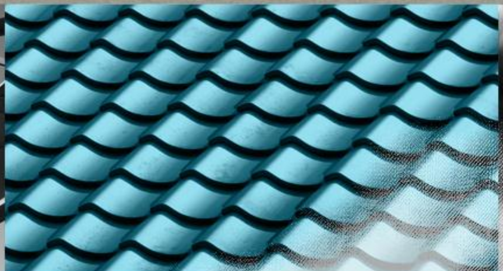
Fourth Quarter & Full Year 2011 Earnings Call

March 20, 2012



Cautionary Statement Regarding Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

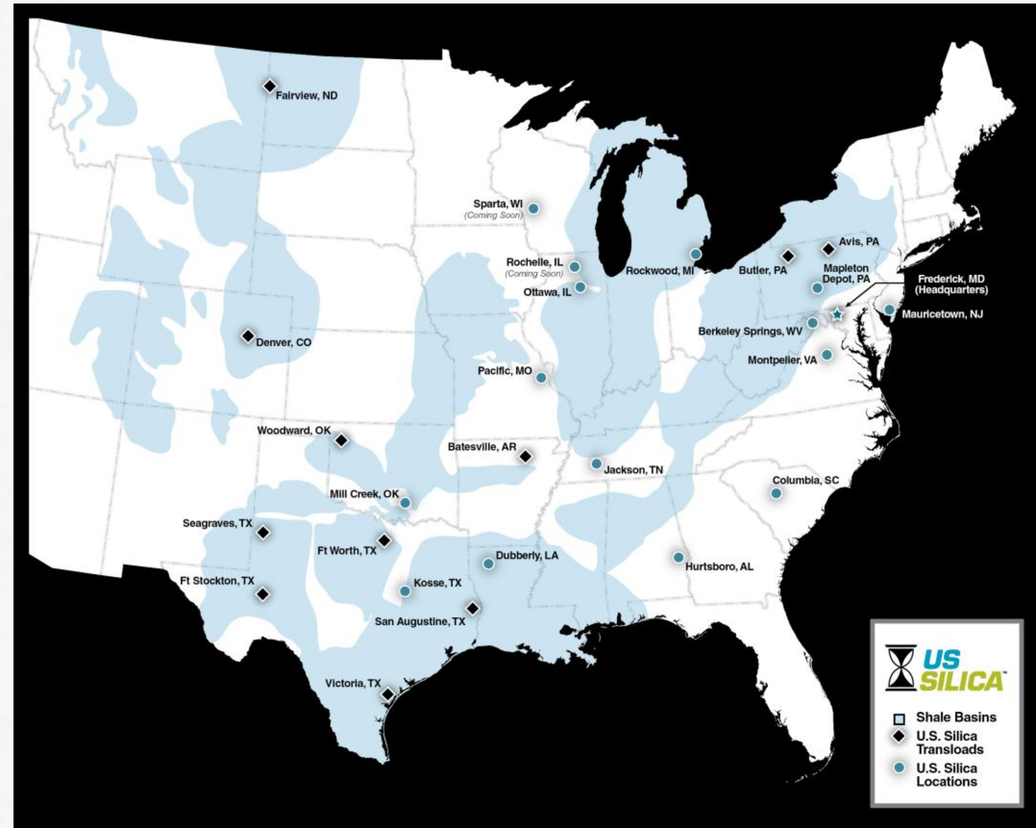
Certain statements in this press release are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and speak only as of this date. Forward-looking statements include any statement that does not directly relate to any historical or current fact and may include, but are not limited to, statements regarding U.S. Silica's growth opportunities, strategy, future financial results, forecasts, projections, plans and capital expenditures, and the commercial silica industry. Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Among these factors are (1) fluctuations in demand for commercial silica; (2) the cyclical nature of our customers' businesses; (3) operating risks that are beyond our control; (4) federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing; (5) our ability to implement our capacity expansion plans within our current timetable and budget; (6) loss of, or reduction in, business from our largest customers; (7) increasing costs or a lack of dependability or availability of transportation services or infrastructure; (8) our substantial indebtedness and pension obligations; (9) our ability to attract and retain key personnel; (10) silica-related health issues and corresponding litigation; (11) seasonal and severe weather conditions; and (12) extensive and evolving environmental, mining, health and safety, licensing, reclamation and other regulation (and changes in their enforcement or interpretation). Additional information concerning these and other factors can be found in U.S. Silica's filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

