USG Corporation
2nd Quarter 2017 Earnings

Earnings Conference Call and Webcast
July 26, 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, our share repurchase program, manufacturing cost outlook, 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 USG Boral Building Products joint ventures, 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.

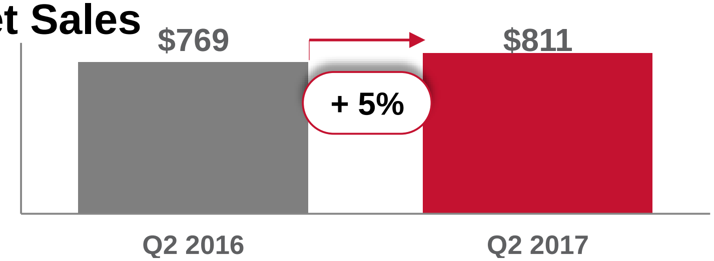
USG Corporation Second Quarter 2017 Earnings Conference Call Agenda

Second Quarter Highlights and Strategic Update	**Jennifer F. Scanlon,** *President and Chief Executive Officer*
Second Quarter Financial Results	**Matthew F. Hilzinger,** *Executive VP, Chief Financial Officer*
Market Outlook	**Jennifer F. Scanlon,** *President and Chief Executive Officer*
Questions	
Closing Remarks	**Jennifer F. Scanlon,** *President and Chief Executive Officer*

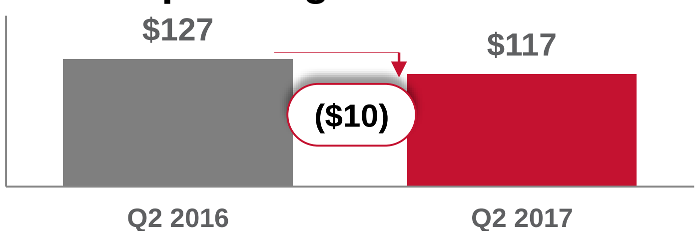
Q2 2017 Highlights

Q2 2017 Financial Results

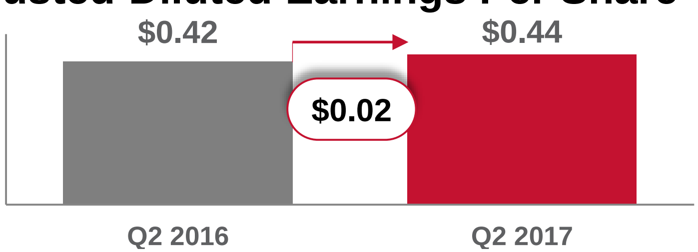
Net Sales



Adjusted Operating Profit[1]



Adjusted Diluted Earnings Per Share[1]



Segment Adjusted Operating Margins[1]

Gypsum	210 bps	→	13.8%
Ceilings	470 bps	→	19.0%
USG Boral	80 bps	→	15.0%

Q2 2017 Financial Drivers

Gypsum

- US Wallboard volumes improve 10%
- US Wallboard price declines about 1% on competitive environment and L&W transition
- US Wallboard costs abate from Q1 but remain elevated from prior year
  - Other manufacturing costs flat, but paper costs continue to rise in Q2

Ceilings

- Competitive pricing landscape in Ceilings with normalizing steel costs

USG Boral

- Core results of USG Boral flat

1. See reconciliation to GAAP results in the Appendix.

Mitigating an Inflationary Environment

Manufacturing Cost Outlook

US Wallboard Products	US Surfaces & Substrates Products	US Ceilings Products
↑ Mid-single digits	↑ Mid-single digits	↑ Mid-single digits
Substantially attributable to increased waste paper costs	*Increases across several raw materials – paper, cement, packaging, additives*	*Primarily normalizing steel costs*

Recent Pricing Announcements

US Wallboard Products

(*Increasing price within not-to-exceed levels*)

- All Sheetrock® brand wallboard products
- Securock® brand glass mat sheathing
- Glass mat tile backer
- Glass mat interior panels

US Surfaces & Substrates Products

- All Durock® brand products
- All Fiberock® brand products
- All Interior Finishing products
- All trims, tapes, plasters, and accessories

US Ceilings Products

- All commercial and retail ceiling panel products
- All commercial and retail suspension systems (grid)

Management's expectations as of the date of this presentation.

