

The background of the cover is a photograph of a city skyline with several tall skyscrapers. In the foreground, there are several large construction cranes, some red and some yellow, positioned around the buildings. A large, semi-transparent white graphic, resembling a stylized 'S' or a series of overlapping geometric shapes, is centered over the lower half of the image. The text 'USG' is in white, bold, sans-serif font, followed by a white geometric logo consisting of two slanted rectangles. Below this, '2017' is in a very large, bold, white sans-serif font. At the bottom, 'ANNUAL REPORT' is in a smaller, white, all-caps sans-serif font.

USG ™

2017

ANNUAL
REPORT

SHAREHOLDER INFORMATION

ANNUAL MEETING OF STOCKHOLDERS

The 2018 annual meeting of USG Corporation stockholders will be held at 9 a.m. on Wednesday, May 9, 2018, at USG Corporation Headquarters: 550 West Adams Street, Chicago, IL 60661-3676.

AVAILABLE INFORMATION

Financial and other information about the company can be found at its website: www.usg.com. The company has made available on its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as possible after such material is electronically filed with or furnished to the Securities and Exchange Commission. If you wish to receive a paper copy of any exhibit to the company reports filed with or furnished to the Securities and Exchange Commission, such exhibit may be obtained, upon payment of reasonable expenses, by writing to: Corporate Secretary, USG Corporation, P.O. Box 6721, Chicago, IL 60680-6721.

The information on the company’s website is not, and will not be deemed to be, a part of this annual report or incorporated into any of its other filings with the Securities and Exchange Commission except where the company expressly incorporates such information.

The trademarks SHEETROCK, ENSEMBLE, SECUROCK, BARZ, BLANCO MAT, USG CEILINGS PLUS and CEILINGS PLUS, the USG logo, the design elements and colors, and related marks are trademarks of USG Corporation or its affiliates. The trademark ExoAir is a trademark of Tremco Incorporated. The trademarks USGBC and Leed are trademarks of U.S. Green Building Council.

© 2018 USG Corporation and/or its affiliates.
All rights reserved.

STOCK TRANSFER AGENT AND REGISTRAR

Computershare Trust Company
Shareholder Services:
877.360.5385 (Toll Free)
312.360.5160

INQUIRIES

Investment community:
Investor Relations 312.436.5349

Media:
Corporate Communications 312.436.9100

GENERAL INQUIRIES

Mailing address:
P.O. Box 6721
Chicago, IL 60680-6721

Street address:
550 West Adams Street Chicago, IL 60661-3676

Telephone:
312.436.4000
877.360.5385

STOCK LISTINGS

USG Corporation common stock is listed on the New York and Chicago stock exchanges and is traded under the symbol USG.

2017 ANNUAL REPORT

YEAR IN REVIEW	2
OUR PROGRESS BY-THE-NUMBERS	4
OUR COMMITMENT TO INNOVATION	6
OUR PEOPLE	8
DIRECTORS AND OFFICERS INFORMATION	11
FINANCIAL INFORMATION	12



YEAR IN REVIEW

Dear Fellow Shareholders,

2017 was a solid year for USG Corporation. Our company delivered strong operational performance, introduced several new products to the market and maintained a high level of service to our customers – enabling us to grow revenue faster than the industry.

Over a century ago, we changed the construction industry with the introduction of USG Sheetrock® Brand Gypsum Panels. We celebrated the 100th anniversary of the Sheetrock® Brand in 2017, which provided the backdrop to reinforce our commitment to doing what we do best – providing our customers with high-quality, technologically-advanced products that help them overcome their most pressing challenges. Today, these challenges include greater sustainability requirements, faster construction and higher-performing materials.

We made a number of strategic decisions over the past two years that improve our value proposition and our future growth trajectory. We divested our distribution business, L&W Supply, emphasized our manufacturing leadership and aligned our organizational model to further increase customer focus.

The sale of L&W Supply eliminated channel conflict and created the opportunity to build stronger, deeper relationships with our customers. It accelerated the restoration of our balance sheet and enabled us to expand technology-driven investments in our manufacturing operations. These investments further improve our production capabilities and are a key component of our commitment to providing our customers the industry's most innovative construction solutions. Advanced Manufacturing – a strategic investment to reduce costs and manufacture

higher-quality products – and the introduction of Lean Management are essential to our overarching customer focus.

