

USG Corporation Reports 4 Q and 2009 Full Year Results

CHICAGO, Jan 27, 2010 (BUSINESS WIRE) -- USG Corporation (NYSE:USG):

- *Weak market conditions affected all business segments*
- *Cost reductions favorably impacted results*
- *Cash and liquidity positions strengthened*

USG Corporation (NYSE:USG), a leading building products company, today reported net sales of \$720 million and a net loss of \$598 million, or \$6.02 per diluted share for the fourth quarter of 2009. The net loss included a non-cash, \$548 million deferred tax asset valuation allowance, \$31 million of restructuring, impairment and other charges, and \$97 million of income from the settlement of a lawsuit.

"We anticipated very difficult market conditions in 2009 and took action accordingly," said William C. Foote, USG Chairman and CEO. "Structural cost reduction initiatives and aggressive management of product margins helped to mitigate the impact of exceptionally weak demand. A continued sharp focus on overall spending and working capital, plus the successful settlement of the Lafarge lawsuit, added to the corporation's strong cash and liquidity positions."

Foote continued, "2010 will be another challenging year. We expect our businesses to benefit further from the many actions that we continue to take to optimize our operations. We are confident that our emphasis on the elements of the business that are within our control, such as customer satisfaction, cost control, sizing the business to market conditions and innovation, will enable us to manage successfully through this prolonged downturn. Looking forward, we believe we are well-positioned to capitalize on an economic rebound and a recovery in our key market segments," concluded Foote.

The non-cash, deferred tax asset valuation allowance in the fourth quarter of 2009 will not impact the corporation's ability to utilize its U.S. net operating loss carryforwards to offset taxable U.S. earnings in the future. At December 31, 2009, the corporation had a federal net operating loss carryforward of approximately \$1.2 billion that will not begin to expire before 2026. The \$31 million in fourth quarter charges includes \$29 million of restructuring and long-lived asset impairment charges and \$2 million of goodwill and other intangible asset impairment charges.

For the fourth quarter of 2008, the corporation recorded net sales of \$981 million and a net loss of \$349 million, or \$3.52 per diluted share. Those results included pre-tax restructuring, long-lived asset impairment, goodwill and other intangible asset impairment charges aggregating \$294 million. The net loss also included a non-cash, \$68 million deferred tax valuation allowance.

Core Business Results

North American Gypsum

USG's North American Gypsum segment reported fourth quarter 2009 net sales of \$407 million, down from net sales of \$505 million reported in last year's fourth quarter. It reported an operating profit of \$63 million in the fourth quarter of 2009, which included \$97 million, net of fees, of income from the settlement of litigation and restructuring and long-lived asset impairment charges of \$1 million. North American Gypsum reported an \$87 million operating loss, including \$32 million in restructuring and impairment charges, in the fourth quarter of 2008.

United States Gypsum Company reported fourth quarter 2009 net sales of \$315 million compared to \$415 million in the fourth quarter of 2008. The decline in net sales was primarily attributable to an 8 percent decline in the realized selling price of SHEETROCK^(R) brand gypsum wallboard and a 26 percent decline in wallboard shipments. Sales of complementary products were also lower.

U.S. Gypsum reported a fourth quarter 2009 operating profit of \$57 million, including the benefit of the litigation settlement, an improvement when compared to an operating loss of \$81 million in fourth quarter of 2008. Profitability for joint treatment and cement board products improved while overhead and other costs were reduced. These more than offset the negative effects of lower wallboard prices and volumes. The operating loss improved by \$14 million when excluding restructuring and long-lived asset impairment charges in the fourth quarter of both 2009 and 2008 and the \$97 million litigation settlement in the fourth quarter of 2009. The operating profit in the fourth quarter of 2009 and the operating loss in the fourth

quarter of 2008 included restructuring and long-lived asset impairment charges of \$1 million and \$28 million, respectively.