Strategic Priorities

Maintain a Strong Balance Sheet

- Target leverage ratio of 1.5x to 2.0x Adjusted Debt/EBITDA at the mid-cycle
- Current leverage ratio of 1.8[1]
- Over $1 billion of debt repaid in 2016

Return Capital to Shareholders

- Announced $250 million share repurchase program in February 2017
- Almost $100 million of common stock repurchased through second quarter
- Expect to execute repurchases over a 12-18 month window from the initial date of announcement

Reinvest for Lower Cost and Organic Growth

- Advanced Manufacturing – a strategic investment in our manufacturing operations to lower costs – is on track
- Investing in profitable Surfaces and Substrates growth
- Continued product innovations – USG Ensemble™ Ceiling Systems and Sheetrock® Brand EcoSmart panels

M&A

- Pursue M&A as appropriate – where it can enhance our return on invested capital and drive growth in our core businesses

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

Consolidated Financial Results

$ Millions (except EPS)	Q2 2017	Q2 2016[1]
Net sales	$811	$769
Gross profit	$168	$193
SG&A	$72	$71
Operating profit	$96	$122
Net interest expense	($19)	($37)
Income tax expense	($20)	($34)
Income/(loss) from discontinued operations, net of tax	($10)	$7
GAAP net income	$36	$74
Diluted EPS	$0.24	$0.50
Adjustments[2]	$28	($13)
Adjusted net income[2]	**$64**	**$61**
Adjusted diluted EPS[2]	**$0.44**	**$0.42**
OTHER NON-GAAP METRICS:		
Adjusted operating profit[2]	**$117**	**$127**
Adjusted EBITDA[2]	**$165**	**$180**

1. As a result of the sale to ABC Supply, results for L&W Supply have been recorded as a discontinued operation in the second quarter of 2016.
2. See reconciliation to GAAP results in the Appendix.

Gypsum – Second Quarter

- **Segment adjusted operating margin contracts 210 bps to 13.8%[1]**
  - US wallboard volume up 10% – strongest volumes since the third quarter of 2008
  - US wallboard price decrease (roughly 1%) on competitive environment and transitioning volumes from L&W Supply
  - $8 million of higher US Wallboard costs driven almost entirely by increased waste paper costs ($7 million)
    - All other manufacturing costs essentially flat
    - Waste paper sensitivity: a $10/ton increase in OCC drives ~$1 million of incremental quarterly wallboard cost

Consolidated Gypsum Segment

Q2 2016 Adjusted Operating Profit[1]	$101
US Wallboard Price	($3)
US Wallboard Cost	($8)
US Wallboard Volume	$11
US Surfaces & Substrates	($5)
US SG&A	($1)
Canada and Mexico	($1)
Foreign Currency[2]	($2)
Q2 2016 – US Operational Reserve Adj	$2
Prior Year Adjustments for Disc Ops[3]	$1
Q2 2017 Adjusted Operating Profit[1]	$95

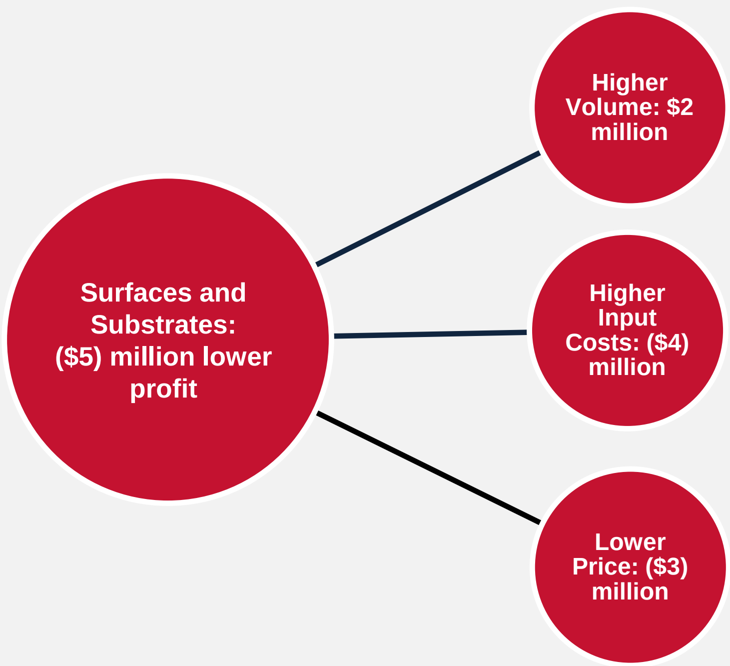
$ Millions	Q2 2017	Q2 2016	Variance
Net Sales	$688	$636	$52
Operating Profit	$90	$112	($22)
Operating Profit Margin	13.1%	17.6%	(4.5%)
Adjusted Operating Profit[1]	$95	$101	($6)
Adjusted Operating Profit Margin[1]	13.8%	15.9%	(2.1%)

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, 2016.
3. Prior year adjustments for discontinued operations: Recasted prior year operating profit decreased $1 million due to timing differences on the recognition of sales made to L&W Supply.

