

USG CORPORATION

4th Quarter and Full Year 2016

Earnings Conference Call and Webcast
February 1, 2017



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, the execution, funding and timing of USG's share repurchase program and 2017 end-market and financial outlooks. Actual business, market or other conditions may differ materially from management's expectations and, accordingly, may affect our sales and profitability or other results and liquidity. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update any forward-looking statement. Actual results may differ materially due to various other factors, including: economic conditions, such as employment, household formation, home ownership rate, existing home price trends, availability of mortgage financing, interest rates, consumer confidence, job growth and discretionary business investment; our ability to maintain or achieve price increases; the loss of one or more major customers; the impact on our performance and financial results due to the disposition of L&W Supply, one of our largest customers; competitive conditions, such as price, quality and range of products; unexpected operational difficulties or catastrophic events at our facilities; an increasing number of our customers having significant buying power; increased costs, or decreased availability, of key raw materials or energy; our ability to successfully operate the joint venture with Boral Limited, including risks that our joint venture partner, Boral Limited, may not fulfill its obligations as an investor or may take actions that are inconsistent with our objectives; exposure to risks of operating internationally; our ability to innovate and protect our intellectual property and other proprietary rights; our ability to make capital expenditures and achieve the expected return on investment; a disruption in our information technology systems; significant changes in factors and assumptions used to measure our defined benefit plan obligations; changes in laws or regulations, including environmental and safety regulations; the outcome in legal and governmental proceedings; the ability of a small number of stockholders to influence our business and stock price; our ability to successfully pursue and complete acquisitions, joint ventures and other transactions to complement or expand our businesses; our ability to return capital to stockholders; the occurrence of an "ownership change" within the meaning of the Internal Revenue Code; ability to incur substantial additional indebtedness; 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 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.



USG CORPORATION FOURTH QUARTER AND FULL YEAR 2016 EARNINGS CONFERENCE CALL AGENDA

FULL YEAR RESULTS AND STRATEGIC PRIORITIES

Jennifer F. Scanlon,
President and Chief Executive Officer

**FOURTH QUARTER RESULTS AND
FINANCIAL OUTLOOK**

Matthew F. Hilzinger,
Executive VP, Chief Financial Officer

END MARKET OUTLOOK

Jennifer F. Scanlon,
President and Chief Executive Officer

QUESTIONS

CLOSING REMARKS

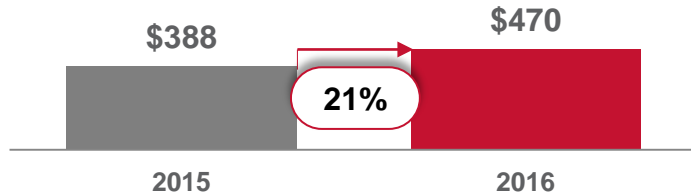
Jennifer F. Scanlon,
President and Chief Executive Officer



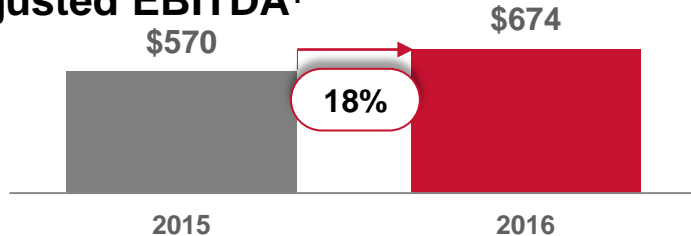
CEO REMARKS – 2016 HIGHLIGHTS

2016 FINANCIAL RESULTS

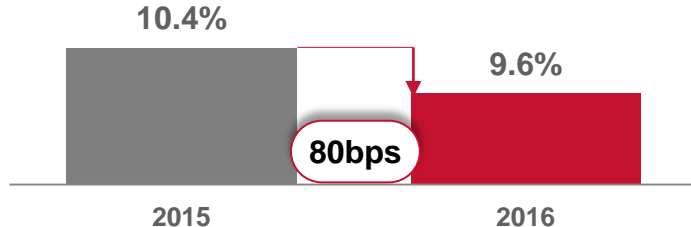
Adjusted Operating Profit¹



Adjusted EBITDA¹



SG&A² as a % of Revenue



Adjusted Operating Margins¹

US Gypsum	↑	130 bps	→	17.4%
US Ceilings	↑	490 bps	→	22.1%
USG Boral	↑	270 bps	→	15.3%

2016 STRATEGIC EXECUTION

- Sold L&W Supply for \$670 million – closed on October 31
- Retired \$1.1 billion of debt; achieved target leverage range
- Launched Advanced Manufacturing

1. See reconciliation to GAAP results in the Appendix.

2. Adjusted SG&A. See reconciliation to GAAP results in the Appendix.



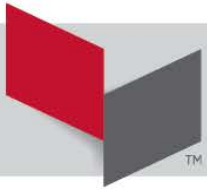
CEO REMARKS

2016

2017

• Debt Repayment	\$1.1 billion	→	\$0
• Interest Expense	\$145 million	→	\$75 million
• Capital Expenditures	\$83 million	→	\$200 million
• Share Repurchases ¹	\$0	→	\$250 million

1. Up to \$250 million share repurchase authority - actual repurchases are expected to occur over the next 12-18 months.



SHARE REPURCHASE PROGRAM

- **\$250 million of common stock authorized to be repurchased**
- **Expect to execute repurchases over the next 12-18 months**
- **Represents roughly 8 million shares or 6% of market capitalization based on January 31, 2017 closing share price**
- **Repurchases expected to be funded through free cash flow**
- **Expect to make purchases in the open market including periodic use of 10b5-1 plans or in other privately negotiated transactions**



