bachelor's degree from The University of Western Ontario and a master's degree in business administration from the Ivey Business School at The University of Western Ontario.

Macey has held various management and coaching roles in competitive youth minor hockey in Ontario, Canada, and previously served as a supplier representative on The Home Depot Canada's Advisory committee for The Home Depot Foundation.



JOHN REALE

SENIOR VICE PRESIDENT, USG CORPORATION PRESIDENT, PERFORMANCE MATERIALS DIVISION

John M. Reale is senior vice president, USG Corporation, and president of the Performance Materials division. He is responsible for the strategic direction, business growth, profitability and new product development of USG's underlayment, building envelope, and structural product categories.

Reale joined USG in 1984 as a cost accountant and has held a variety of leadership roles in the areas of accounting, finance, sales, customer service, technology and marketing, including senior vice president, Marketing and Customer Experience, senior vice president, Business Excellence, chief information officer and vice president, Customer Relationship Management.

Reale holds a bachelor's degree in business administration from Saint Bonaventure University. Reale is active in his community, and previously served as a member of the Mayor's Technology Council of Chicago, the CISCO Manufacturing Advisory Council and the Rosary Catholic High School Board of Directors.



GREG SALAH

SENIOR VICE PRESIDENT, USG CORPORATION PRESIDENT, GYPSUM DIVISION

Greg Salah is senior vice president, USG Corporation, and president of the Gypsum division. He is responsible for the strategic direction, business growth, profitability and new product development of USG's wallboard and surfaces business. He also leads USG's business in Canada and Latin America.

Salah joined USG in 1985 as a sales representative, accepting progressively responsible roles throughout his 30 years with the company. His experience includes positions in the sales, marketing, general management and senior leadership assignments.

Salah holds a bachelor's degree in economics from the University of Michigan and a master's degree in marketing from DePaul University.

Salah is an active board member of Mercy Housing and is a past board member of the Ceilings & Interior Systems Construction Association.



KEN BANAS

VICE PRESIDENT, ADVANCED MANUFACTURING AND CORPORATE EXCELLENCE

Kenneth R. Banas is vice president, Advanced Manufacturing and Corporate Excellence. He is responsible for overseeing USG's Advanced Manufacturing initiative, Lean Six Sigma organization and Lean Management System.

Banas joined USG in 2004. He previously served as treasurer and was responsible for the leadership and direction of the treasury function, including all aspects of USG's capital strategy and structure. He was also a key member of some of the most significant strategic moves in recent history, including establishing the USG Boral Building Products joint venture and leading the divestiture of L&W Supply Corporation.

Prior to serving as treasurer, Banas was responsible for enterprise program management and was the program manager for the company's largest IT project. Banas holds a bachelor's degree from the University of Michigan in astronomy and physics, and a master's degree in astrophysics from the California Institute of Technology.

Appendices

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Non-GAAP Financial Measures



In this presentation, the corporation's financial results are provided both in accordance with accounting principles generally accepted in the United States of America (GAAP) and using certain non-GAAP financial measures. In particular, the corporation presents the non-GAAP financial measures: adjusted operating profit, adjusted operating margins, EBITDA, adjusted EBITDA, EBIT, adjusted net income, adjusted equity income of USG Boral Building Products, or UBBP, free cash flow, adjusted earnings per diluted share, adjusted SG&A, and adjusted debt, which exclude certain items. The non-GAAP financial measures 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. Adjusted operating profit on a consolidated basis includes the adjusted equity method income from UBBP and USG's income from other equity investments and adjusted EBITDA on a consolidated basis includes the corporation's share of UBBP's adjusted EBITDA because management views UBBP and its other equity investments as important businesses. Further, management believes it is appropriate to exclude the indicated items from UBBP equity income because the resulting UBBP adjusted equity income can be used to evaluate the financial performance of UBBP. Management also excludes EBITDA of Gypsum Transportation Limited because we exited that shipping operation in April 2015. In addition, the corporation uses adjusted operating profit, adjusted operating margins and adjusted net income as components in the measurement of incentive compensation. The non-GAAP measures should not be considered a substitute for or superior to GAAP results and may vary from others in the industry. For further information related to the corporation's use of non-GAAP financial measures, and the reconciliations to the nearest GAAP measures, see the Appendix.