US Gypsum – Second Quarter Wallboard, Surfaces and Substrates

Q2 2017 PROFIT DRIVERS

- Surfaces and Substrates profitability primarily impacted by higher input costs and lower pricing on L&W transition
- July price increases announced for Durock®, Fiberock®, Surfaces products, and tile backers



US GYPSUM – MORE THAN SHEETROCK® WALLBOARD

Q2 2017 RESULTS[1]

US Gypsum Sales (millions)	Q2 2017	Q2 2016	Variance ($)	Variance (%)
US Wallboard	$259	$237	$22	9%
US Surfaces & Substrates	$227	$223	$4	2%

Profit Variance (Q2 2017 vs. Q2 2016)	$
US Wallboard	---
US Surfaces & Substrates	($5)

In Q2 2017, roughly 70% of US Gypsum's gross profit was generated by Wallboard with 30% driven by Surfaces & Substrates products.

1. Freight revenue ($72 million for Q2 2017, $62 million for Q2 2016), other gypsum sales ($24 million net for Q2 2017, $16 million net for Q2 2016) and the impact of discontinued operations ($1 million for Q2 2016) – included in US Gypsum – are not included in the US Wallboard and Surfaces & Substrates sales tables.

Ceilings – Second Quarter

- **Segment adjusted operating margin contracts 470 bps to 19.0%[1] relative to record Q2 2016 quarter**
  - US tile price down low-single digits on a competitive pricing environment
    - June 9, 2017 ceiling tile price increase announcement was effective July 24, 2017
  - Increased US grid costs driven by normalizing steel costs
  - US grid volume down low-single digits on competitive dynamics; US tile volumes essentially flat
  - Canada and Mexico down $3 million on higher input costs and lower demand

Consolidated Ceilings Segment

Q2 2016 Adjusted Operating Profit[1]	$32
US Tile Price	($2)
US Tile Cost	--
US Tile Volume	--
US Grid Price	--
US Grid Cost	($3)
US Grid Volume	($1)
US SG&A	--
Canada and Mexico	($3)
Prior Year Adjustments for Disc Ops[2]	$1
Q2 2017 Adjusted Operating Profit[1]	**$24**

$ Millions	Q2 2017	Q2 2016	Variance
Net Sales	$126	$135	($9)
Operating Profit	$23	$32	($9)
Operating Profit Margin	18.3%	23.7%	(5.4%)
Adjusted Operating Profit[1]	$24	$32	($8)
Adjusted Operating Profit Margin[1]	19.0%	23.7%	(4.7%)

1. See reconciliation to GAAP results in the Appendix.
2. Prior year adjustments for discontinued operations: Recasted prior year operating profit decreased $1 million due to timing differences on the recognition of sales made to L&W Supply.

USG Boral – Second Quarter

TOTAL (100%) USG BORAL JV RESULTS

- Total JV adjusted operating margin contracts 80 bps to 15.0%[1]
- Core results flat from last year
- On a constant-currency basis[2], net sales expand 4% to $285 million from $273 million
- $4 million of incremental withholding tax expense on special intercompany dividend

BUSINESS HIGHLIGHTS

- Plasterboard volumes up low-single digits
- Growth in adjacent products
  - Mineral fiber ceilings up almost 60 percent
- Higher plasterboard costs on uptick in commodity inflation
- $23 million cash dividend paid to USG in second quarter
- Announced plans to build a new plasterboard plant in South India – capital self-funded by JV

Total (100%) USG-Boral JV Results

$ Millions	Q2 2017	Q2 2016	Variance
Total JV Net Sales	$287	$273	$14
Total JV Operating Profit	$40	$41	($1)
Total JV Operating Profit Margin	13.9%	15.0%	(1.1%)
Total JV Adjusted Operating Profit[1]	$43	$43	---
Total JV Adjusted Operating Profit Margin[1]	15.0%	15.8%	(0.8%)
Total JV Net Income	$28	$32	($4)
Total JV Adjusted Net Income[1]	$28	$32	($4)

USG's 50% Portion of USG Boral Results

Q2 2016 USG's Share of Equity Income	$16
Foreign currency[2]	---
Withholding taxes	($2)
Core results	---
Q2 2017 USG's Share of Equity Income	$14

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, 2016.