CONSOLIDATED FINANCIAL RESULTS

\$ Millions (except EPS)	Q4 2016 ¹	Q4 2015 ¹	FY 2016 ¹	FY 2015 ¹
Net sales	\$734	\$718	\$3,017	\$2,913
Gross profit	\$150	\$165	\$705	\$650
SG&A	\$91	\$77	\$304	\$302
Operating profit	\$59	\$94	\$394	\$355
Net interest expense	\$29	\$39	\$141	\$161
Income tax (expense) benefit	\$15	\$738	(\$63)	\$740
Income (loss) and gain on sale of discontinued operations, net of tax	\$279	(\$7)	\$299	\$15
GAAP net income	\$307	\$812	\$510	\$991
Diluted EPS	\$2.07	\$5.51	\$3.46	\$6.73
Adjustments ²	(\$242)	(\$743)	(\$259)	(\$747)
Adjusted net income²	\$65	\$69	\$251	\$244
Adjusted diluted EPS²	\$0.44	\$0.47	\$1.70	\$1.65
OTHER NON-GAAP METRICS:				
Adjusted SG&A²	\$77	\$77	\$290	\$302
Adjusted operating profit²	\$96	\$93	\$470	\$388
Adjusted EBITDA²	\$148	\$138	\$674	\$570

1. As a result of the sale to ABC Supply, results for L&W Supply have been recorded as a discontinued operation in all periods presented.

2. See reconciliation to GAAP results in the Appendix.



GYPSUM – FOURTH QUARTER

IMPROVEMENT IN WALLBOARD, SURFACES AND SUBSTRATES

- **Segment adjusted operating margin improves 20 bps to 13.9%¹**
 - Wallboard pricing effectively flat year-on-year
 - Domestic wallboard price – excluding US Gypsum sales to Canada – down 1% sequentially primarily as a result of the L&W transition
 - Nominal cost deflation from lower natural gas costs and efficiencies, partially offset by inflation in paper, synthetic gypsum, and labor
 - US Wallboard volumes up 2% – up over 7% excluding impact of reduced export volumes to Canada
- **US Surfaces & Substrates: \$3 million of profit improvement on 6% sales growth with strength in joint treatment and Durock®**
- **Improved profitability in Canada and Mexico on improved wallboard pricing, joint treatment volumes, and lower SG&A**
- **\$8 million of pension settlement charges excluded from adjusted operating profit**

CONSOLIDATED GYPSUM SEGMENT

Q4 2015 Adjusted Operating Profit¹	\$83
US Wallboard Price	\$2
US Wallboard Cost	\$1
US Wallboard Volume	\$1
US Surfaces & Substrates	\$3
US SG&A	(\$1)
Canada and Mexico	\$7
Foreign Currency ²	(\$3)
Prior Year Adjustments for Disc Ops ³	(\$6)
Q4 2016 Adjusted Operating Profit¹	\$87

\$ Millions	Q4 2016	Q4 2015	Variance
Net Sales	\$627	\$608	\$19
Operating Profit	\$79	\$99	(\$20)
Operating Profit Margin	12.6%	16.3%	(3.7%)
Adjusted Operating Profit ¹	\$87	\$83	\$4
Adjusted Operating Profit Margin ¹	13.9%	13.7%	0.2%

1. See reconciliation to GAAP results in the Appendix.

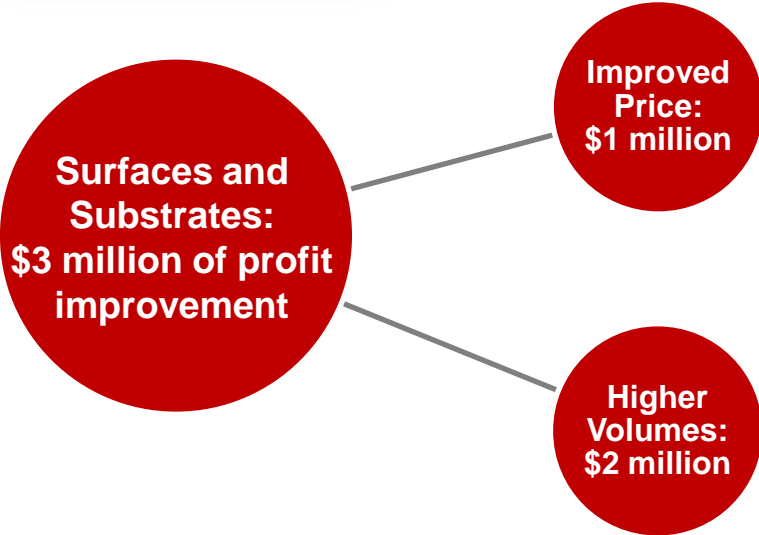
2. Current period results translated at the quarter-to-date average foreign currency exchange rates for the period ended December 31, 2015.

3. Prior year adjustments for discontinued operations: Recasted prior year operating profit increased \$6 million due to timing differences on the recognition of sales made to L&W Supply.