2018 SG&A Rollforward

\$ Millions



FY 2017 GAAP SG&A

\$298

Employee retirement plan accounting reclassification

\$7

Ceilings Plus SG&A

\$8

Pro-Forma FY 2017 SG&A¹

\$313

General labor inflation (~2.5%) in 2018

\$8

Increase in employee retirement plan expense due to lower discount rate

\$3

Investments to support strategy

\$31

FY 2018 Adjusted SG&A¹

\$355

Transaction Costs (Integration, BU Realignment)

\$15

FY 2018 GAAP SG&A

\$370

1. Non GAAP Metric. This is management's expectation as of the date of this presentation

Adjusted Operating Profit Reconciled to GAAP Operating Profit under New Reportable Segments



\$ Millions	FY 2017
Reported GAAP Operating Profit (Loss)	
• U.S. Wallboard and Surfaces	\$314
• U.S. Performance Materials	\$26
• U.S. Ceilings	\$95
• Canada	\$12
• Other	\$11
• Corporate & Eliminations	(\$91)
Total	\$367
Adjustments to GAAP Operating Profit (Loss)	
• U.S. Wallboard and Surfaces – Pension settlement charge	\$7
• U.S. Performance Materials – Pension settlement charge	\$2
• U.S. Ceilings – Pension settlement charge	\$2
• Corporate & Eliminations – Pension settlement charge	\$1
Total	\$12
Adjusted Operating Profit (Loss) – Non-GAAP measure	
• U.S. Wallboard and Surfaces	\$321
• U.S. Performance Materials	\$28
• U.S. Ceilings	\$97
• Canada	\$12
• Other	\$11
• Corporate & Eliminations	(\$90)
Other Adjustments	
• Adjusted equity income from UBBP	\$59
Total Adjusted Operating Profit	\$438

GAAP Operating Profit Reconciled to Adjusted Operating Profit



\$ Millions	FY 2016	FY 2015	FY 2014	FY 2013 ¹	FY 2012 ¹	FY 2007 ²
Reported GAAP Operating Profit	\$394	\$355	\$149	\$258	\$73	\$165
Adjustments to GAAP Operating Profit						
• Pension settlement charge	\$17	—	\$13	\$16	—	—
• Gain on sale of surplus property	(\$11)	(\$10)	(\$12)	—	—	—
• GTL recovery of receivables/shipping operations	(\$3)	(\$7)	(\$8)	—	—	—
• Restructuring & Asset impairment charges	\$12	—	\$90	\$3	\$18	\$26
• Exit of commercial office space	\$4	—	—	—	—	—
• Litigation Settlement Charge	—	—	\$48	—	—	—
• Adjusted equity income from UBBP	\$57	\$48	\$35	—	—	—
• Adjusted equity income from Other Joint Ventures	—	\$2	\$2	\$1	—	—
Total Adjusted Operating Profit	\$470	\$388	\$317	\$278	\$91	\$191

1. Amounts are Unadjusted for the sale of L&W (not recast to reflect L&W supply as a discontinued operation).
2. Reported GAAP operating profit and adjustments are as presented in the 2007 Form 10-K.

Adjusted Diluted EPS Reconciled to GAAP Diluted EPS

	FY 2017	FY 2016	FY 2015	FY 2014 ¹
Income per average diluted common share – GAAP	\$0.60	\$3.46	\$6.73	\$0.25
Adjustments per average diluted common share:				
• (Income) loss from and gain on sale of discontinued operations	\$0.06	(\$2.02)	(\$0.11)	(\$0.08)
• Loss on extinguishment of debt	\$0.15	\$0.25	\$0.13	—
• Pension settlement charge	\$0.08	\$0.11	—	\$0.09
• Exit of commercial space	—	\$0.03	—	—
• USG's share of UBBP impairment and restructuring charges	—	\$0.05	—	\$0.01
• Withholding tax on property contributed to USG Boral	—	—	—	\$0.01
• Tax effect on adjustments	(\$0.08)	(\$0.13)	\$0.05	—
• Long-lived asset impairment charges	—	\$0.08	—	\$0.61
• Gain on sale of surplus property	—	(\$0.08)	(\$0.07)	(\$0.08)
• Gain on sale of equity method investment	—	—	(\$0.07)	—
• GTL (recovery) of receivable / shipping operations	—	(\$0.05)	(\$0.05)	(\$0.05)
• Change in tax law	\$0.99	—	—	—
• Reduction in the valuation allowance of DTA	—	—	(\$4.96)	—
• Gain on Deconsolidation of Subs & Consolidation of JVs	—	—	—	(\$0.18)
• Litigation Settlement Charge	—	—	—	\$0.33
Adjusted earnings per adjusted average diluted common share – Non-GAAP	\$1.80	\$1.70	\$1.65	\$0.91
Average diluted common shares – GAAP	146,710,846	147,660,979	147,246,600	144,296,316
Adjustment to add common shares that would be dilutive based on adjusted net income	—	—	—	2,797,618
Adjusted Average diluted common shares – Non-GAAP	146,710,846	147,660,979	147,246,600	147,093,934