The strategy of innovation that started more than 100 years ago continues and in 2017 we continued delivering innovative products that our customers demand, such as USG Sheetrock® Brand EcoSmart Panels, Ensemble™ Monolithic Acoustical Ceiling System and Securock® ExoAir® 430 Air Barrier System. USG's research and development team continues to advance numerous new products toward commercialization.

The development and refinement of our strategy has been executed by our President and Chief Executive Officer, Jennifer Scanlon. On behalf of the Board of Directors, I want to thank Jenny for her leadership in her first full year as CEO.

USG is driving industry innovation and building a great future for its shareholders, employees and customers. Thank you for your confidence and your continued investment in USG.

Steven F. Leer

Steven Leer
Chairman of the Board



Dear Fellow Shareholders,

I began my role as President and CEO of USG with several significant advantages: a terrific management team and workforce; a business portfolio focused on manufacturing the highest-quality building materials; a pipeline of innovative products to solve our customers' biggest challenges; and the company's strongest balance sheet in many years.

These strengths underpin our solid foundation as a leading manufacturer of building products and innovative solutions around the world. We built upon this foundation in 2017 by re-aligning our operational model into four divisions: Gypsum, Performance Materials, Ceilings and USG Boral. Our restructuring puts our operations closer to our customers and allows us to better serve all their needs.

At the start of 2017, I set five operating priorities for our company: Put Customers First, Drive Top Line Growth, Improve Profitability, Implement Advanced Manufacturing and Increase Employee Engagement. You will see the results of many of our accomplishments in the pages that follow. In particular, I would like to highlight several significant events from 2017:

- We put customers first by executing a smooth transition of our formerly-owned L&W Supply to an independent customer and strengthened all customer relationships in the process.
- We drove top line growth by increasing USG Corporation's net sales by 6 percent to \$3.2 billion and U.S. wallboard volume by 6 percent.
- We acquired Ceilings Plus, a noteworthy addition to USG that broadens our product portfolio in the high-growth specialty ceilings market.
- We continued our Advanced Manufacturing program across the company and expect to deliver \$25 million incremental EBITDA in 2018.

The year was also marked by a series of natural disasters that impacted our communities. I am especially proud of how the entire USG team responded to the devastating events in Florida, Texas, Mexico and the Caribbean. Our employees went to extraordinary lengths, providing the products customers needed when and where they needed them, and enabling communities to begin the rebuilding process quickly.

Finally, our improved capital structure allowed us to re-purchase \$184 million in USG stock during 2017. Our shareholders should expect to continue to benefit from the dedication and hard work put forth by all of our employees, who make me proud to lead this incredible organization.