US GYPSUM – FOURTH QUARTER WALLBOARD, SURFACES AND SUBSTRATES

US GYPSUM – MORE THAN SHEETROCK® WALLBOARD



Q4 2016 RESULTS¹

Sales (millions)	Q4 2016	Q4 2015	Variance (\$)	Variance (%)
US Wallboard	\$238	\$233	\$5	2%
US Surfaces & Substrates	\$205	\$194	\$11	6%

Profit Variance (Q4 2016 vs. Q4 2015)	\$
US Wallboard	\$4
US Surfaces & Substrates	\$3

In Q4 2015 and 2016, roughly 70% of US Gypsum's gross profit was generated by Wallboard with 30% driven by Surfaces & Substrates products.

1. Freight revenue (\$65 million for Q4 2016, \$58 million for Q4 2015), other gypsum sales (\$18 million net for Q4 2016, \$17 million net for Q4 2015) and the impact of discontinued operations (\$15 million for Q4 2015) – included in US Gypsum – are not included in the US Wallboard and Surfaces & Substrates sales tables.



CEILINGS – FOURTH QUARTER

STABLE FINISH TO RECORD YEAR

- Segment adjusted operating margin improves 40 bps to 16.5%¹
- Cost efficiencies in US Ceilings were offset with lower export volumes
 - Flat pricing on tile and grid products
 - Mix-shift towards premium ceiling tile continues
 - Cost improvement on lower natural gas pricing and manufacturing efficiencies partially offset by higher steel costs
 - Tile and grid volumes down low-single digits on lower export volumes – domestic volumes essentially flat
- \$2 million of pension settlement charges excluded from adjusted operating profit



CONSOLIDATED CEILINGS SEGMENT

Q4 2015 Adjusted Operating Profit ¹	\$18
US Tile & Grid Price	—
US Tile & Grid Cost	\$1
US Tile & Grid Volume	(\$2)
US SG&A	—
Canada and Mexico	—
Foreign Currency ²	—
Prior Year Adjustments for Disc Ops	\$1
Q4 2016 Adjusted Operating Profit ¹	\$18

\$ Millions	Q4 2016	Q4 2015	Variance
Net Sales	\$109	\$112	(\$3)
Operating Profit	\$16	\$18	(\$2)
Operating Profit Margin	14.7%	16.1%	(1.4%)
Adjusted Operating Profit ¹	\$18	\$18	—
Adjusted Operating Profit Margin ¹	16.5%	16.1%	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 December 31, 2015.



USG BORAL – FOURTH QUARTER

CONTINUED, CONSISTENT STRENGTH IN USG BORAL

TOTAL (100%) USG BORAL JV RESULTS

- Total JV adjusted operating margin improved 110 bps to 15.3%¹
- Foreign currency had only a nominal impact to sales, operating profit and net income

BUSINESS HIGHLIGHTS

- Plasterboard volumes up 6%; plasterboard price up in top countries (Australia, South Korea)
- Growth in adjacent products; steel studs up 22%, mineral fiber ceilings up 40%
- Continued manufacturing efficiencies and cost tailwinds

ASSET IMPAIRMENT

- Oman JV (50% owned by USG Boral): \$14 million asset impairment charge excluded from adjusted results

TOTAL (100%) USG-BORAL JV RESULTS

\$ Millions	Q4 2016	Q4 2015	Variance
Total JV Net Sales	\$274	\$261	\$13
Total JV Operating Profit	\$28	\$37	(\$9)
Total JV Operating Profit Margin	10.2%	14.2%	(4.0%)
JV Asset Impairment Charges (Oman)	\$14	—	\$14
Total JV Adjusted Operating Profit ¹	\$42	\$37	\$5
Total JV Adjusted Operating Profit Margin ¹	15.3%	14.2%	1.1%
Total JV Adjusted Net Income ¹	\$32	\$30	\$2

USG'S 50% PORTION OF USG BORAL RESULTS

Q4 2015 USG's Share of Adjusted Equity Income ¹	\$15
Foreign currency	—
Core results improvement	\$1
Q4 2016 USG's Share of Adjusted Equity Income ¹	\$16

1. See reconciliation to GAAP results in the Appendix.



2016 CONSOLIDATED CASH FLOW

\$ Millions

	12 months ended December 31, 2016	12 months ended December 31, 2015
Cash flow from operations (CFFO)	\$314	\$290
– CAPEX	(\$83)	(\$87)
= Free cash flow¹	\$231	\$203
Cash flow provided by other investing activities ²	\$162	\$26
Cash flow used for financing activities	(\$1,129)	(\$44)
Effect of exchange rate on cash	(\$5)	(\$10)
Discontinued operations	\$726	\$36
(Decrease) increase in cash and cash equivalents	(\$15)	\$211
	December 31, 2016	December 31, 2015
Cash, cash equivalents and marketable securities	\$518	\$672
Total liquidity	\$603	\$967
Total debt	\$1,089	\$2,188
Total adjusted net debt ³	\$1,127	\$2,304
Leverage ratio⁴	1.7	4.0

1. Non-GAAP metric.

2. Consists primarily of purchases and sales of marketable securities.

3. See reconciliation to GAAP results in the Appendix.

4. Net adjusted debt / adjusted EBITDA. See Appendix.



2017 FINANCIAL OUTLOOK

- **Input Costs**
 - Expect low-single digit net inflation in both Gypsum and Ceilings manufacturing costs
- **SG&A**
 - Full year 2017 SG&A expected around \$300 million
- **Capital Spending**
 - Expect full year 2017 capital spending around \$200 million – ~\$120 million of general capex and ~\$80 million of Advanced Manufacturing investments
- **Interest Expense**
 - 2017 net interest expense expected under \$75 million
- **Income Taxes**
 - Book taxes expected to be between 31 to 34 percent of 2017 pre-tax profits; no cash taxes in US
 - \$1.5 billion US cash tax shield – \$1.0 billion of NOL's and \$0.5 billion of tax credits
- **Foreign Exchange**
 - Anticipated full year 2017 unfavorable impact to net income of around \$14 million, subject to currency fluctuations