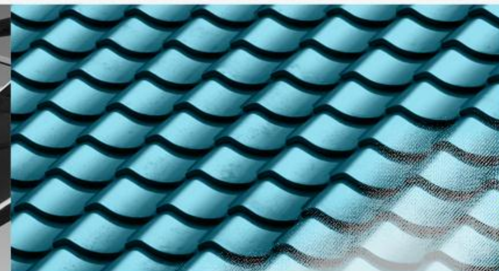
Non-GAAP Financial Measures

This presentation contains Non-GAAP financial measures, including Adjusted EBITDA. Adjusted EBITDA should be considered supplemental to and not a substitute for financial information prepared in accordance with generally accepted accounting principles (GAAP) included in U.S. Silica's filings with the Securities and Exchange Commission and may differ from similarly titled measures used by others. Please see the Appendix to this presentation for additional information and a reconciliation of these measures to the most directly comparable financial measures calculated in accordance with GAAP.

About U.S. Silica

- Foundation dating back over 111 years
- Headquartered in Frederick, MD
  - Offices in Houston, TX and Chicago, IL
- Thirteen strategic production facilities
- Two business segments
  - Industrial & Specialty Products ("ISP")
    - Markets include glass, foundry, paints, building products and chemicals
  - Oil & Gas Proppants ("O&G")
    - Broad product offering of natural, raw, API-grade, frac sand



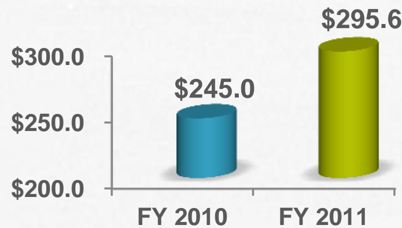


2011 Achievements

Full Year

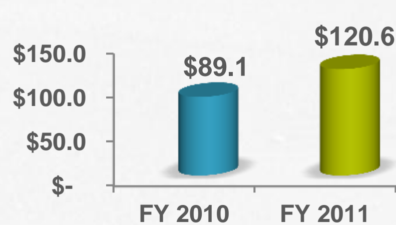
Sales Revenue
(in millions)

20.7% YOY Growth



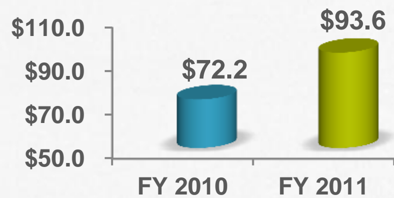
Contribution Margin
(in millions)

35.4% YOY Growth



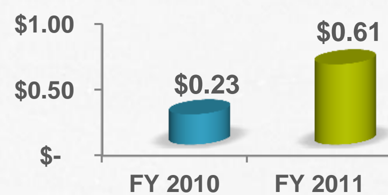
Adjusted EBITDA*
(in millions)

29.6% YOY Growth



EPS
(actual dollars)

165.2% YOY Growth



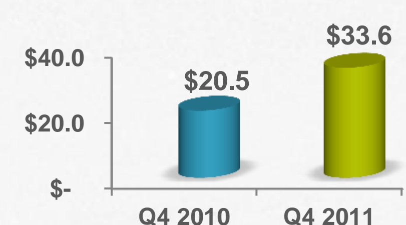
Fourth Quarter

Sales Revenue
(in millions)

40.5% YOY Growth

Contribution Margin
(in millions)

63.9% YOY Growth

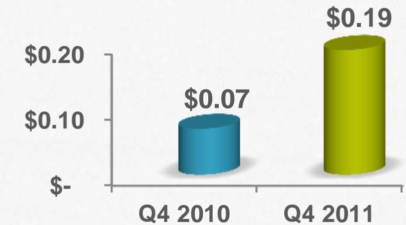


Adjusted EBITDA*
(in millions)