Jennifer F. Scanlon

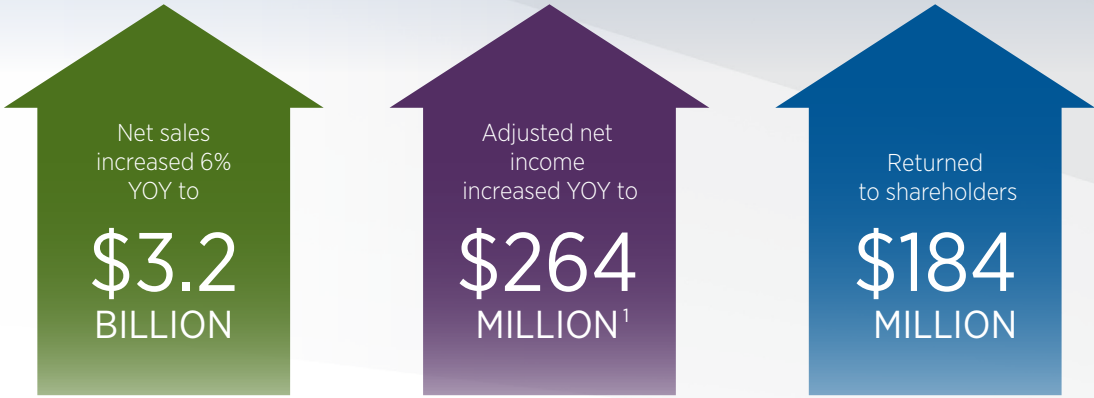
Jennifer F. Scanlon
President and CEO



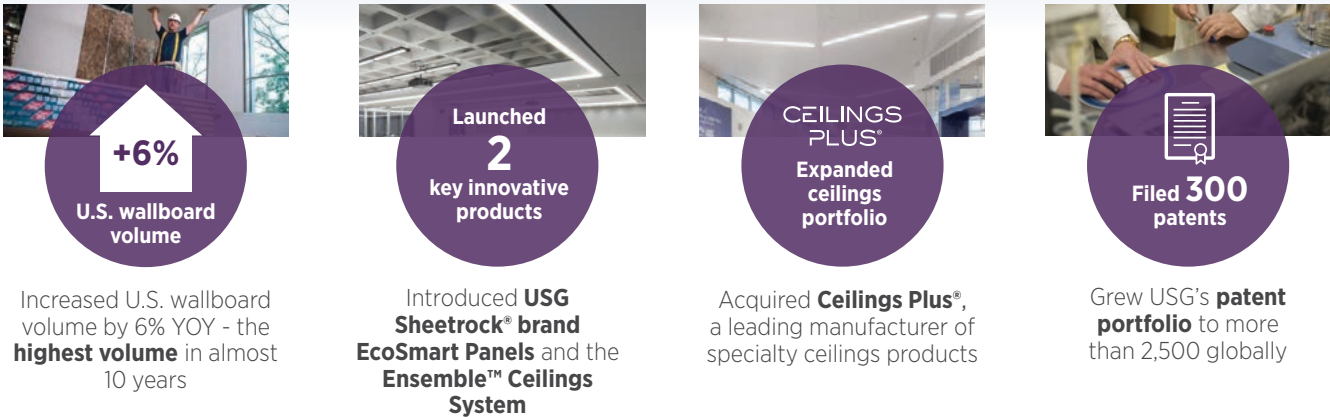
OUR PROGRESS BY-THE-NUMBERS

USG continues to make great progress against our strategy and the results of our efforts over the past year are significant. Following is a snapshot of our 2017 accomplishments, which have been guided by our ongoing commitment to our core values: **Safety, Quality, Service, Innovation, Integrity, Efficiency and Diversity.**