2017 END-MARKET OUTLOOK

- **2017 New Residential Starts:** Around 1.25 million from 1.17 million
- **Commercial:** Low-to-mid single digit growth in starts
- **Repair and Remodel:** Mid-single digit growth
- **2017 USG Ceiling Volumes:** Low-single digit growth
- **USG's portion of USG Boral 2017 adjusted net income expected to increase in the mid-single digit percentage range**



DISCONTINUED OPERATIONS

Net Sales	Q1 2016			Q2 2016		
	Original	Recast	Change	Original	Recast	Change
Gypsum						
United States	\$543	\$536	(\$7)	\$538	\$539	\$1
Canada	\$82	\$82	—	\$86	\$86	—
Mexico/LatAm	\$44	\$44	—	\$49	\$49	—
Eliminations	(\$34)	(\$34)	—	(\$38)	(\$38)	—
Total	\$635	\$628	(\$7)	\$635	\$636	\$1
Ceilings						
United States	\$119	\$115	(\$4)	\$126	\$124	(\$2)
Canada	\$13	\$13	—	\$14	\$14	—
Mexico/LatAm	\$8	\$8	—	\$8	\$8	—
Eliminations	(\$15)	(\$15)	—	(\$11)	(\$11)	—
Total	\$125	\$121	(\$4)	\$137	\$135	(\$2)
L&W Supply	\$357	—	(\$357)	\$386	—	(\$386)
Eliminations	(\$147)	(\$2)	\$145	(\$156)	(\$2)	\$154
Total USG Corporation	\$970	\$747	(\$223)	\$1,002	\$769	(\$233)

Operating Profit	Q1 2016			Q2 2016		
	Original	Recast	Change	Original	Recast	Change
Gypsum						
United States	\$103	\$101	(\$2)	\$107	\$106	(\$1)
Canada	\$6	\$6	—	\$5	\$5	—
Mexico/LatAm	\$2	\$2	—	\$4	\$4	—
GTL	\$3	\$3	—	—	—	—
Mining	(\$3)	(\$3)	—	(\$3)	(\$3)	—
Total	\$111	\$109	(\$2)	\$113	\$112	(\$1)
Ceilings						
United States	\$27	\$26	(\$1)	\$30	\$29	(\$1)
Canada	\$1	\$1	—	\$2	\$2	—
Mexico/LatAm	\$1	\$1	—	\$1	\$1	—
Total	\$29	\$28	(\$1)	\$33	\$32	(\$1)
L&W Supply	\$11	—	(\$11)	\$15	—	(\$15)
Corporate	(\$21)	(\$21)	—	(\$26)	(\$22)	\$4
Eliminations	(\$3)	—	\$3	(\$2)	—	\$2
Total USG Corporation	\$127	\$116	(\$11)	\$133	\$122	(\$11)

Changes between original and recast operating profit that are negative will appear as positive add-backs in the Q1 2017 and Q2 2017 operating profit bridges

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, adjusted SG&A, and adjusted debt, which exclude certain items. The non-GAAP financial measures are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help investors' ability to analyze underlying trends in the corporation's business, evaluate its performance relative to other companies in its industry and provide useful information to both management and investors by excluding certain items that may not be indicative of the corporation's core operating results. Adjusted operating profit on a consolidated basis includes the adjusted equity method income from UBBP and USG's income from other equity investments and adjusted EBITDA on a consolidated basis includes the corporation's share of UBBP's adjusted EBITDA because management views UBBP and its other equity investments as important businesses. Further, management believes it is appropriate to exclude the indicated items from UBBP equity income because the resulting UBBP adjusted equity income can be used to evaluate the financial performance of UBBP. Management also excludes EBITDA of Gypsum Transportation Limited because we exited that shipping operation in April 2015. In addition, the corporation uses adjusted operating margins, adjusted equity income from UBBP, 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.



FULL YEAR SUMMARY BY BUSINESS UNIT

\$ Millions

	FY 2016	FY 2015	Change (\$)	Change (%)
Gypsum adjusted operating profit¹	\$395	\$344	\$51	15%
Ceilings adjusted operating profit¹	\$111	\$88	\$23	26%
Adjusted equity income from USG Boral Building Products¹	\$57	\$48	\$9	19%
Equity income from other joint ventures	—	\$2	(\$2)	—
Corporate and eliminations adjusted operating loss¹	(\$93)	(\$94)	\$1	1%
USG Consolidated Adjusted Operating Profit¹	\$470	\$388	\$82	21%
Gypsum DD&A	\$108	\$105	\$3	3%
Ceilings DD&A	\$16	\$16	—	—
Corporate and eliminations DD&A²	\$6	\$4	\$2	50%
USG Consolidated DD&A	\$130	\$125	\$5	4%
Gypsum adjusted EBITDA¹	\$506	\$454	\$52	11%
Ceilings adjusted EBITDA¹	\$127	\$105	\$22	21%
USG's share of USG Boral Building Products adjusted EBITDA¹	\$101	\$85	\$16	19%
Corporate and eliminations adjusted EBITDA¹	(\$60)	(\$74)	\$14	19%
USG Consolidated Adjusted EBITDA¹	\$674	\$570	\$103	18%

1. See reconciliation to GAAP results in the Appendix.

2. Depreciation, depletion and amortization for Corporate and Eliminations excludes amortization of debt discount which is included in interest expense.



