USG Corporation
Second Quarter 2016 Earnings Conference Call and Webcast

July 26, 2016

CAUTIONARY STATEMENTS

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, management's outlook for 2016 and expected costs. 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. Actual results may differ materially due to various other factors, including: economic conditions, such as the levels of new home and other construction activity, employment levels, the availability of mortgage, construction and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence; our ability to maintain or achieve price increases; our substantial indebtedness and our ability to incur substantial additional indebtedness; capital markets conditions and the availability of borrowings under our credit agreement or other financings; competitive conditions, such as price, service and product competition; certain of our customers having significant buying power; the loss of one or more major customers and our customers' ability to meet their financial obligations to us; shortages in raw materials or changes in raw material and energy costs; 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; volatility in the assumptions used to determine the funded status of our pension plans; our ability to protect our intellectual property and other proprietary rights; a security breach of company information; changes in laws or regulations, including environmental and safety regulations; the outcome in legal and governmental proceedings; the occurrence of an "ownership change" within the meaning of the Internal Revenue Code; the effects of acts of terrorism or war upon domestic and international economies and financial markets; and acts of God. We assume no obligation to update any forward-looking information contained in this presentation. 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.

USG Corporation Second Quarter 2016

Agenda

Overview and Strategy	James S. Metcalf *Chairman, President and CEO*
Financial Results	Matthew F. Hilzinger *Executive VP, Chief Financial Officer*
Market Outlook	James S. Metcalf *Chairman, President and CEO*
Questions	
Closing Remarks	James S. Metcalf *Chairman, President and CEO*

Q2 2016 HIGHLIGHTS

- **Adjusted operating profit[1] increases to $138 million from $118 million**
- **Adjusted EBITDA[1] increases to $194 million from $169 million**
- **Adjusted operating margin[1] expansion in all of our businesses**
  - US Gypsum – 20 bps improvement to 17.8%[2]
  - US Ceilings – 480 bps improvement to 23.8%
  - Distribution – 140 bps improvement to 3.9%
  - USG Boral – 250 bps improvement to 15.8%
- **Surfaces and Substrates – $8 million of improved profit**
- **Foreign currency[3] – Unfavorable impact to net income ($5 million) and sales ($10 million)**
- **Surplus asset disposition drives $11 million in cash proceeds**
- **On track to beat annual SG&A target – now expect 2016 SG&A just above $300 million**

1. See reconciliation to GAAP results in the Appendix.
2. Excludes $11 million gain from sale of surplus property.
3. Current period results translated at the quarter to date average foreign currency rates for the period ending June 30, 2015.

Q2 2016 CONSOLIDATED FINANCIAL RESULTS

$ Millions (except EPS)	Q2 2016	Q2 2015
Net sales	$1,002	$970
Gross profit	$212	$183
% of net sales	21.2%	18.9%
SG&A	$79	$79
Operating profit	$133	$105
Net interest expense	$37	$40
Income tax expense	$38	$1
GAAP net income	$74	$79
Diluted EPS	$0.50	$0.54
Gain on sale of surplus property[1]	($11)	—
Loss on debt extinguishment[2]	$2	—
GTL - shipping operations[3]	—	($1)
Tax effects of adjustments	$3	—
Adjusted net income[4]	$68	$78
Adjusted diluted EPS[4]	$0.46	$0.53
Other Non-GAAP Metrics		
Adjusted operating profit[4]	$138	$118
Adjusted EBITDA[4]	$194	$169

1. $4 million tax expense in Q2 2016.
2. ($1) million tax benefit in Q2 2016.
3. $0 tax in Q2 2015.
4. See reconciliation to GAAP results in the Appendix.

PLAN TO WIN

- **Strengthen the core**
  - North American manufacturing and distribution
  - De-lever our balance sheet
- **Diversify the sources of our earnings**
  - Strategic geographic extensions
  - USG Boral Building Products
  - Adjacent products/systems
- **Differentiate through innovation**
  - Differentiate USG in the market
  - Focus on high performance products and solutions that improve energy efficiency, sustainability, and speed of construction