FINANCIAL PERFORMANCE



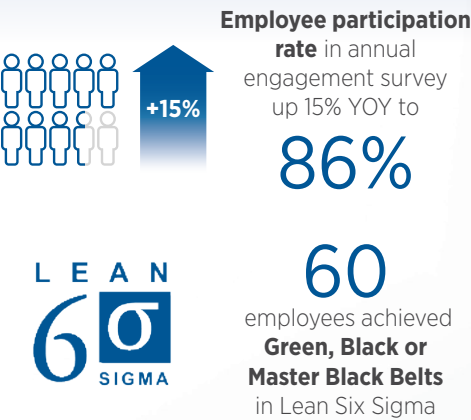
INNOVATION



SAFETY LEADERSHIP



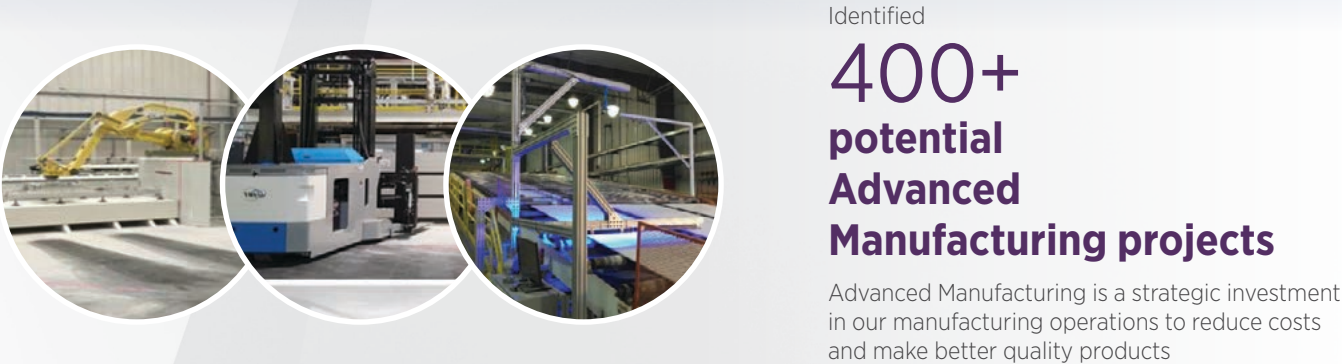
OUR PEOPLE



COMMITMENT TO CUSTOMERS



ADVANCED MANUFACTURING



AWARDS AND COMMUNITY SERVICE





OUR COMMITMENT TO INNOVATION

GYPSUM: MEETING INCREASED DEMAND FOR SUSTAINABILITY

Architects and their customers want more sustainable building products and materials to reduce the carbon footprint of the spaces in which they live and work.

Introduced in 2017 to answer the demand for more sustainable building products, USG Sheetrock® Brand EcoSmart Panels are the industry's first gypsum panels that are both lightweight and specifiable for sustainability. These panels are manufactured with up to 25 percent less water and 20 percent less CO₂¹. As the lightest weight product on the market, they install with greater ease for both walls and ceilings and are less expensive to ship.

USG committed to developing a wallboard with a lower carbon footprint when we adopted the Architecture 2030 Challenge for Products in July 2016. With our USG Sheetrock® Brand EcoSmart Panels, architects have, for the first time ever, a truly sustainable and lightweight wallboard that can be specified in their designs. These panels may also contribute to achieving additional USGBC® LEED® v4.0 credits and meet the requirements of the Living Building Challenge.

USG Sheetrock® Brand EcoSmart Panels are built upon USG's predecessor UltraLight technology that contractors already prefer for ease of handling and installation. In a finished building, the walls may look the same, but from a carbon footprint standpoint, there's a lot less there than before.

PERFORMANCE MATERIALS: SIMPLIFYING AND SPEEDING UP CONSTRUCTION

Builders are challenged with accelerated project timelines and a shortage of skilled construction workers. USG's Performance Materials division addresses these pressing challenges by disrupting outdated construction practices. USG provides customers with products and systems that simplify their work, speed up the construction process and reduce the number of people required on job sites.

Contractors demand the Securock® ExoAir® 430 Air Barrier System because it accomplishes this with cost-effective and predictable performance. Its air and water barrier is pre-applied to panels during manufacturing, eliminating a messy, time consuming step on the jobsite while accelerating installation timelines by up to 40 percent.

Additionally, USG Structural Panels for foundation walls, subfloors and roof decks arrive ready to install, eliminating the time, uncertainty and labor that comes with pouring and curing concrete – accelerating project delivery dates.

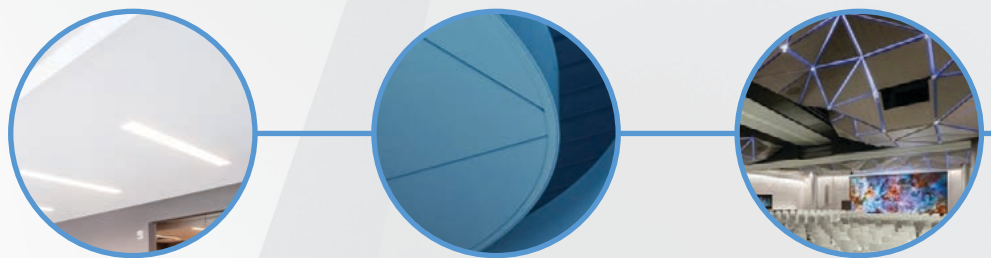
¹ Compared to standard 5/8 in. Type X gypsum panels as presented in the Gypsum Association's 5/8 in. Type X Environmental Product Declaration (FPI/GA/01/2014) with fresh water usage updated to be in accordance with ISO 14046.

CEILING: LOOKING UP NEVER LOOKED SO GOOD

From corporate lobbies to libraries, theaters and museums, visitors might easily gaze up to look at striking modular shapes and curved panels. That's because some of today's most remarkable interior architecture is in the ceiling – driven by architects' and builders' desire for more inspirational and creative environments.