QUARTERLY SUMMARY BY BUSINESS UNIT

\$ Millions

	Q4 2016	Q4 2015	Change (\$)	Change (%)
Gypsum adjusted operating profit¹	\$87	\$83	\$4	5%
Ceilings adjusted operating profit¹	\$18	\$18	—	—
Adjusted equity income from USG Boral Building Products¹	\$16	\$15	\$1	7%
Corporate and eliminations adjusted operating loss¹	(\$25)	(\$23)	(\$2)	(9%)
USG Consolidated Adjusted Operating Profit¹	\$96	\$93	\$3	3%
Gypsum DD&A	\$27	\$25	\$2	8%
Ceilings DD&A	\$4	\$4	—	—
Corporate and eliminations DD&A²	\$3	\$1	\$2	nm
USG Consolidated DD&A	\$34	\$30	\$4	13%
Gypsum adjusted EBITDA¹	\$115	\$109	\$6	6%
Ceilings adjusted EBITDA¹	\$22	\$22	—	—
USG's share of USG Boral Building Products adjusted EBITDA¹	\$26	\$24	\$2	8%
Corporate and eliminations adjusted EBITDA¹	(\$15)	(\$17)	\$2	12%
USG Consolidated Adjusted EBITDA¹	\$148	\$138	\$10	7%

1. See reconciliation to GAAP results in the Appendix.

2. Depreciation, depletion and amortization for Corporate and Eliminations excludes amortization of debt discount which is included in interest expense.



ADJUSTED OPERATING PROFIT RECONCILED TO GAAP OPERATING PROFIT

\$ Millions	Q4 2016	Q4 2015	Change	FY 2016	FY 2015	Change
Reported GAAP Operating Profit (Loss)						
• Gypsum	\$79	\$99	(\$20)	\$389	\$361	\$28
• Ceilings	\$16	\$18	(\$2)	\$109	\$88	\$21
• Corporate & Eliminations	(\$36)	(\$23)	(\$13)	(\$104)	(\$94)	(\$10)
Total	\$59	\$94	(\$35)	\$394	\$355	\$39
Adjustments to GAAP Operating Profit (Loss)						
• Gypsum – GTL recovery of receivables	—	(\$6)	\$6	(\$3)	(\$6)	\$3
• Gypsum – Pension settlement charge (US Gypsum)	\$8	—	\$8	\$8	—	\$8
• Gypsum – Gain on sale of surplus property ²	—	(\$10)	\$10	(\$11)	(\$10)	(\$1)
• Gypsum – Asset impairment charges (Canada Mining)	—	—	—	\$12	—	\$12
• Gypsum – GTL shipping operations	—	—	—	—	(\$1)	\$1
• Ceilings – Pension settlement charge (US Ceilings)	\$2	—	\$2	\$2	—	\$2
• Corporate & Eliminations – Pension settlement charge	\$7	—	\$7	\$7	—	\$7
• Corporate & Eliminations – Exit of commercial office space	\$4	—	\$4	\$4	—	\$4
Total	\$21	(\$16)	\$37	\$19	(\$17)	\$36
Adjusted Operating Profit (Loss) – Non-GAAP measure						
• Gypsum	\$87	\$83	\$4	\$395	\$344	\$51
• Ceilings	\$18	\$18	—	\$111	\$88	\$23
• Corporate & Eliminations	(\$25)	(\$23)	(\$2)	(\$93)	(\$94)	\$1
Other Adjustments						
• Adjusted equity income from UBBP ¹	\$16	\$15	\$1	\$57	\$48	\$9
• Equity income from other joint ventures	—	—	—	—	\$2	(\$2)
Total Adjusted Operating Profit	\$96	\$93	\$3	\$470	\$388	\$82

1. See reconciliation to GAAP results in the Appendix.

2. 2016 adjustment pertains to US Gypsum, 2015 adjustment pertains to Mexico/LatAm Gypsum



ADJUSTED NET INCOME AND ADJUSTED SG&A RECONCILIATIONS

\$ Millions (except EPS)	Q4 2016	Q4 2015	FY 2016	FY 2015
GAAP Net Income	\$307	\$812	\$510	\$991
(Income) loss and gain from discontinued operations, net of tax ¹	(\$279)	\$7	(\$299)	(\$15)
Loss on debt extinguishment ¹	\$32	—	\$37	\$19
Pension settlement charge ¹	\$17	—	\$17	—
Exit of commercial office space ¹	\$4	—	\$4	—
USG's share of USG Boral impairment charges	\$4	—	\$8	—
Release of income tax valuation allowance	—	(\$731)	—	(\$731)
Gain on sale of Knauf-USG joint venture	—	(\$11)	—	(\$11)
Gain on sale of surplus property	—	(\$10)	(\$11)	(\$10)
Recovery on shipping receivable / shipping operations	—	(\$6)	(\$8)	(\$7)
Long-lived asset impairment and severance charges	—	—	\$12	—
Tax effects of adjustments ²	(\$20)	\$8	(\$19)	\$8
Adjusted Net Income	\$65	\$69	\$251	\$244
	Q4 2016	Q4 2015	FY 2016	FY 2015
GAAP Selling and Administrative Expense	\$91	\$77	\$304	\$302
Pension settlement charge ¹	(\$10)	—	(\$10)	—
Exit of commercial office space ¹	(\$4)	—	(\$4)	—
Adjusted Selling and Administrative Expense	\$77	\$77	\$290	\$302

1. 2016 item relates to or was driven by – in whole or in part – the sale of L&W Supply.