SECOND QUARTER 2016 GAAP RESULTS

$ Millions	Q2 2016	Q2 2015	Change
Gypsum Sales	$635	$617	$18
Ceilings Sales	$137	$131	$6
Distribution Sales	$386	$364	$22
Eliminations	($156)	($142)	($14)
TOTAL USG CORPORATION SALES	**$1,002**	**$970**	**$32**
Gypsum Operating Profit	$113	$98	$15
Ceilings Operating Profit	$33	$25	$8
Distribution Operating Profit	$15	$9	$6
Corporate and Eliminations	($28)	($27)	($1)
TOTAL USG CORPORATION OPERATING PROFIT	**$133**	**$105**	**$28**
Total USG Boral Sales	$273	$264	$9
Total USG Boral Operating Profit	$41	$34	$7
USG's EQUITY INCOME FROM USG BORAL	**$16**	**$13**	**$3**

CURRENCY IMPACT

Consolidated Results	Q2 2016 as Reported	At Q2 2015 Rates[2]	Currency Impact
Net sales	$1,002	$1,012	($10)
Adjusted operating profit[1]	$138	$143	($5)
Adjusted operating profit margin[1]	13.8%	14.1%	(0.3%)
Adjusted net income[1]	$68	$73	($5)
Adjusted diluted EPS[1]	$0.46	$0.49	($0.03)
Adjusted EBITDA[1]	$194	$199	($5)
Gypsum Segment			
Net sales	$635	$644	($9)
Adjusted operating profit[1]	$102	$105	($3)
Adjusted operating profit margin[1]	16.1%	16.3%	(0.2%)
Ceilings Segment			
Net sales	$137	$138	($1)
Adjusted operating profit[1]	$33	$34	($1)
Adjusted operating profit margin[1]	24.1%	24.6%	(0.5%)
USG Boral Segment			
Net sales	$273	$286	($13)
Total adjusted operating profit[1]	$43	$45	($2)
Total adjusted operating profit margin[1]	15.8%	15.7%	0.1%
Total adjusted EBITDA[1]	$55	$57	($2)

1. See reconciliation to GAAP results in the Appendix.
2. Non-GAAP metric. Current period results translated at the quarter-to-date average foreign currency exchange rates for the period ended June 30, 2015.

GYPSUM

Q2 2016 Highlights

- Segment adjusted operating margin improves 40 bps to 16.1%
- US Gypsum adjusted operating margin[1] improvement of 20 bps to 17.8%
  - Domestic wallboard price up 3% sequentially
  - Wallboard volumes up 3% on organic growth
  - Inflation in paper, synthetic gypsum, and labor offset partially by favorable gas costs and lean six sigma efforts
- US Surfaces & Substrates: $8 million of profit improvement on 8% revenue growth with strength across the portfolio
- Lower costs drive improved profit in Canada and Mexico; offset by $3 million FX headwind
- Sale of excess property in Nevada yields $11 million of profit – excluded from adjusted results

Consolidated Gypsum Segment

Q2 2015 Adjusted Operating Profit[1]	**$97**
US Wallboard Price	($3)
US Wallboard Cost	($2)
US Wallboard Volume	$3
US Surfaces & Substrates	$8
US SG&A	$1
US Reserve Adjustments	($2)
Canada and Mexico	$3
Foreign Currency[2]	($3)
Q2 2016 Adjusted Operating Profit[1]	**$102**

$ Millions	Q2 2016	Q2 2015	Variance
Net Sales	$635	$617	$18
Operating Profit	$113	$98	$15
Operating Profit Margin	17.8%	15.9%	1.9%
Adjusted Operating Profit[1]	$102	$97	$5
Adjusted Operating Profit Margin	16.1%	15.7%	0.4%

1. See reconciliation to GAAP results in the Appendix.
2. Current period results translated at the quarter-to-date average foreign currency exchange rates for the period ended June 30, 2015.

US GYPSUM
Wallboard, Surfaces, and Substrates

US Gypsum – more than Wallboard

- **Wallboard**: Sheetrock® brand gypsum wallboard portfolio
- **Surfaces & Substrates**: Sheetrock® brand joint compound, corner bead, joint tape, plaster, Durock® cement backerboard, Securock® glass mat sheathing, Fiberock® backerboard, Levelrock® flooring, Securock® glass mat roofing, USG Structural Panels, Durock™ glass mat backerboard, and industrial gypsum

Surfaces & Substrates sales account for almost half of US Gypsum revenue with less volatility in gross margin

- Since 2004, the average gross margin percentage on Wallboard is 10% higher than for Surfaces & Substrates
- The gross margin standard deviation for Surfaces & Substrates is substantially less volatile at 2% and 4%, respectively, compared to Wallboard at 17%

Q2 2016 Results[1]

Sales (millions)	Q2 2016	Q2 2015	Variance
US Wallboard	$237	$234	$3
US Surfaces & Substrates	$223	$207	$16

Profit Variance (Q2 2016 vs. Q2 2015)	$
US Wallboard	($2)
US Surfaces & Substrates	$8

In Q2 2016, roughly 65% of US Gypsum's gross profit was generated by Wallboard with 35% driven by Surfaces and Substrates products.