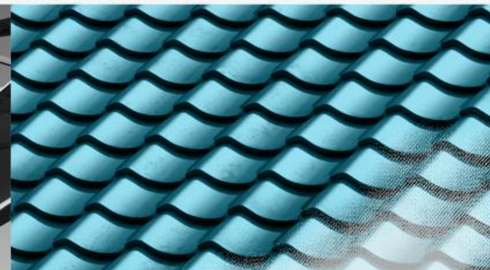
70.0% YOY Growth

EPS
(actual dollars)

171.4% YOY Growth

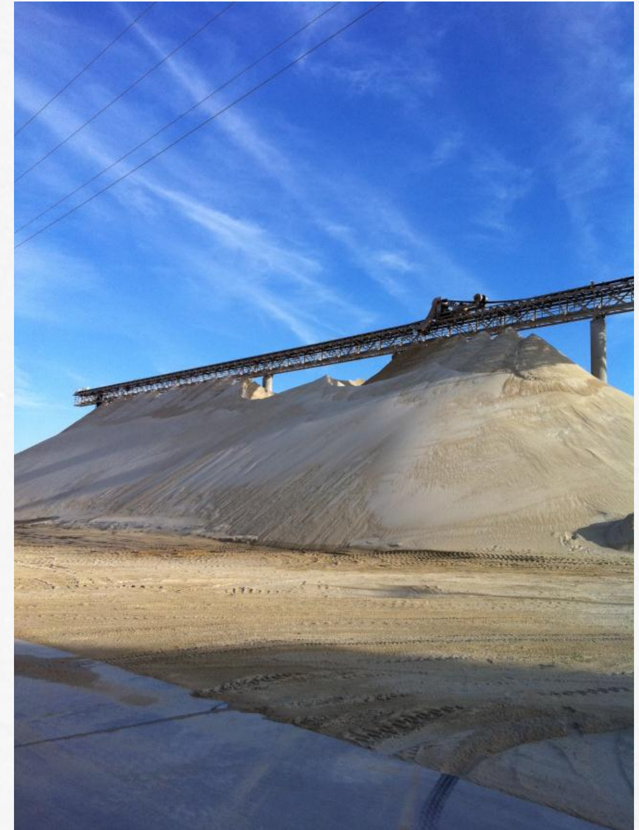


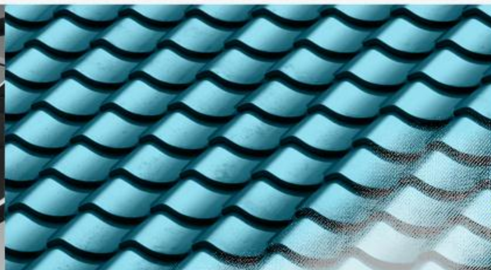
** A non-GAAP financial measure. See slide 16.*



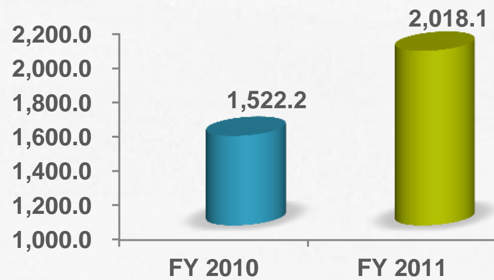
2011 Achievements

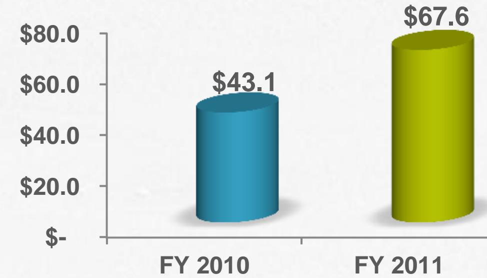
- Completed 1 million ton expansion of Ottawa and Rockwood
- Began construction of a resin-coated sand plant in Rochelle, IL
- Acquired additional reserves, including an estimated 38.4 million tons of API-grade sand reserves in Sparta, WI
- Expanded our supply chain capabilities:
  - Added an additional 419 railcars in 2011; 1,087 cars at 12/31
  - Option to expand this by another 386 cars
- Renegotiated our credit facilities, saving approximately $5 million in annual cash interest expense
- Improved our environmental, health and safety record by reducing reportable injury rates by 40%
- Executed key hires, adding 10%+ in staff to meet demand growth
- Expanded Houston, TX office; opened an office in Chicago, IL