2. See Appendix for detail regarding tax effect of individual adjustments.



CURRENCY IMPACT – Q4 AND FY 2016

	Fourth Quarter 2016			Full Year 2016			
	Q4 2016 as Reported	At Q4 2015 Rates ²	Currency Impact	FY 2016 as Reported	At FY 2015 Rates ²	Currency Impact	
CONSOLIDATED RESULTS	Net sales	\$734	\$740	(\$6)	\$3,017	\$3,051	(\$34)
	Adjusted operating profit ¹	\$96	\$99	(\$3)	\$470	\$487	(\$17)
	Adjusted operating profit margin ¹	13.1%	13.4%	(0.3%)	15.6%	16.0%	(0.4%)
	Adjusted net income ¹	\$65	\$68	(\$3)	\$251	\$268	(\$17)
	Adjusted diluted EPS ¹	\$0.44	\$0.46	(\$0.02)	\$1.70	\$1.82	(\$0.12)
	Adjusted EBITDA ¹	\$148	\$151	(\$3)	\$674	\$691	(\$17)
GYPSUM SEGMENT	Net sales	\$627	\$633	(\$6)	\$2,526	\$2,556	(\$30)
	Adjusted operating profit ¹	\$87	\$90	(\$3)	\$395	\$409	(\$14)
	Adjusted operating profit margin ¹	13.9%	14.2%	(0.3%)	15.6%	16.0%	(0.4%)
CEILINGS SEGMENT	Net sales	\$109	\$109	—	\$500	\$504	(\$4)
	Adjusted operating profit ¹	\$18	\$18	—	\$111	\$113	(\$2)
	Adjusted operating profit margin ¹	16.5%	16.5%	—	22.2%	22.4%	(0.2%)
USG BORAL SEGMENT (100%)	Net sales	\$274	\$273	\$1	\$1,052	\$1,069	(\$17)
	Adjusted operating profit ¹	\$42	\$42	—	\$161	\$163	(\$2)
	Adjusted operating profit margin ¹	15.3%	15.4%	(0.1%)	15.3%	15.2%	0.1%
	Adjusted net income ¹	\$32	\$32	—	\$115	\$117	(\$2)

1. See reconciliation to GAAP results in the Appendix.

2. Non-GAAP metric. Current period results translated at the respective quarter-to-date or year-to-date average foreign currency exchange rates for the period ended December 31, 2015.



QUARTERLY ADJUSTED EBITDA RECONCILED TO QUARTERLY OPERATING PROFIT

\$ Millions

	Q4 2016					Q4 2015				
	Gyp	Ceilings	UBBP	Corp/ Elim	Q4 2016	Gyp	Ceilings	UBBP	Corp/ Elim	Q4 2015
GAAP Operating profit/(loss)	\$79	\$16		(\$36)	\$59	\$99	\$18		(\$23)	\$94
Interest expense, net				(\$29)	(\$29)				(\$39)	(\$39)
Other income, net				\$3	\$3				—	—
Income tax benefit (expense)				\$15	\$15				\$738	\$738
USG's equity income from UBBP				\$12	\$12				\$15	\$15
Income and gain from sale of equity method investment				—	—				\$11	\$11
Loss on extinguishment of debt				(\$32)	(\$32)				—	—
Income (loss) & gain from discontinued operations, net				\$279	\$279				(\$7)	(\$7)
Net income attributable to USG					\$307					\$812
Less: Income (loss) and gain from disc ops, net of tax				(\$279)	(\$279)				\$7	\$7
Add: interest expense, net ¹				\$29	\$29				\$39	\$39
Add: income tax (benefit) expense ¹				(\$15)	(\$15)				(\$738)	(\$738)
Add: depreciation, depletion, and amortization ²	\$27	\$4		\$3	\$34	\$25	\$4		\$1	\$30
EBITDA	\$106	\$20		(\$50)	\$76	\$124	\$22		\$4	\$150
Add: share-based compensation expense ¹				\$4	\$4				\$5	\$5
Add: ARO accretion expense	\$1	—		—	\$1	\$1	—		—	\$1
Add: loss on extinguishment of debt				\$32	\$32				—	—
Subtract: Gain on sale of surplus property	—	—		—	—	(\$10)	—		—	(\$10)
Subtract: Gain on sale of equity method investment				—	—				(\$11)	(\$11)
(Subtract): GTL EBITDA ³	—			—	—	(\$6)				(\$6)
Add: Exit of commercial office space				\$4	\$4					
Add: pension settlement charges	\$8	\$2		\$7	\$17	—	—			—
Subtract: USG's equity income from UBBP				(\$12)	(\$12)				(\$15)	(\$15)
Add: USG's share of UBBP Adjusted EBITDA ³			\$26		\$26			\$24		\$24
Adjusted EBITDA	\$115	\$22	\$26	(\$15)	\$148	\$109	\$22	\$24	(\$17)	\$138

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.