This compares to Q2 2015, where roughly 70% of US Gypsum's gross profit was generated by Wallboard with 30% driven by Surfaces and Substrates products.

1. Freight revenue ($62 million for Q2 2016, $60 million for Q2 2015) and other gypsum sales ($16 million net for Q2 2016, $15 million for Q2 2015) – included in US Gypsum – are not included in the US Wallboard and Surfaces & Substrates tables.

CEILINGS

Q2 2016 Highlights

- Segment adjusted operating margin[1] improves 500 bps to 24.1%; sets another quarterly all-time record
- US Ceilings adjusted operating margin[1] improvement of 480 bps to 23.8%
    - Improved pricing in both tile and grid products
    - Low single digit volume improvement
    - Q2 costs tailwinds due primarily to lower steel costs – expect increased steel costs in the back half of 2016

Consolidated Ceilings Segment

Q2 2015 Adjusted Operating Profit[1]	$25
US Tile & Grid Price	$2
US Tile & Grid Cost	$2
US Tile & Grid Volume	$2
US SG&A	$1
Canada and Mexico	$2
Foreign Currency[2]	($1)
Q2 2016 Adjusted Operating Profit[1]	**$33**

$ Millions	Q2 2016	Q2 2015	Variance
Net Sales	$137	$131	$6
Operating Profit	$33	$25	$8
Adjusted Operating Profit[1]	$33	$25	$8
Adjusted Operating Profit Margin[1]	24.1%	19.1%	5.0%

1. Adjusted operating profit and margin equals operating profit and margin, respectively.
2. Current period results translated at the quarter-to-date average foreign currency exchange rates for the period ended June 30, 2015.

DISTRIBUTION

Q2 2016 Highlights

- Adjusted operating margin[1] improves 140 bps to 3.9%
- Same store sales increased 8%
- Wallboard volumes improved by 8%
- Strong contribution from other core products, led by $3 million of profit improvement from steel studs
- Operational improvement initiatives continue to progress and drive improved results:
  - Inventory management
  - Truck utilization and turnaround
  - Price optimization

Q2 2015 Adjusted Operating Profit[1]	$9
Wallboard Margin and Volume	$4
Other Core Products	$5
Branch Overhead and SG&A	($2)
Delivery Costs	($1)
Q2 2016 Adjusted Operating Profit[1]	**$15**

$ Millions	Q2 2016	Q2 2015	Variance
Net Sales	$386	$364	$22
Operating Profit	$15	$9	$6
Adjusted Operating Profit[1]	$15	$9	$6
Adjusted Operating Profit Margin[1]	3.9%	2.5%	1.4%

1. Adjusted operating profit and margin equals operating profit and margin, respectively.

USG BORAL

Q2 2016 Highlights

Total USG Boral JV Results

- Total JV adjusted operating margin improved 250 bps to 15.8% – highest quarterly adjusted margin since inception of the JV
- On a constant-currency basis[2]:
  - Net sales expand 8% to $286 million from $264 million
  - Net income increases over 30% to $34 million from $26 million

USG's 50% Portion of USG Boral Results

- USG's Q2 2016 net income driven by $4 million of core results improvement
- $18 million cash dividend paid to USG through YTD 2016

Business Highlights

- Compound volumes up 11%, steel stud volumes up 13%
- Plasterboard volumes up 5%; plasterboard price up in top countries
- Continued manufacturing efficiencies and cost tailwinds

Total USG-Boral JV Results

$ Millions	Q2 2016	Q2 2015	Variance
Total JV Net Sales	$273	$264	$9
Total JV Operating Profit	$41	$34	$7
Total JV Operating Profit Margin	15.0%	12.9%	2.1%
Total JV Adjusted Operating Profit[1]	$43	$35	$8
Total JV Adjusted Operating Profit Margin	15.8%	13.3%	2.5%
Total JV Adjusted Net Income[1]	$32	$26	$6