Consolidated Cash Flow

$ Millions	6 months ended June 30, 2017	6 months ended June 30, 2016
Cash flow from continuing operations (CFFO)	**$129**	**$151**
– CAPEX	**$72**	**$26**
= Free cash flow[1]	**$57**	**$125**
Cash flow provided by other investing activities[2]	**$2**	**$42**
Repurchase of common stock	**($97)**	**---**
Cash flow used for other financing activities[3]	**($29)**	**($141)**
Effect of exchange rate on cash	**$6**	**---**
Discontinued operations	**$5**	**$11**
(Decrease) increase in cash and cash equivalents	**($56)**	**$37**

	June 30, 2017	June 30, 2016
Cash, cash equivalents and marketable securities	$463	$689
Total liquidity[4]	$652	$1,030
Total debt	$1,089	$2,051
Total adjusted net debt[5]	$1,151	$2,155
Leverage ratio[6]	1.8	3.4

1. Non-GAAP metric.
2. Consists primarily of purchases and sales of marketable securities.
3. Consists primarily of issuance and repayment of debt.
4. Prior year amounts have not been recast to exclude discontinued operations.
5. See reconciliation to GAAP results in the Appendix.
6. Net adjusted debt / adjusted EBITDA. See Appendix.

2017 Financial Outlook

- **Input Costs**
  - Expect mid-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, including $70 million for Advanced Manufacturing investments
- **Interest Expense**
  - 2017 net interest expense expected around $65 million
- **Income Taxes**
  - Book taxes expected to be between 31 to 34 percent of 2017 pre-tax profits; no US cash income taxes
  - $1.3 billion US cash tax shield – $0.8 billion of NOL’s and $0.5 billion of tax credits as of Q2 2017
- **Foreign Exchange**
  - Anticipated full year 2017 unfavorable impact to net income of approximately $5 million, subject to currency fluctuations

Management’s expectations as of the date of this presentation.

2017 End-Market Outlook

- **2017 New Residential Starts:** Around 1.2 million from 1.17 million
- **Commercial:** Low-to-mid single digit growth in square footage
- **Repair and Remodel:** Mid-single digit growth
- **2017 USG Ceilings Volumes:** Roughly flat
- **USG's portion of USG Boral 2017 adjusted net income expected to increase in the mid-single digit percentage range**

Management's expectations as of the date of this presentation.

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. In addition, the corporation uses adjusted operating margins 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 2017	Q2 2016	Change ($)	Change (%)
Gypsum adjusted operating profit[1]	$95	$101	($6)	(6%)
Ceilings adjusted operating profit[1]	$24	$32	($8)	(25%)
Adjusted equity income from USG Boral Building Products[1]	$14	$16	($2)	(13%)
Corporate and eliminations adjusted operating loss[1]	($16)	($22)	$6	(27%)
USG Consolidated Adjusted Operating Profit[1]	**$117**	**$127**	**($10)**	**(8%)**
Gypsum DD&A	$26	$27	($1)	(4%)
Ceilings DD&A	$4	$4	---	---
Corporate and eliminations DD&A[2]	$1	$1	---	---
USG Consolidated DD&A	**$31**	**$32**	**($1)**	**(3%)**
Gypsum adjusted EBITDA[1]	$123	$130	($7)	(5%)
Ceilings adjusted EBITDA[1]	$28	$36	($8)	(22%)
USG's share of USG Boral Building Products adjusted EBITDA[1]	$27	$28	($1)	(4%)
Corporate and eliminations adjusted EBITDA[1]	($13)	($14)	$1	(7%)
USG Consolidated Adjusted EBITDA[1]	**$165**	**$180**	**($15)**	**(8%)**

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	Q2 2017	Q2 2016	Change
Reported GAAP Operating Profit (Loss)			
Gypsum	$90	$112	($22)
Ceilings	$23	$32	($9)
Corporate & Eliminations	($17)	($22)	$5
Total	**$96**	**$122**	**($26)**
Adjustments to GAAP Operating Profit (Loss)			
Pension settlement charge (US Gypsum: $5, US Ceilings:$1, Corporate:$1)	$7	---	$7
US Gypsum – Gain on sale of surplus property	---	($11)	$11
Total	**$7**	**($11)**	**$18**
Adjusted Operating Profit (Loss) – Non-GAAP measure			
Gypsum	$95	$101	($6)
Ceilings	$24	$32	($8)
Corporate & Eliminations	($16)	($22)	$6
Other Adjustments			
Adjusted equity income from UBBP[1]	$14	$16	($2)
Total Adjusted Operating Profit – Non-GAAP measure	**$117**	**$127**	**($10)**