1. 2014 has been recasted to reflect L&W Supply as a discontinued operation

Adjusted Debt Reconciled to GAAP Debt



\$ Millions	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Total short-term and long-term Debt – GAAP	\$1,089	\$1,089	\$2,188	\$2,209	\$2,355	\$2,309
Operating leases	\$118	\$106	\$217	\$237	\$226	\$203
Postretirement benefit obligations	\$223	\$202	\$265	\$333	\$189	\$383
Asset retirement obligations	\$77	\$73	\$77	\$80	\$86	\$90
Accrued interest not included in reported debt	\$12	\$31	\$45	\$44	\$48	\$47
Workers compensation/self insurance	\$16	\$14	\$16	\$14	\$14	\$16
Excess cash ¹	(\$370)	(\$388)	(\$504)	(\$287)	(\$714)	(\$508)
Total adjustments²	\$76	\$38	\$116	\$421	(\$151)	\$231
Adjusted Net Debt	\$1,165	\$1,127	\$2,304	\$2,630	\$2,204	\$2,540
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Adjusted EBITDA	\$636	\$674	\$570	\$502	\$405	\$268
Leverage Ratio	1.8	1.7	4.0	5.2	5.4	9.5

1. Excess cash is based on a 75% ratio of cash, cash equivalents, and marketable securities.

2. Represents adjustments to GAAP debt and unadjusted EBITDA to arrive at a proxy for adjusted debt and adjusted EBITDA as used by the ratings agencies.

Note that 2012-2014 reflect recasted EBITDA for L&W

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Full Year Adjusted EBITDA Reconciled To Annual Operating Profit



\$ Millions	FY 2017							FY 2016						
	U.S. W&S	U.S. PM	U.S. Ceilings	Canada	UBBP	Other/ Corp/	FY 17	U.S. W&S	U.S. PM	U.S. Ceilings	Canada	UBBP	Other/ Corp/	FY 16
GAAP Operating profit/(loss)	\$314	\$26	\$95	\$12	—	(\$80)	\$367	\$334	\$41	\$101	\$26	—	(\$108)	\$394
Interest expense, net						(\$65)	(\$65)						(\$141)	(\$141)
Other (expense) income, net						(\$4)	(\$4)						\$9	\$9
Income tax expense						(\$238)	(\$238)						(\$63)	(\$63)
USG's equity income from UBBP						\$59	\$59						\$49	\$49
Loss on extinguishment of debt						(\$22)	(\$22)						(\$37)	(\$37)
(Loss) income & gain from discontinued operations, net						(\$9)	(\$9)						\$299	\$299
Net income attributable to USG							\$88							\$510
Less: Income (loss) and gain from disc ops, net of tax						\$9	\$9						(\$299)	(\$299)
Add: interest expense, net ¹						\$65	\$65						\$141	\$141
Add: income tax expense ¹						\$238	\$238						\$63	\$63
Add: depreciation, depletion, and amortization ²	\$91	\$9	\$15	\$6		\$8	\$129	\$87	\$9	\$15	\$6		\$13	\$130
EBITDA	\$405	\$35	\$110	\$18		(\$39)	\$529	\$421	\$50	\$116	\$32		(\$74)	\$545
Add: share-based compensation expense ¹						\$18	\$18						\$18	\$18
Add: ARO accretion expense	\$4	\$1	\$1			\$1	\$7	\$4	\$1	\$1			\$1	\$7
Add: loss on extinguishment of debt						\$22	\$22						\$37	\$37
Less: gain on sale of surplus property						—	—	(\$11)					—	(\$11)
Add: asset impairment charges and severance						—	—						\$12	\$12
Less: GTL EBITDA ³						—	—						(\$7)	(\$7)
Add: exit of commercial office space						—	—						\$4	\$4
Add: pension settlement charges	\$7	\$2	\$2			\$1	\$12	\$6	\$2	\$2			\$7	\$17
Less: USG's equity income from UBBP						(\$59)	(\$59)						(\$49)	(\$49)
Add: USG's share of UBBP Adjusted EBITDA ³					\$107		\$107					\$101		\$101
Adjusted EBITDA	\$416	\$38	\$113	\$18	\$107	(\$56)	\$636	\$420	\$53	\$119	\$32	\$101	(\$51)	\$674