USG's 50% Portion of USG Boral Results

$ Millions	Q2 2016	Q2 2015	Variance
USG's Adjusted Equity Income from USG Boral[1]	$16	$13	$3

Q2 2015 USG's Share of Adjusted Equity Income[1]	$13
Foreign currency	($1)
Core results improvement	$4
Q2 2016 USG's Share of Adjusted Equity Income[1]	$16

1. See reconciliation to GAAP results in the Appendix.
2. Non-GAAP metric. Current period results translated at the quarter-to-date average foreign currency rates for the period ended June 30, 2015.

Q2 2016 CONSOLIDATED CASH FLOW

$ Millions	6 months ended June 30, 2016	6 months ended June 30, 2015
Free cash flow (CFFO – CapEx)[1]	***$136***	***($14)***
Cash flow from operations (CFFO)	**$164**	**$34**
• Capital expenditures (CapEx)	($28)	($48)
• Other[2]	$42	$66
Cash flow provided by investing activities	**$14**	**$18**
Cash flow used for financing activities	**($141)**	**($46)**
Effect of exchange rate on cash	**—**	**($3)**
Increase in cash and cash equivalents	**$37**	**$3**

	June 30, 2016	June 30, 2015
Cash and cash equivalents and marketable securities	$689	$313
Total liquidity	$1,030	$665
Total debt	$2,039	$2,173
Total adjusted debt[3]	$2,143	$2,647
Leverage ratio[4]	3.1	4.5

1. Non-GAAP metric.
2. Comprised primarily of cash used for or provided by the purchases or sales of marketable securities.
3. See reconciliation to GAAP results in the Appendix – see slide 25.
4. See slide 25.

APPENDIX

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: EBITDA, adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted equity income of USG Boral Building Products, or UBBP, impacts of foreign currency on current period results using prior period translation rates, adjusted operating margin, free cash flow, adjusted earnings per diluted share, 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 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 schedules attached hereto.

QUARTERLY SUMMARY BY BUSINESS UNIT

$ Millions	Q2 2016	Q2 2015	Change
Gypsum adjusted operating profit[1]	$102	$97	$5
Ceilings adjusted operating profit[1]	$33	$25	$8
Distribution adjusted operating profit[1]	$15	$9	$6
Adjusted equity income from USG Boral Building Products[1]	$16	$13	$3
Equity income from other joint ventures	—	1	($1)
Corporate and eliminations adjusted operating loss[1]	($28)	($27)	($1)
USG Consolidated Adjusted Operating Profit[1]	**$138**	**$118**	**$20**
Gypsum adjusted EBITDA[1]	$131	$126	$5
Ceilings adjusted EBITDA[1]	$37	$29	$8
Distribution adjusted EBITDA[1]	$18	$12	$6
USG's share of USG Boral Building Products adjusted EBITDA[1]	$28	$23	$5
Corporate and eliminations adjusted EBITDA[1]	($20)	($21)	$1
USG Consolidated Adjusted EBITDA[1]	**$194**	**$169**	**$25**

1. See reconciliation to GAAP results in the Appendix.

ADJUSTED OPERATING PROFIT RECONCILED TO GAAP OPERATING PROFIT

$ Millions	Q2 2016	Q2 2015	Change	YTD 2016	YTD 2015	Change
Reported GAAP Operating Profit (Loss)						
• Gypsum	$113	$98	$15	$224	$166	$58
• Ceilings	$33	$25	$8	$62	$46	$16
• Distribution	$15	$9	$6	$26	$13	$13
• Corporate, Other & Eliminations	($28)	($27)	($1)	($52)	($44)	($8)
Total	**$133**	**$105**	**$28**	**$260**	**$181**	**$79**
Adjustments to GAAP Operating Profit (Loss)						
• US Gypsum – Gain on sale of surplus property	($11)	—	($11)	($11)	—	($11)
• GTL shipping operations	—	($1)	$1	($3)	($1)	($2)
Total	**($11)**	**($1)**	**($10)**	**($14)**	**($1)**	**($13)**
Adjusted Operating Profit (Loss) – Non-GAAP measure						
• Gypsum	$102	$97	$5	$210	$165	$45
• Ceilings	$33	$25	$8	$62	$46	$16
• Distribution	$15	$9	$6	$26	$13	$13
• Corporate, Other & Eliminations	($28)	($27)	($1)	($52)	($44)	($8)
Other Adjustments						
• Equity income from UBBP	$16	$13	$3	$23	$21	$2
• Equity income from other joint ventures	—	$1	($1)	—	$1	$(1)
Total Adjusted Operating Profit	**$138**	**$118**	**$20**	**$269**	**$202**	**$67**