FULL YEAR ADJUSTED EBITDA RECONCILED TO QUARTERLY OPERATING PROFIT

\$ Millions

	FY 2016					FY 2015				
	Gyp	Ceilings	UBBP	Corp/ Elim	FY 2016	Gyp	Ceilings	UBBP	Corp/ Elim	FY 2015
GAAP Operating profit/(loss)	\$389	\$109		(\$104)	\$394	\$361	\$88		(\$94)	\$355
Interest expense, net				(\$141)	(\$141)				(\$161)	(\$161)
Other income, net				\$9	\$9				—	—
Income tax benefit (expense)				(\$63)	(\$63)				\$740	\$740
USG's equity income from UBBP				\$49	\$49				\$48	\$48
Income and gain from sale of equity method investment				—	—				\$13	\$13
Loss on extinguishment of debt				(\$37)	(\$37)				(\$19)	(\$19)
Income and gain from discontinued operations, net of tax				\$299	\$299				\$15	\$15
Net income attributable to USG					\$510					\$991
Less: discontinued operations, net of tax				(\$299)	(\$299)				(\$15)	(\$15)
Add: interest expense, net ¹				\$141	\$141				\$161	\$161
Add: income tax (benefit) expense ¹				\$63	\$63				(\$740)	(\$740)
Add: depreciation, depletion, and amortization ²	\$108	\$16		\$6	\$130	\$105	\$16		\$4	\$125
EBITDA	\$497	\$125		(\$77)	\$545	\$466	\$104	—	(\$48)	\$522
Add: share-based compensation expense ¹				\$18	\$18				\$14	\$14
Add: ARO accretion expense	\$7	—		—	\$7	\$6	\$1		—	\$7
Add: loss on extinguishment of debt				\$37	\$37				\$19	\$19
Subtract: Gain on sale of surplus property	(\$11)	—		—	(\$11)	(\$10)	—		—	(\$10)
Subtract: Gain on sale of equity method investment				—	—				(\$11)	(\$11)
Add: Asset impairment charges and severance	\$12	—		—	\$12	—	—		—	—
(Subtract) Add: GTL EBITDA ³	(\$7)	—		—	(\$7)	(\$8)	—		—	(\$8)
Add: 10th floor charges				\$4	\$4				—	—
Add: pension settlement charges	\$8	\$2		\$7	\$17	—	—		—	—
Subtract: USG's equity income from UBBP				(\$49)	(\$49)				(\$48)	(\$48)
Add: USG's share of UBBP Adjusted EBITDA ³			\$101	—	\$101			\$85	—	\$85
Adjusted EBITDA	\$506	\$127	\$101	(\$60)	\$674	\$454	\$105	\$85	(\$74)	\$570

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

	Q4 2016	Q4 2015	FY 2016	FY 2015
Net Sales – GAAP	\$274	\$261	\$1,052	\$1,003
Operating Profit – GAAP	\$28	\$37	\$133	\$124
Adjustments: Income from equity method investments owned by UBBP	\$2	\$2	\$11	\$9
Adjustments: Operating (profit) loss attributable to non-controlling interest, pre-tax	(\$2)	(\$2)	(\$6)	(\$7)
Adjustments: Long-lived asset impairment charges in Oman (<u>50% JV</u>) included in operating (profit) loss, pre-tax	\$14	—	\$14	—
Adjustments: Long-lived asset impairment and severance charges	—	—	\$9	—
Adjusted Operating Profit – Non-GAAP	\$42	\$37	\$161	\$126
Net Income attributable to USG Boral Building Products – GAAP	\$25	\$30	\$99	\$96
Adjustments: Long-lived asset impairment charges and severance charges	\$7	—	\$16	—
Adjusted Net Income attributable to USG Boral Building Products – Non-GAAP	\$32	\$30	\$115	\$96
USG share of income from equity method investments – GAAP	\$12	\$15	\$49	\$50
Less: Income from equity method investments – other joint ventures	—	—	—	(\$2)
Adjustments: USG's share of long-lived asset impairment charges	\$4	—	\$8	—
Adjusted equity income from USG Boral Building Products – Non-GAAP	\$16	\$15	\$57	\$48



USG BORAL BUILDING PRODUCTS ADJUSTED EBITDA RECONCILIATION

\$ Millions	Q4 2016	Q4 2015	FY 2016	FY 2015
GAAP Operating profit	\$28	\$37	\$133	\$124
Income tax expense	(\$10)	(\$8)	(\$44)	(\$31)
Income from equity method investments owned by UBBP, net of tax	\$2	\$2	\$11	\$9
Other income (expense)	—	(\$1)	(\$2)	(\$1)
Net Income	\$20	\$30	\$98	\$101
Net income attributable to non-controlling interest	(\$2)	—	(\$6)	(\$5)
Oman net loss attributable to non-controlling interest	\$7	—	\$7	—
Net Income attributable to USG Boral Building Products	\$25	\$30	\$99	\$96
Adjustments: Long-lived asset impairment charges and severance charges, net of tax	\$7	—	\$16	—
Adjusted Net Income attributable to USG Boral Building Products	\$32	\$30	\$115	\$96
Add: income tax expense	\$10	\$8	\$44	\$31
Add: depreciation, depletion, and amortization	\$10	\$11	\$43	\$43
TOTAL USG Boral Building Products Adjusted EBITDA	\$52	\$49	\$202	\$170
USG's share of USG Boral Building Products Adjusted EBITDA	\$26	\$24	\$101	\$85