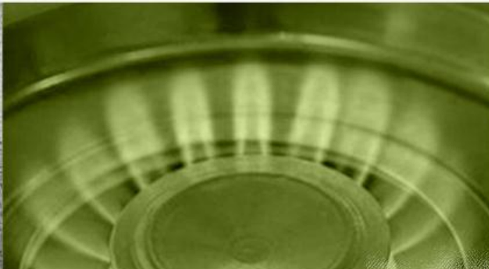


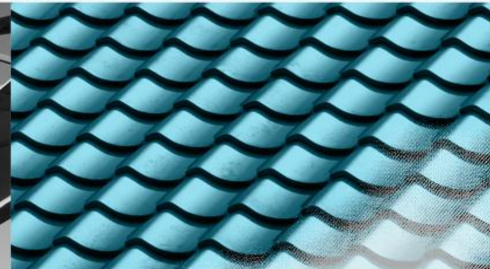
O&G Segment





- Sales volume increased 495.9 thousand tons, or 32.6%
- Contribution Margin increased by 56.8%, or $24.5 million, to $67.6 million in 2011
  - Contribution Margin accounted for 56.0% of total contribution margin in 2011, compared to 48.4% in 2010





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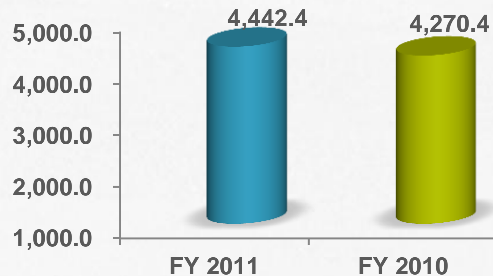
ISP Segment

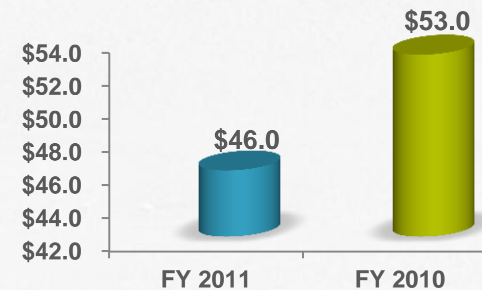
ISP Sales Volume
(in tons)

3.9% YOY Decline

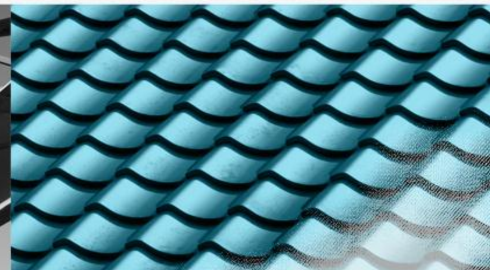


ISP Contribution Margin
(in millions)

15.2% YOY Growth



- Sales volume declined 172.0 thousand tons in 2011, or 3.9%, to 4.3 million tons due to re-marketing of API-grade sands to O&G
- Contribution Margin increased by 15.2%, or $7.0 million, to $53.0 million in 2011