ADJUSTED NET INCOME RECONCILED TO GAAP NET INCOME

$ Millions	Q2 2016	Q2 2015
Net Income – GAAP Measure	**$74**	**$79**
Adjustments:		
Gain on sale of surplus property[1]	($11)	—
Loss on extinguishment of debt[2]	$2	—
GTL - shipping operations[3]	—	($1)
Tax effects of adjustments	$3	—
Adjusted Net Income – Non-GAAP Measure	**$68**	**$78**

1. $4 million tax expense in Q2 2016.
2. ($1) million tax benefit in Q2 2016.
3. $0 tax in Q2 2015.

QUARTERLY ADJUSTED EBITDA RECONCILED TO QUARTERLY OPERATING PROFIT

$ Millions	Q2 2016						Q2 2015					
	Gyp	Ceilings	Distr.	UBBP	Corp/ Elim	Q2	Gyp	Ceilings	Distr.	UBBP	Corp/ Elim	Q2
GAAP Operating profit/(loss)	**$113**	**$33**	**$15**		**($28)**	**$133**	**$98**	**$25**	**$9**		**($27)**	**$105**
Interest expense, net					($37)	($37)					($40)	($40)
Other income, net					$2	$2					$1	$1
Loss on extinguishment of debt					($2)	($2)					—	—
Income tax expense					($38)	($38)					($1)	($1)
USG's equity income from UBBP					$16	$16					$13	$13
Income from other equity method investments					—	—					$1	$1
Net income attributable to USG						**$74**						**$79**
Add: interest expense, net[1]					$37	$37					$40	$40
Add: income tax expense[1]					$38	$38					$1	$1
Add: depreciation, depletion, and amortization[2]	$27	$4	$3		$1	$35	$27	$4	$3		$1	$35
EBITDA	**$140**	**$37**	**$18**		**($11)**	**$184**	**$125**	**$29**	**$12**		**($11)**	**$155**
Add: share-based compensation expense[1]					$5	$5					$3	$3
Add: ARO accretion expense	$2	—	—		—	$2	$2	—	—		—	$2
Add: loss on extinguishment of debt					$2	$2					—	—
Subtract: gain on sale of surplus property	($11)	—	—		—	($11)	—	—	—		—	—
Subtract: GTL EBITDA	—					—	($1)					($1)
Subtract: USG's equity income from UBBP					($16)	($16)					($13)	($13)
Add: USG's share of UBBP Adjusted EBITDA[3]				$28		$28				$23		$23
Adjusted EBITDA	**$131**	**$37**	**$18**	**$28**	**($20)**	**$194**	**$126**	**$29**	**$12**	**$23**	**($21)**	**$169**

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.

ADJUSTED FINANCIAL RESULTS OF USG BORAL BUILDING PRODUCTS

$ Millions	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Operating Profit – GAAP	**$41**	**$34**	**$64**	**$57**
Adjustments: Income from equity method investments owned by UBBP	$4	$2	$6	$5
Adjustments: Operating profit attributable to non-controlling interest, pre-tax	($2)	($1)	($4)	($3)
Adjustments: Severance charges	—	—	$1	—
Adjusted Operating Profit – Non-GAAP	**$43**	**$35**	**$67**	**$59**
Net Income attributable to USG Boral Building Products – GAAP	**$32**	**$26**	**$46**	**$42**
Adjustments: Severance charges	—	—	$1	—
Adjusted Net Income attributable to USG Boral Building Products – Non-GAAP	**$32**	**$26**	**$47**	**$42**
USG share of income from equity method investments	**$16**	**$14**	**$23**	**$22**
Less: Income from equity method investments – other joint ventures	—	($1)	—	($1)
USG share of income from USG Boral Building Products	**$16**	**$13**	**$23**	**$21**