ADJUSTED DILUTED EPS RECONCILED TO GAAP DILUTED EPS

	Q4 2016	Q4 2015	FY 2016	FY 2015
Income per average diluted common share – GAAP	\$2.07	\$5.51	\$3.46	\$6.73
Adjustments per average diluted common share:				
• (Income) loss from and gain on sale of discontinued operations	(\$1.88)	\$0.05	(\$2.02)	(\$0.11)
• Loss on extinguishment of debt	\$0.22	—	\$0.25	\$0.13
• Pension settlement charge	\$0.11	—	\$0.11	—
• Exit of commercial space	\$0.03	—	\$0.03	—
• USG's share of UBBP impairment charges	\$0.02	—	\$0.05	—
• Tax effect on adjustments	(\$0.13)	\$0.05	(\$0.13)	\$0.05
• Long-lived asset impairment charges	—	—	\$0.08	—
• Gain on sale of surplus property	—	(\$0.07)	(\$0.08)	(\$0.07)
• Gain on sale of equity method investment	—	(\$0.07)	—	(\$0.07)
• GTL (recovery) of receivable / shipping operations	—	(\$0.04)	(\$0.05)	(\$0.05)
• Reduction in valuation allowance for deferred tax	—	(\$4.96)	—	(\$4.96)
Adjusted earnings per adjusted average diluted common share – Non-GAAP	\$0.44	\$0.47	\$1.70	\$1.65
Average diluted common shares – GAAP	148,327,939	147,263,303	147,660,979	147,246,600



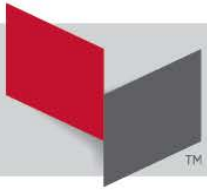
ADJUSTED DEBT RECONCILED TO GAAP DEBT

\$ Millions

	December 31, 2016	December 31, 2015
Total short-term and long-term Debt – GAAP	\$1,089	\$2,188
Operating leases	\$106	\$217
Postretirement benefit obligations	\$202	\$265
Asset retirement obligations	\$73	\$77
Accrued interest not included in reported debt	\$31	\$45
Workers compensation/self insurance	\$14	\$16
Excess cash ¹	(\$388)	(\$504)
Total adjustments²	\$38	\$116
Adjusted Net Debt	\$1,127	\$2,304
	FY 2016	FY 2015
Adjusted EBITDA	\$674	\$570
Leverage Ratio	1.7	4.0

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

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



ADJUSTED OPERATING PROFIT ROLLFORWARD

\$ Millions

Adjusted Operating Profit – Three months ended December 31, 2015	\$93
US Wallboard	\$4
US Surfaces and Substrates	\$3
US Gypsum Selling and Administrative Expenses	(\$1)
US Ceilings	(\$1)
USG Boral Adjusted Equity Method Income	\$1
Canada, Mexico, and Foreign Currency	\$4
Corporate and Eliminations	(\$2)
US Gypsum Prior Year Adjustments for Disc Ops	(\$6)
US Ceilings Prior Year Adjustments for Disc Ops	\$1
Adjusted Operating Profit – Three months ended December 31, 2016	\$96



TAX EFFECTS OF NET INCOME ADJUSTMENTS

\$ Millions (except EPS)

	Q4 2016	Q4 2015	FY 2016	FY 2015
Loss on debt extinguishment	(\$12)	—	(\$14)	—
Pension settlement charge	(\$7)	—	(\$7)	—
Exit of commercial office space	(\$1)	—	(\$1)	—
Gain on sale of Knauf-USG joint venture	—	\$5	—	\$5
Gain on sale of surplus property	—	\$3	\$4	\$3
Recovery on shipping receivable / shipping operations	—	—	\$3	—
Long-lived asset impairment and severance charges	—	—	(\$4)	—
Total Tax Effects of Adjustments	(\$20)	\$8	(\$19)	\$8



GTL EBITDA RECONCILIATION

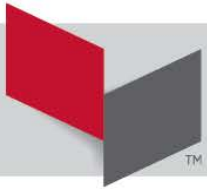
\$ Millions

	FY 2016	Q4 2015	FY 2015
GAAP Operating profit	\$3	\$6	\$7
• Interest income (expense), net	\$1	—	(\$1)
• Other income, net	\$4	—	—
• Income tax (expense)	(\$3)	—	—
Net income attributable to USG	\$5	\$6	\$6
• Add: income tax expense	\$3	—	—
• Add: interest (income) expense, net	(\$1)	—	\$1
• Add: depreciation, depletion, and amortization	—	—	\$1
EBITDA	\$7	\$6	\$8



ADJUSTED OPERATING PROFIT RECONCILED TO GAAP OPERATING PROFIT

\$ Millions	Q4 2016	Q4 2015	FY 2016	FY 2015
Reported GAAP Net Sales				
• US Gypsum	\$526	\$517	\$2,135	\$2,041
• US Ceilings	\$102	\$105	\$467	\$464
Reported GAAP Operating Profit				
• US Gypsum	\$73	\$81	\$375	\$329
• US Ceilings	\$15	\$17	\$101	\$80
Adjustments to GAAP Operating Profit (Loss)				
• US Gypsum – Pension settlement charge	\$8	—	\$8	—
• US Gypsum – Gain on sale of surplus property	—	—	(\$11)	—
• US Ceilings - Pension settlement charge	\$2	—	\$2	—
Adjusted Operating Profit – Non-GAAP measure				
• US Gypsum	\$81	\$81	\$372	\$329
• US Ceilings	\$17	\$17	\$103	\$80



STOCKHOLDER RIGHTS PLAN AND PROTECTIVE AMENDMENT

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

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

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

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

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

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

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