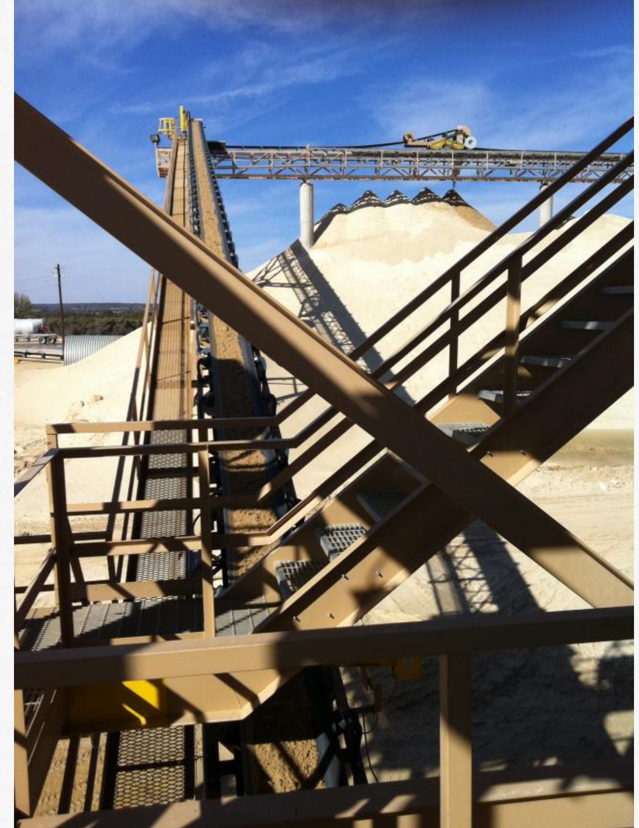


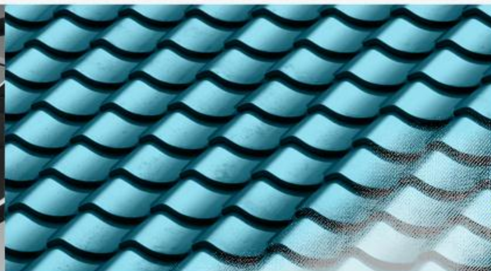
Market Update

- Natural Gas prices fell dramatically throughout 2011 and further in early 2012
- Decline has driven producers to redeploy resources to liquids-rich basins
- Migration has resulted in timing issues, but also increased demand for our coarse grade frac sands
- Geographic positioning, coupled with our supply chain and logistics expertise, has allowed us to continue to service our customers and establish new business
- We have continued to make proactive and effective changes to provide product where our customers need it

Operational Advantages

- Vast reserves of premium quality sand acquired at much lower prices than are currently available
- Operating efficiencies due to proximity of mining activity to production facilities
- Operational and technological expertise
- Transportation and logistical infrastructure with access to all major basins
- Industrial & Specialty business with a broad and established non-frac customer base, which lowers our cost basis





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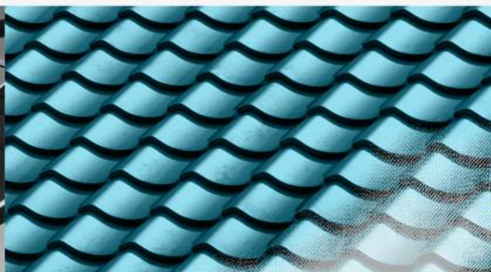
Outlook

- Increase our frac sand capacity by 60% in 2012 to meet the continued increase in demand for our raw sand proppants
- Complete construction of a new resin-coated sand facility capable of coating up to 400 million pounds annually (scheduled for start-up in 2013)
- Continue to identify and develop new Greenfield sites, including Sparta, WI
- Continue transformation of our Industrial & Specialty Products business to focus on specialized, higher margin, engineered, performance materials
- Continue evolving into a growth-oriented business

2011 Fourth Quarter and Full Year Financial Results

($ in millions except statistics and per share)

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	Year Ended December 31, 2011	Year Ended December 31, 2010
Key Operating Statistics:				
Tons Sold: (000s)				
Oil & Gas	590.4	430.0	2,018.1	1,522.2
Industrial & Specialty Products	1,010.6	1,017.4	4,270.4	4,442.4
Total	1,601.0	1,447.4	6,288.5	5,964.6
ASP: (per ton)				
Oil & Gas	$ 63.94	$ 42.72	$ 53.06	$ 45.69
Industrial & Specialty Products	$ 45.40	$ 40.13	$ 44.15	$ 39.48
Total	$ 52.24	$ 40.90	$ 47.00	$ 41.07
Income:				
Revenue	$ 83.6	$ 59.5	$ 295.6	$ 245.0
Contribution Margin	$ 33.6	$ 20.5	$ 114.4	$ 87.0
% Margin	*40.2%*	*34.4%*	*38.7%*	*35.5%*
Adjusted EBITDA	$ 27.2	$ 16.0	$ 93.6	$ 72.2
% Margin	*32.5%*	*27.0%*	*31.7%*	*29.5%*
Net Income	$ 10.0	$ 3.8	$ 30.3	$ 11.4
EPS, Basic and Diluted	$ 0.19	$ 0.07	$ 0.61	$ 0.23