U.S. Gypsum shipped 1.06 billion square feet of gypsum wallboard during the fourth quarter of 2009 compared with 1.44 billion square feet shipped during last year's fourth quarter. U.S. Gypsum's average realized selling price for gypsum wallboard was \$109.86 per thousand square feet during the fourth quarter of 2009, compared with \$118.98 in the fourth quarter of 2008 and \$115.33 in the third quarter of 2009.

The gypsum division of Canada-based CGC Inc. reported fourth quarter 2009 net sales of \$73 million, an increase of \$2 million, or 3 percent, compared with the same period a year ago. The sales increase was principally due to the favorable effects of currency translation in the fourth quarter of 2009 compared to the fourth quarter of 2008, partially offset by lower sales of SHEETROCK brand gypsum wallboard. Operating profit of \$5 million was recorded in the fourth quarter of 2009, an improvement compared to an operating loss of \$10 million in the fourth quarter of 2008. This improvement was primarily due to improved wallboard profitability and the favorable impact of cost reductions.

USG Mexico S.A. de C.V., USG's Mexico-based gypsum business, reported fourth quarter 2009 net sales of \$36 million, down from \$44 million in last year's fourth quarter. The decline in sales was largely attributable to a decline in shipments of gypsum wallboard. Operating profit was \$3 million in the fourth quarter of 2009, unchanged from the fourth quarter last year.

Building Products Distribution

L&W Supply Corporation and its subsidiaries, which comprise USG's building products distribution segment, reported fourth quarter 2009 net sales of \$270 million, down 38 percent compared to the fourth quarter of 2008. Fourth quarter 2009 net sales reflected lower volumes in all major product categories as a result of weaker commercial and residential construction demand. Sales of gypsum wallboard and the aggregate sales of other products were each down 38 percent compared with last year's fourth quarter.

L&W Supply reported an operating loss of \$63 million for the fourth quarter of 2009 compared to an operating loss of \$256 million for last year's fourth quarter. The fourth quarter 2009 operating loss included \$25 million in restructuring charges. The fourth quarter of 2008 operating loss included \$241 million of restructuring, goodwill and other intangible asset impairment charges.

L&W Supply has taken action to reduce its cost structure in response to the significant decline in demand for its building products, closing 37 locations in 2009 and significantly reducing other costs. The closures have been widely dispersed throughout the markets L&W serves. As of December 31, 2009, L&W operated 164 distribution centers in 37 states.

Worldwide Ceilings

USG's Worldwide Ceilings segment reported fourth quarter 2009 net sales of \$146 million compared with fourth quarter 2008 net sales of \$171 million. Operating profit was \$5 million for the fourth quarter of 2009 compared to a \$12 million operating loss in the fourth quarter of 2008. Fourth quarter 2009 operating profit included restructuring and impairment charges of \$4 million compared to \$15 million in similar charges in the fourth quarter of 2008.

USG Interiors Inc., USG's domestic ceilings business, reported fourth quarter 2009 net sales of \$90 million and operating profit of \$5 million. These results compared with net sales of \$109 million and operating profit of \$3 million for the fourth quarter of 2008. The sales decline primarily reflects lower shipments of both ceiling tile and grid attributable to reduced commercial construction activity. Operating profit improved primarily due to a reduction in overhead costs, which more than offset the negative effects of lower volumes across all major product lines.

USG International reported net sales of \$55 million for the fourth quarter of 2009, a decrease of \$4 million compared with the fourth quarter of 2008. The lower levels of sales were largely due to lower demand for ceiling grid in Europe, lower demand for ceiling tile in the Asia-Pacific region and reduced demand for gypsum products in Latin America. The operating loss for the fourth quarter of 2009 was \$2 million compared with a loss of \$16 million for the fourth quarter of 2008. USG International recorded a charge of \$4 million for restructuring and asset impairment in the fourth quarter of 2009. The fourth quarter of 2008

included \$14 million of restructuring and goodwill impairment charges.