1. Interest, tax, and share-based compensation are not allocated to our reportable segments; therefore, these items are reflected in the column Corp/Elim.

2. Depreciation, depletion and amortization excludes the amortization of deferred financing fees which is included in interest expense.

3. See reconciliation to GAAP results in the Appendix.

Historical Adjusted EBITDA Reconciled to Net Income/(Loss)



\$ Millions	2015	2014	2013	2012
USG Net Income/(loss)	\$991	\$37	\$47	(\$126)
Less: income from discontinued operations, net of tax	(\$15)	(\$12)	(\$2)	(\$21)
Add: interest expense, net	\$161	\$178	\$200	\$202
Add: income tax (benefit) expense	(\$740)	\$7	\$11	\$12
Add: depreciation, depletion, and amortization ¹	\$125	\$135	\$134	\$134
EBITDA	\$522	\$345	\$390	\$201
Add: share-based compensation expense	\$14	\$20	\$17	\$17
Add: ARO accretion expense	\$7	\$7	\$8	\$10
Add: pension settlement charges	-	\$13	\$13	-
Add: restructuring, impairment, and amortization of excess reorganization value	-	\$30	\$4	\$18
Add: loss on extinguishment of debt	\$19	-	-	\$41
Add/(Less): GTL Adjusted EBITDA ²	(\$8)	\$45	(\$27)	(\$19)
Less: gain on sale of surplus property/assets	(\$21)	(\$12)	-	-
Add: litigation settlement expense	-	\$48	-	-
Less: USG's equity income from UBBP	(\$48)	(\$60)	-	-
Add: USG's share of UBBP Adjusted EBITDA	\$85	\$66	-	-
ADJUSTED EBITDA	\$570	\$502	\$405	\$268

1. Depreciation, depletion and amortization excludes the amortization of deferred financing fees which is included in interest expense.

2. GTL operated as an internal cost center prior to 2011, and thus did not drive a material consolidated EBITDA impact.

Adjusted Operating Profit Recast for Change in Employee Retirement Plan Accounting



\$ Millions	FY 2017	AOP %
Reported Adjusted Operating Profit (Loss) – Non GAAP Measure		
• U.S. Wallboard and Surfaces	\$321	16.8%
• U.S. Performance Materials	\$28	7.5%
• U.S. Ceilings	\$97	20.3%
• Canada	\$12	3.0%
• Other	\$11	
• Corporate & Eliminations	(\$90)	
• Adjusted equity income from UBBP ¹	\$59	14.1%
Total	\$438	13.7%
Adjustments to Adjusted Operating Profit (Loss)		
• U.S. Wallboard and Surfaces – Employee Retirement Plan Accounting Change	(\$15)	
• U.S. Performance Materials – Employee Retirement Plan Accounting Change	(\$4)	
• U.S. Ceilings – Employee Retirement Plan Accounting Change	(\$5)	
• Canada – Employee Retirement Plan Accounting Change	\$1	
• Corporate & Eliminations – Employee Retirement Plan Accounting Change	(\$3)	
Total	(\$26)	
Recasted Adjusted Operating Profit (Loss) – Non-GAAP measure		
• U.S. Wallboard and Surfaces	\$306	16.0%
• U.S. Performance Materials	\$24	6.4%
• U.S. Ceilings	\$92	19.3%
• Canada	\$13	3.2%
• Other	\$11	
• Corporate & Eliminations	(\$93)	
• Adjusted equity income from UBBP ¹	\$59	14.1%
Total Adjusted Operating Profit	\$412	12.9%