Cash Flow and Liquidity

- Net cash from operations was $42.6 million for the full year 2011, compared to $36.7 million for the full year 2010
  - Increase driven primarily by a $23.7 million improvement in pre-tax earnings
  - Partially offset by $4.6 million increase in contributions to our pension plan, the collection of a $4.4 million insurance settlement in 2010 and a new build in working capital of $8.3 million
- Capital spending of $66.7 million in 2011
- As of December 31, 2011, we had $59.2 million of cash on hand and $24.0 million of available credit under our financing facilities; as of March 16, 2012, we had $89.1 million of cash on hand
- Our total outstanding debt at December 31, 2011 was $261.8 million
- We had no off-balance sheet arrangements at December 31, 2011

Capital Spending

- Capital expenditures in 2011 totaled $66.7 million
  - $8.0 million for the Sparta land acquisition ($4.0 million of which was financed through a short-term note)
  - Investment of $38.2 million for expansion of our Ottawa, IL facility
  - Investment of $8.7 million for expansion of our Rockwood, MI facility
  - These expansion projects were finalized in December 2011

2012 First Quarter and Full Year Guidance

- We currently estimate for First Quarter 2012 :
  - Revenue $92 – $97 million
  - Adjusted EBITDA* $34 – $36 million
- We currently estimate for Full Year 2012 :
  - Revenue $395 – $420 million
  - Adjusted EBITDA* $140 – $150 million
  - Capital Expenditures $70 – $95 million

** The Company is not able to provide a reconciliation of projected Adjusted EBITDA to projected Net Income due to the unknown effect, timing and potential significance of certain income statement items. The methodology, consistently applied, to reconcile Adjusted EBITDA to Net Income is disclosed in our 2011 Annual Report on Form 10-K, as filed with the SEC and included on slides 15 and 16, herein.*

Non-GAAP Financial Performance Measures

Segment Contribution Margin

The Company organizes its business into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets served by the Company and the financial information reviewed by the chief operating decision maker. The Company manages its Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on segment contribution margin, which excludes certain corporate costs not associated with the operations of the segment. These corporate costs are separately stated below and include costs that are related to functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. The Company believes that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of its segments. However, this measure should be considered in addition to, not a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles.

Adjusted EBITDA

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative to net income as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain non-recurring charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only as a supplement. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

Reconciliation (Adjusted EBITDA to Net Income)

	Year Ended December 31,	
	2011	2010
	(amount in thousands)	
Net income	$ 30,253	$ 11,392
Total interest expense, net of interest income	18,347	22,989
Provision for taxes (benefit)	7,162	2,329
Total depreciation, depletion and amortization expenses	20,999	19,305
EBITDA	76,761	56,015
Non-cash deductions, losses and charges [(1)]	(526)	1,364
Non-recurring expenses (income) [(2)]	(2,028)	-
Transaction expenses [(3)]	6,043	10,669
Permitted management fees and expenses [(4)]	9,250	1,250
Non-cash incentive compensation [(5)]	1,237	383
Post-employment expenses (excluding service costs) [(6)]	1,689	2,113
Other adjustments allowable under our existing credit agreements [(7)]	1,131	358
Adjusted EBITDA	$ 93,557	$ 72,152

(1) Includes non-cash deductions, losses and charges arising from adjustments to estimates of a future litigation liability and the decision by our hourly workforce at our Rockwood facility to withdraw from a pension plan administered by a third party.

(2)Includes non-recurring expenses related to a former insurer's liquidation.

(3) Includes natural gas hedging losses, purchase accounting adjustments, management bonuses and other expenses related to the Golden Gate Capital acquisition, as well as unamortized transaction fees and expenses arising from the refinancing of our Term Loan Facility.

(4) Includes fees and expense paid to Golden Gate Capital for ongoing consulting and management services provided pursuant to an Advisory Agreement entered into in connection with our acquisition by Golden Gate Capital. At December 31, 2011, we recorded an accrual for $8.0 million related to the termination fee paid to Golden Gate Capital in connection with our initial public offering on January 31, 2012.

(5) Includes vesting of incentive equity compensation issued to our employees.

(6) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period.

(7) Reflects miscellaneous adjustments permitted under our existing credit agreements, including such items as expenses related to reviewing potential acquisitions and costs associated with relocating the corporate headquarters.