The ceilings division of CGC Inc. reported fourth quarter 2009 net sales of \$14 million, an increase of \$1 million from last year's fourth quarter. Operating profit in the fourth quarter of 2009 increased to \$2 million from \$1 million in the fourth quarter of last year primarily due to improved manufacturing costs.

Other Consolidated Information

For the full year of 2009, the corporation reported net sales of \$3.2 billion and a net loss of \$787 million, or \$7.93 per diluted share. For the full year of 2008, net sales were \$4.6 billion and the corporation reported a net loss of \$463 million, or \$4.67 per share. The corporation's consolidated results for the full year of 2009 included restructuring and long-lived asset impairment charges of \$80 million, goodwill and other intangible asset impairment charges of \$43 million and \$575 million for a deferred tax asset valuation allowance. The net loss for the full year of 2009 also included \$97 million, net of fees, in income from the settlement of the Lafarge lawsuit.

The corporation's consolidated net loss for the full year of 2008 included after-tax charges of \$177 million for goodwill and intangible asset impairment, \$61 million for restructuring and long-lived asset impairment charges and \$71 million for a tax valuation allowance.

Selling and administrative expenses were \$85 million and \$304 million for the fourth quarter and full year of 2009, respectively, representing decreases of \$8 million, or 9 percent, and \$76 million, or 20 percent, from the respective 2008 periods.

Interest expense for the fourth quarter and full year of 2009 was \$45 million and \$165 million, respectively. Interest expense was \$27 million and \$86 million for the fourth quarter and full year of 2008, respectively. Interest expense was higher in 2009 due primarily to the corporation's financing activity. Total debt amounted to \$1.962 billion as of December 31, 2009 compared with \$1.836 billion as of December 31, 2008. The increase in debt during 2009 was primarily due to the August issuance of \$300 million of senior notes and the borrowing of \$25 million under a ship mortgage facility, offset by the repayment of \$190 million of bank debt.

The income tax expense for the fourth quarter of \$542 million primarily reflects the \$548 million deferred tax asset valuation allowance against all of the corporation's U.S. deferred tax assets and virtually all state deferred tax assets. The corporation recognized this allowance in the fourth quarter of 2009 in accordance with accounting rules requiring it to record a valuation allowance when a threshold cumulative loss period has been reached.

Capital expenditures in the fourth quarter of 2009 were \$8 million compared with \$29 million in the fourth quarter of 2008. For the full year of 2009, capital expenditures were \$44 million compared with \$238 million for the full year of 2008.

As of December 31, 2009, the corporation had \$690 million of cash and cash equivalents, compared with \$621 million as of September 30, 2009 and \$471 million as December 31, 2008. The increase in cash since the end of September was primarily due to the receipt of \$74 million, net of fees, representing a portion of the amount due to the corporation from the settlement of the Lafarge lawsuit. The corporation's total liquidity as of December 31, 2009 was \$808 million, comprised of its cash and cash equivalents and \$118 million of borrowing availability under its credit facilities.

A conference call is being held today at 10:00 A.M. Central Time during which USG senior management will discuss the corporation's operating results. The conference call will be webcast on the USG Web site, www.usg.com, in the Investor Information section. The dial-in number for the conference call is 1-800-315-2944 (1-847-413-2929 for international callers), and the passcode is 26122979. After the live webcast, a replay of the webcast will be available on the USG Web site. In addition, a telephonic replay of the call will be available until Friday, February 5, 2010. The replay dial-in number is 1-888-843-8996 (1-630-652-3044 for international callers), and the passcode is 26122979.

USG Corporation is a manufacturer and distributor of high-performance building systems through its United States Gypsum Company, USG Interiors, Inc. and L&W Supply Corporation and other subsidiaries. Headquartered in Chicago, USG's worldwide operations serve the residential and non-residential construction

markets, repair and remodel construction markets, and industrial processes. USG's wall, ceiling, flooring and roofing products provide leading-edge building solutions for customers, while L&W Supply center locations efficiently stock and deliver building materials nationwide. For additional information, visit the USG Web site at www.usg.com.