A ceiling doesn't only enhance the overall aesthetic of a space, it also manages its acoustical performance. Leveraging USG's leadership in wallboard, surfaces and acoustical technologies, in 2017 we introduced USG Ensemble™ Monolithic Acoustical Ceiling System panels. This integrated system – created at USG's Corporate Innovation Center – provides customers the seamless look of drywall with the high-performance acoustics of traditional lay-in ceiling panels.

USG also acquired California-based Ceilings Plus, a leading manufacturer of specialty ceilings products, in late 2017. The addition of Ceilings Plus further expands USG's product portfolio, accelerates innovation and enhances the company's presence in the high-growth Specialty Ceilings market.



USG BORAL: IMPROVING BUILDING PROCESSES ACROSS THE PACIFIC

Our 50/50 joint venture with Boral Limited – USG Boral Building Products – provides industry-leading wallboard, ceilings, finishes and steel framing throughout Asia, Australasia and the Middle East. With operations in these fast-growing markets, we have successfully introduced USG technology into products used in 14 countries across the region. As dry construction methods evolve, there will be even more opportunities to provide innovative products and solutions developed within all of USG's divisions to the region. USG Boral continues to invest in its future by increasing capacity, securing gypsum reserves, and enabling the sales force to grow profitably.

We approved increased capacity in 2017 with a plant expansion in Ho Chi Minh, Vietnam, and began construction on a new plant in Chennai, India, the company's fifth manufacturing site in the country.

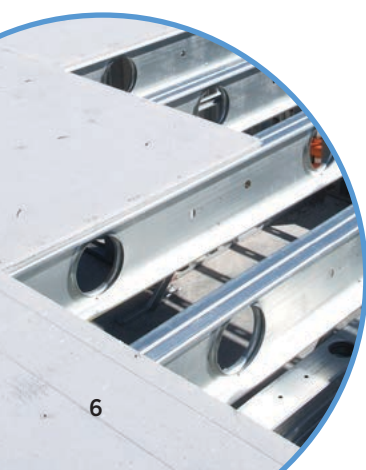
GREEN INNOVATION – INTEGRITY IN PRODUCTS, PREFERRED BY CUSTOMERS

USG is the only wallboard manufacturer to join in the Architecture 2030 Challenge for Products, where we voluntarily work to lower, by half, our carbon footprint in sourcing, manufacturing and transportation by 2030. This is part of a larger effort to design, build and operate carbon-neutral buildings by 2030. Already, 460 American Institute of Architects member firms have built more than 2.6 billion square feet of 2030 Challenge buildings.

USG Sheetrock® Brand EcoSmart panels, which are made with 25 percent less water and generate 20 percent less CO₂ in manufacturing,¹ and the Securock® ExoAir® 430 Air Barrier System, which enables tighter building envelopes and construction site waste reduction, are advancing us toward that goal.

Additionally, we have conducted life cycle assessments of nearly all of our product families, a comprehensive task that informs our customers of energy and other resource consumption embodied in the supply chain.

Offering sustainable products gives USG a competitive advantage in the marketplace.



OUR PEOPLE

USG'S CORE VALUES GROUND EVERYTHING WE DO

The Home Depot selected USG as its “2017 Supplier Partner of the Year.” USG received this prestigious award based upon our customer service, product quality, fill rate, delivery times and innovation.

USG meets those criteria with superior products and efficient service. But note this award also came on the heels of major hurricanes in Florida and Texas, where rebuilding and building supplies were critically needed. In natural disasters, it's human beings who come to the rescue, in all kinds of ways. Responsive and conscientious people distinguish great organizations from good organizations.

Our 6,800 employees have a clear understanding of our mission. USG's Core Values – safety, quality, service, innovation, integrity, efficiency and diversity – guide our work. All of our employees across the company uphold these values to make us a leading manufacturer of building products and innovative solutions.

These are some of the reasons why two major newspapers (Detroit Free Press and The San Diego Union-Tribune) recognized us in 2017 for being a top workplace, and why we continue to attract top talent in a tight labor market.



OUR VALUES

Safety: The safety of our employees, customers and the public is the first priority in everything we do.