USG BORAL BUILDING PRODUCTS ADJUSTED EBITDA RECONCILIATION

$ Millions	Q2 2016	Q2 2015	YTD 2016	YTD 2015
GAAP Operating profit	**$41**	**$34**	**$64**	**$57**
Income tax expense	($12)	($8)	($21)	($16)
Income from equity method investments owned by UBBP	$4	$2	$6	$5
Other income	$1	—	—	—
Net Income	**$34**	**$28**	**$49**	**$46**
Net income attributable to non-controlling interest	($2)	($2)	($3)	($4)
Net Income attributable to USG Boral Building Products	**$32**	**$26**	**$46**	**$42**
Adjustments: Severance	—	—	$1	—
Adjusted Net Income attributable to USG Boral Building Products	**$32**	**$26**	**$47**	**$42**
Add: income tax expense	$12	$8	$21	$16
Add: depreciation, depletion, and amortization	$11	$11	$22	$21
TOTAL USG Boral Building Products Adjusted EBITDA	**$55**	**$45**	**$90**	**$79**
USG’s share of USG Boral Building Products Adjusted EBITDA	**$28**	**$23**	**$45**	**$40**

ADJUSTED DILUTED EPS RECONCILED TO GAAP DILUTED EPS

	Q2 2016	Q2 2015
Income per average diluted common share – GAAP	**$0.50**	**$0.54**
Adjustments per average diluted common share:		
Gain on sale of surplus property	($0.08)	—
Loss on extinguishment of debt	$0.02	—
GTL – shipping operations	—	($0.01)
Tax effects of adjustment	$0.02	—
Adjusted earnings per adjusted average diluted common share – Non-GAAP	**$0.46**	**$0.53**
Average diluted common shares – GAAP	**147,994,032**	**146,990,178**
Adjustment to remove common shares that would be antidilutive based on adjusted net income	—	—
Adjusted average diluted common shares – Non-GAAP	**147,994,032**	**146,990,178**

GTL EBITDA RECONCILIATION

$ Millions	Q2 2016	Q2 2015	FY 2016	FY 2015
GAAP Operating profit	**—**	**$1**	**$3**	**$1**
Interest income (expense), net	—	—	$1	($1)
Other income, net	—	—	$4	
Income tax (expense)	—	—	($3)	—
Net income attributable to USG	—	$1	$5	—
Add: income tax expense	—	—	$3	—
Add: interest (income) expense, net	—	—	($1)	$1
Add: depreciation, depletion, and amortization	—	—	—	$1
EBITDA	**—**	**$1**	**$7**	**$2**

ADJUSTED DEBT RECONCILED TO GAAP DEBT

$ Millions	June 30, 2016	June 30, 2015
Total short-term and long-term Debt – GAAP	**$2,039**	**$2,173**
Operating leases	$217	$237
Postretirement benefit obligations	$265	$333
Asset retirement obligations	$79	$80
Accrued interest not included in reported debt	$44	$45
Workers compensation/self insurance	$16	$14
Excess cash[1]	($517)	($235)
Total adjustments[2]	$104	$474
Adjusted Debt	$2,143	$2,647

	TTM Q2 2016	TTM Q2 2015
Adjusted EBITDA	$684	$585

Leverage Ratio	**3.1**	**4.5**

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

TTM = Trailing twelve months

ADJUSTED OPERATING PROFIT ROLLFORWARD

$ Millions

Adjusted Operating Profit – Three months ended June 30, 2015	**$118**
US Wallboard	($2)
US Surfaces and Substrates	$8
US Gypsum Selling, General, and Administrative Expenses	$1
US Gypsum Reserve Adjustments	($2)
US Ceilings	$6
US Ceilings Selling, General, and Administrative Expenses	$1
Distribution	$6
Canada, Mexico, Mining, and Foreign Currency	$1
USG Boral Equity Method Income	$3
Income from Other Equity Method Investments	($1)
Corporate and Eliminations	($1)
Adjusted Operating Profit – Three months ended June 30, 2016	**$138**