Adjusted Financial Results of USG Boral Building Products



\$ Millions	FY 2017	FY 2016	FY 2015	FY 2014
Net Sales – GAAP	\$1,200	\$1,052	\$1,003	\$927
Operating Profit – GAAP	\$160	\$133	\$124	\$95
Adjustments: Income from equity method investments owned by UBBP	\$15	\$11	\$9	\$6
Adjustments: Operating profit attributable to non-controlling interest, pre-tax	(\$6)	(\$6)	(\$7)	(\$6)
Adjustments: Long-lived asset impairment charges in Oman (<u>50% JV</u>) included in operating profit, pre-tax	—	\$14	—	—
Adjustments: Long-lived asset impairment and severance charges	—	\$9	—	\$7
Adjusted Operating Profit – Non-GAAP	\$169	\$161	\$126	\$102
Net Income attributable to USG Boral Building Products – GAAP	\$117	\$99	\$96	\$67
Adjustments: Long-lived asset impairment charges and severance charges	—	\$16	—	\$5
Adjusted Net Income attributable to USG Boral Building Products – Non-GAAP	\$117	\$115	\$96	\$72
USG share of income from equity method investments – GAAP	\$59	\$49	\$50	\$35
Adjustments: USG's share of long-lived asset impairment charges	—	\$8	—	\$2
Adjustments: Income from equity method investments – other JVs	—	—	(\$2)	(\$2)
Adjusted equity income from USG Boral Building Products – Non-GAAP	\$59	\$57	\$48	\$35

USG Boral Building Products Adjusted EBITDA Reconciliation



\$ Millions

	FY 2017	FY 2016	FY 2015	FY 2014
GAAP Operating profit	\$160	\$133	\$124	\$95
Income tax expense	(\$53)	(\$44)	(\$31)	(\$29)
Income from equity method investments owned by UBBP, net of tax	\$15	\$11	\$9	\$6
Other expense	(\$1)	(\$2)	(\$1)	—
Net Income	\$121	\$98	\$101	\$72
Net income attributable to non-controlling interest	(\$4)	(\$6)	(\$5)	(\$5)
Oman net loss attributable to non-controlling interest	—	\$7	—	—
Net Income attributable to USG Boral Building Products	\$117	\$99	\$96	\$67
Adjustments: Long-lived asset impairment charges and severance charges, net of tax	—	\$16	—	\$5
Adjusted Net Income attributable to USG Boral Building Products	\$117	\$115	\$96	\$72
Add: income tax expense	\$53	\$44	\$31	\$29
Add: depreciation, depletion, and amortization	\$45	\$43	\$43	\$31
TOTAL USG Boral Building Products Adjusted EBITDA	\$215	\$202	\$170	\$132
USG's share of USG Boral Building Products Adjusted EBITDA	\$107	\$101	\$85	\$66

GTL EBITDA AND ADJUSTED SALES RECONCILIATIONS

\$ Millions	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
GAAP Operating profit (loss)	\$3	\$7	(\$52)	\$20	\$13
Interest income (expense), net	\$1	(\$1)	(\$1)	(\$1)	(\$2)
Other income, net	\$4	—	—	—	—
Income tax expense	(\$3)	—	—	—	—
Net income attributable to non-controlling interest	—	—	(\$2)	(\$1)	(\$1)
Net income (loss) attributable to USG	\$5	\$6	(\$55)	\$18	\$10
Add: income tax expense	\$3	—	—	—	—
Add: interest (income) expense, net	(\$1)	\$1	\$1	\$1	\$2
Add: depreciation, depletion, and amortization	—	\$1	\$9	\$8	\$7
EBITDA	\$7	\$8	(\$45)	\$27	\$19

\$ Millions	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Net Sales – GAAP Measure	\$3,017	\$2,913	\$2,904	\$2,792	\$2,494
Adjustments:					
GTL - Shipping operations	—	(\$10)	(\$81)	(\$80)	(\$54)
Adjusted Net Sales – Non-GAAP Measure	\$3,017	\$2,903	\$2,823	\$2,712	\$2,440

Stockholder Rights Plan and Protective Amendment



USG's STOCKHOLDER RIGHTS PLAN AND PROTECTIVE AMENDMENT RESTRICTS BENEFICIAL OWNERSHIP IN EXCESS OF 4.9%

We have a stockholder rights plan that is intended to protect our substantial net operating losses, or NOL, carryforwards and related tax benefits. Under federal tax laws, we generally can use our NOLs and certain related tax credits to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, when they "expire" for such purposes.