Quality: We strive and are recognized for our superior quality in all product categories.

Service: We build strong relationships with our customers by listening to them and treating them as business partners.

Innovation: Our leadership was earned through innovation; and our future depends on providing customers with innovative solutions to meet their needs.

Integrity: Honesty and ethics are top priorities in every decision we make; we do what we say we will do.

Efficiency: We set challenging objectives, we closely measure our achievement and we hold ourselves accountable.

Diversity: Our success depends on our ability to understand, respect and embrace the values of our employees and the people with whom we do business.



USG'S COMMITMENT TO SAFETY EXCELLENCE

USG's concern for the well-being of our employees is reflected in our unwavering commitment to safety excellence. We engage employees at all levels of the organization to create a safety-first culture that is dedicated to preventing injuries.

All 56 of our plants celebrated the National Safety Council's Robert W. Campbell Award, awarded to USG in 2016 for outstanding environmental, health, safety and sustainability programs. Our employees' efforts allowed us to achieve this award: 93 percent of respondents to our safety perception survey stated safety is their number one priority. The same percentage said they feel empowered to stop an activity that they believe to be unsafe.

We embed safety into everything we do. It's because plant managers appoint employees to lead safety discussions and conduct incident investigations – we encourage all employees to submit ideas for safety improvements. In the multi-year rollout of Advanced Manufacturing, safety is where the discussion begins.

Employee involvement keeps our people safe. And the numbers prove it: USG's lost time incident rate is 97 percent better than the manufacturing industry average (source: U.S. Bureau of Labor Statistics, 2016).



DIVERSITY IS STRENGTH

At USG, we respect everyone for who they are – regardless of their race, color, religion, gender, national origin or sexual orientation. We encourage everyone to be themselves, so they can be creative, engaged and productive.

We believe diversity strengthens our core values – our success depends on our ability to understand, embrace and respect the values of all people. Our employee resource and networking groups create an open forum of ideas to strengthen our diverse communities, while supporting the company's goals and strategies. All employees are welcome to join any group – including the African American Network, Asian Employee Network, Defend the Rock (military veterans), Latino Employee Network, USG Disabilities, USG New Talent, USG Pride (LGBTQA) and WomenRock! – regardless of age, race or gender.

Our women-focused networks – such as Women in Sales, Women in Manufacturing and Women in Innovation – are an important part of USG now and in the years to come. Looking to the future, we support STEM (science, technology, engineering and math) education for young women and men who will one day lead in manufacturing, engineering, innovation and construction.



NEW INITIATIVES TRANSFORM THE WAY WE WORK

Part of being an industry leader means continuously improving our products and processes. We are transforming the way we work with two major initiatives: Advanced Manufacturing and enhancing our customer experience platform.

We have continued our commitment to being a leading manufacturer of building products and innovative solutions with Advanced Manufacturing, a \$300 million investment over four years to reduce costs, improve production capabilities and manufacture higher-quality products.

We completed several Advanced Manufacturing projects in 2017 – such as deploying a continuous miner and automated guided vehicles in select plants. We also expanded projects to modernize our board handling and automate our specialty gypsum ceilings manufacturing line. By the end of 2020, we expect to realize \$100 million in incremental EBITDA each year

as our plants run more efficiently, with reduced waste and lower manufacturing costs.

In 2017, we launched the invoicing function of an upgrade to our customer-facing systems and processes. Improving our customer experience platform is expected to fundamentally change the way we do business by increasing our agility and responsiveness to customers.

Customers are expected to benefit from increased efficiencies, including no-touch orders, 24/7 self-service, better inventory and order information and proactive interactions from our customer service representatives. Backed by predictive analytics, this initiative allows our representatives to concentrate on what matters most: providing best-in-class customer service.