Adjusted Operating Profit – Six months ended June 30, 2015	**$202**
US Wallboard	$22
US Surfaces and Substrates	$20
US Gypsum Selling, General, and Administrative Expenses	$2
US Gypsum Reserve Adjustments	($2)
US Ceilings	$14
US Ceilings Selling, General, and Administrative Expenses	$1
Distribution	$13
Canada, Mexico, Mining, and Foreign Currency	$4
USG Boral Equity Method Income	$2
Income from Other Equity Method Investments	($1)
Corporate and Eliminations	($8)
Adjusted Operating Profit – Six months ended June 30, 2016	**$269**

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, or the Rights Plan, established under the terms of a rights agreement dated December 21, 2006, as amended, with Computershare Trust Company N.A., as Rights Agent, or the Rights Agreement. The Rights Plan was intended to protect our stockholders from coercive takeover practices or takeover bids that are inconsistent with their best interests. In 2013 and 2015, our board of directors adopted amendments to the Rights Agreement, discussed below, intended to protect our substantial net operating losses, or NOL, carryforwards and related tax benefits. As discussed further below, our board of directors also recommended, and in 2013 and 2016 our stockholders approved, amendments to our Restated Certificate of Incorporation, also intended to protect our NOL carryforwards and related tax benefits.

On March 22, 2013, our board of directors approved an amendment to the Rights Agreement in an effort to protect our NOL carryforwards and related tax benefits. Our ability to use our NOLs could be substantially reduced 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 Agreement 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 the rules of Section 382 of the Code and the related regulations and guidance thereunder). Our stockholders ratified, on an advisory basis, the March 22, 2013 amendment to our Rights Agreement at our 2013 annual meeting of stockholders. The Rights Agreement, as amended, provides that if any person becomes the beneficial owner of 4.9% or more of our common stock, stockholders other than the 4.9% 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 Agreement, as amended, so long as they do not thereafter acquire additional common stock other than in certain specified exempt transactions. Our board of directors approved an amendment to the Rights Agreement in February 2015 to align the definitions of "Beneficial Owner" and "Beneficially Own" with Section 382 of the Code. The NOL protective provisions in the Rights Agreement adopted in 2013 were scheduled to expire on March 22, 2016 and the Rights Agreement was scheduled to expire on January 2, 2017. In connection with a required triennial review of the Rights Agreement, our board of directors approved, and on November 16, 2015 we entered into, another amendment to the Rights Agreement to extend the term of the Rights Agreement, as well as the NOL protective provisions adopted in 2013, to May 31, 2019, subject to other earlier termination events as described therein. Accordingly, the 4.9% threshold described above is now effective until the earlier of (i) the close of business on May 31, 2019, (ii) the close of business on the date on which our board of directors determines that the amendment is no longer necessary for the provision of certain tax benefits because of the repeal of Section 382 of the Code, (iii) the close of business on the first day of a taxable year as to which our board of directors determines that no tax benefits may be carried forward, or (iv) the close of business on such other date as our board of directors determines that the amendment is no longer necessary for the preservation of tax benefits. Our stockholders ratified, on an advisory basis, the November 16, 2015 amendment at our 2016 annual meeting of stockholders.

The rights issued pursuant to the Rights Agreement will expire on May 31, 2019. However, our board of directors has the power to accelerate or extend the expiration date of the rights. In addition, a board committee composed solely of independent directors reviews the Rights Agreement 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 as described above. The next review is required by the end of 2018.

On May 9, 2013, we filed an amendment to our Restated Certificate of Incorporation that restricted certain transfers of our common stock. On May 11, 2016 we filed another amendment to our Restated Certificate of Incorporation, or the Extended Protective Amendment, to continue to restrict certain transfers of our common stock. The Extended Protective Amendment is intended to protect the tax benefits of our NOL carryforwards. Subject to certain limited exceptions, the Extended Protective Amendment's 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 the Extended Protective Amendment 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 Extended Protective Amendment 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. The Extended Protective Amendment is effective until the earlier of (i) the close of business on May 31, 2019, (ii) the repeal of Section 382 of the Code if our board of directors determines that the Extended Protective Amendment is 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 our board of directors determines that no tax benefits may be carried forward, or (iv) such other date as determined by our board of directors pursuant to the Extended Protective Amendment. On May 11, 2016, our stockholders voted to approve the Extended Protective Amendment.

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 the Extended Protective Amendment or Rights Agreement, and may acquire beneficial ownership of more than 50% of our voting stock on a fully-diluted basis without triggering the ownership thresholds in the Extended Protective Amendment or Rights Agreement 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.