Our ability to use our NOLs could be substantially limited if we experience an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and the rights plan has been designed to help prevent such an "ownership change." Under Section 382 of the Code, an "ownership change" occurs if, over a rolling three-year period, there has been an aggregate increase of 50 percentage points or more in the percentage of our common stock owned by one or more of our "5-percent stockholders" (as determined under Section 382 of the Code). The rights plan provides that if any person becomes the beneficial owner (as defined in the Code) of 4.9% or more of our common stock, stockholders other than the triggering stockholder will have the right to purchase additional shares of our common stock at half the market price, thereby diluting the triggering stockholder; provided that stockholders whose beneficial ownership, as defined in Section 382 of the Code, exceeded 4.9% of our common stock outstanding on February 11, 2015 will not be deemed to have triggered the rights plan, so long as they do not thereafter acquire beneficial ownership of additional common stock other than in certain specified exempt transactions.

The rights will expire at the close of business on May 31, 2019, unless earlier redeemed or exchanged. Our Board of Directors has the power to accelerate or extend the expiration date of the rights. The NOL protective provisions of the rights plan described above will be effective until the earliest of the close of business on (i) May 31, 2019, (ii) the date on which the Board determines that these provisions are no longer necessary for the protection of certain tax benefits because of the repeal of Section 382 of the Code, (iii) the first day of a taxable year as to which the Board determines that no tax benefits may be carried forward, or (iv) such other date as the Board determines that these provisions are no longer necessary for the preservation of tax benefits, which period is referred to as the Special Period. After the end of the Special Period, the triggering threshold for the rights issued pursuant to the rights plan will revert to 15% of our outstanding common stock and the definition of "beneficial owner" will revert to definitions that do not track Section 382 of the Code. At our 2016 annual meeting our stockholders ratified, on an advisory basis, the extension of the term of the rights plan and the NOL protective provisions described above.

A Board committee composed solely of independent directors reviews the rights plan at least once every three years to determine whether to modify the rights plan in light of all relevant factors. This review was most recently conducted in November 2015. The next review is required by the end of 2018.

Our Restated Certificate of Incorporation also restricts certain transfers of our common stock and includes provisions intended to further protect the tax benefits of our NOL carryforwards. Subject to certain limited exceptions, these transfer restrictions restrict any person from transferring our common stock (or any interest in our common stock) if the transfer would result in a stockholder (or several stockholders, in the aggregate, who hold their stock as a "group" under Section 382 of the Code) owning 4.9% or more of our common stock. Any direct or indirect transfer attempted in violation of these transfer restrictions would be void as of the date of the prohibited transfer as to the purported transferee, and the purported transferee would not be recognized as the owner of the shares attempted to be owned in violation of the transfer restrictions for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of that common stock, or in the case of options, receiving our common stock in respect of their exercise. These transfer restrictions are effective until the earliest of (i) the close of business on May 31, 2019, (ii) the repeal of Section 382 of the Code if the Board determines that these restrictions are no longer necessary or desirable for the preservation of tax benefits, (iii) the close of business on the first day of a taxable year as to which the Board determines that no tax benefits may be carried forward, or (iv) such other date as determined by the Board pursuant to the provisions described above.

Pursuant to a Shareholder's Agreement reached in 2006, Berkshire Hathaway and certain of its affiliates may acquire beneficial ownership of up to 50% of our voting stock on a fully-diluted basis without triggering the ownership thresholds in our Restated Certificate of Incorporation or the rights plan, and may acquire beneficial ownership of more than 50% of our voting stock on a fully-diluted basis without triggering the ownership thresholds in our Restated Certificate of Incorporation or the rights plan through an offer to purchase all of our common stock that remains open for at least 60 days, in each case subject to specified exceptions.