DIRECTORS AND OFFICERS INFORMATION

BOARD OF DIRECTORS

- JOSE ARMARIO** (1, 2)
Retired Executive Vice President of Worldwide Supply Chain, Development and Franchising, McDonald’s Corporation
- THOMAS A. BURKE** (1, 3)
President and Chief Executive Officer, Modine Manufacturing Company
- MATTHEW CARTER, JR.** (2, 3)
Former President and Chief Executive Officer, Inteliquent, Inc.
- GRETCHEN R. HAGGERTY** (1)
Retired Executive Vice President and Chief Financial Officer, United States Steel Corporation
- WILLIAM H. HERNANDEZ** (1*)
Retired Senior Vice President, Finance and Chief Financial Officer, PPG Industries, Inc
- BRIAN A. KENNEY** (3)
Chairman, President and Chief Executive Officer, GATX Corporation
- RICHARD P. LAVIN** (2*)
Former President and Chief Executive Officer, Commercial Vehicle Group, Inc. and Former Group President, Caterpillar Inc.
- STEVEN F. LEER** (2, 3*)
Non-Executive Chairman of the Board, USG Corporation and Retired Chairman and Chief Executive Officer, Arch Coal, Inc.
- JENNIFER F. SCANLON**
President and Chief Executive Officer, USG Corporation

Committees of the Board of Directors:
1. Audit
2. Compensation and Organization
3. Governance
*Denotes Chair

CORPORATE OFFICERS

- JENNIFER F. SCANLON**
President and Chief Executive Officer
- MATTHEW F. HILZINGER**
Executive Vice President and Chief Financial Officer
- BRIAN J. COOK**
Executive Vice President and Chief Administrative Officer
- DOMINIC A. DANNESSA, Ph.D**
Executive Vice President and Chief Customer and Innovation Officer
- JOSEPH W. HOLMES**
Senior Vice President, Manufacturing, Technology and Global Operations
- CHRISTOPHER D. MACEY**
Senior Vice President and President, Ceilings
- JOHN M. REALE**
Senior Vice President and President, Performance Materials
- GREGORY D. SALAH**
Senior Vice President and President, Gypsum
- MICHELLE M. WARNER**
Senior Vice President, General Counsel and Corporate Secretary
- KENNETH R. BANAS**
Vice President, Advanced Manufacturing and Corporate Excellence
- SEAN M. GILLEN**
Vice President and Treasurer
- MARY A. MARTIN**
Vice President and Associate General Counsel
- JEANETTE A. PRESS**
Vice President and Controller
- PETER V. SAVU**
Vice President, Manufacturing and Global Supply Chain
- SRINIVAS VEERAMASUNENI**
Vice President and Chief Innovation Officer

FINANCIAL INFORMATION

RECONCILIATION OF GAAP AND NON-GAAP INFORMATION

In this Annual Report, our financial results include the non-GAAP financial measures adjusted net income and EBIDTA. These non-GAAP financial measures are included because management believes they help investors’ ability to analyze underlying trends in our business, evaluate our performance relative to other companies in our industry and provide useful information to both management and investors by excluding certain items that may not be indicative of our core operating results. 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 company’s use of non-GAAP financial measures, and the reconciliations to the nearest GAAP measures, see below:

	2017	2016
Net (loss) income - GAAP	\$88	\$510
Loss (income) from discontinued operations, net of tax	9	(299)
Loss on extinguishment of debt	22	37
Pension settlement charge	12	17
Exit of commercial office space	-	4
USG's share of UBBP impairment charges	-	8
Long-lived asset impairment and severance charges	-	12
Gain on sale of surplus property	-	(11)
GTL recovery of receivable	-	(8)
Change in tax law	145	-
Tax effect on adjustments ¹	(12)	(19)
Adjusted net income - Non-GAAP	\$264	\$251

¹ Tax effect on adjustments is calculated using country specific statutory rates.

FORWARD-LOOKING STATEMENTS

This Annual Report 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, management’s expectations about USG’s future success, the expected investment in and benefits of our Advanced Manufacturing program, shareholder benefits, achieving additional USGBC® LEED® v4.0 credits and meeting the requirements of the Living Building Challenge, accelerating innovation, opportunities to explore innovative products and solutions in the USG Boral region, and benefits to customers from the upgrade to our customer-facing systems and processes. 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 those found in the “Risk Factors” section in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.





550 West Adams Street
Chicago, IL 60661-3676

www.usg.com

This is an example of a recent customer installation of a USG Ceilings Plus™ Barz™ ceiling in Blanco Mat™ finish.