1. See reconciliation to GAAP results in the Appendix.

Adjusted Net Income Reconciliation

$ Millions	Q2 2017	Q2 2016
GAAP Net Income	**$36**	**$74**
Loss (income) from discontinued operations, net of tax	**$10**	**($7)**
Loss on debt extinguishment	**$22**	**$2**
Pension settlement charge	**$7**	**---**
Gain on sale of surplus property	**---**	**($11)**
Tax effects of adjustments	**($11)**	**$3**
Adjusted Net Income – Non-GAAP measure	**$64**	**$61**

$ Millions	Q2 2017	Q2 2016
Loss on debt extinguishment	($8)	($1)
Pension settlement charge	($3)	---
Gain on sale of surplus property	---	$4
Total Tax Effects of Adjustments	**($11)**	**$3**

Quarterly Adjusted EBITDA Reconciled To Quarterly Operating Profit

$ Millions	Q2 2017					Q2 2016				
	Gyp	Ceilings	UBBP	Corp/ Elim	Q2 2017	Gyp	Ceilings	UBBP	Corp/ Elim	Q2 2016
GAAP Operating profit/(loss)	$90	$23		($17)	$96	$112	$32		($22)	$122
Interest expense, net				($19)	($19)				($37)	($37)
Other (expense) income, net				($3)	($3)				$2	$2
Income tax expense				($20)	($20)				($34)	($34)
USG's equity income from UBBP			$14		$14			$16		$16
Loss on extinguishment of debt				($22)	($22)				($2)	($2)
(Loss) income from discontinued operations, net				($10)	($10)				$7	$7
Net income attributable to USG					$36					$74
Less: Loss (income) from disc ops, net of tax				$10	$10				($7)	($7)
Add: interest expense, net [1]				$19	$19				$37	$37
Add: income tax expense [1]				$20	$20				$34	$34
Add: depreciation, depletion, and amortization[2]	$26	$4		$1	$31	$27	$4		$1	$32
EBITDA	$116	$27	$14	($41)	$116	$139	$36	$16	($21)	$170
Add: share-based compensation expense[1]				$5	$5				$5	$5
Add: ARO accretion expense	$2	---			$2	$2	---			$2
Add: loss on extinguishment of debt				$22	$22				$2	$2
Subtract: gain on sale of surplus property	---	---	---		---	($11)	---	---		($11)
Add: pension settlement charges	$5	$1		$1	$7	---	---		---	---
Subtract: USG's equity income from UBBP			($14)		($14)			($16)		($16)
Add: USG's share of UBBP Adjusted EBITDA[3]			$27		$27			$28		$28
Adjusted EBITDA	$123	$28	$27	($13)	$165	$130	$36	$28	($14)	$180

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 2017	Q2 2016
Net Sales – GAAP	**$287**	**$273**
Operating Profit – GAAP	**$40**	**$41**
Adjustments: Income from equity method investments owned by UBBP	$5	$4
Adjustments: Operating profit attributable to non-controlling interest, pre-tax	($2)	($2)
Adjusted Operating Profit – Non-GAAP	**$43**	**$43**
Net Income attributable to USG Boral Building Products – GAAP	**$28**	**$32**
Adjustments	---	---
Adjusted Net Income attributable to USG Boral Building Products – Non-GAAP	**$28**	**$32**
USG share of income from equity method investments – GAAP	**$14**	**$16**
Less: Income from equity method investments – other joint ventures	---	---
Equity income from USG Boral Building Products – Non-GAAP	**$14**	**$16**

USG Boral Building Products Adjusted EBITDA Reconciliation

$ Millions	Q2 2017	Q2 2016
GAAP Operating profit	**$40**	**$41**
Income tax expense	($16)	($12)
Income from equity method investments owned by UBBP, net of tax	$5	$4
Other (expense) income	($1)	$1
Net Income	**$28**	**$34**
Less: Net income attributable to non-controlling interest	---	($2)
Net Income attributable to USG Boral Building Products	**$28**	**$32**
Adjustments:	---	---
Adjusted Net Income attributable to USG Boral Building Products	**$28**	**$32**
Add: income tax expense	$16	$12
Add: depreciation, depletion, and amortization	$10	$11
TOTAL USG Boral Building Products Adjusted EBITDA	**$54**	**$55**
USG's share of USG Boral Building Products Adjusted EBITDA	**$27**	**$28**

Adjusted Diluted EPS
Reconciled To GAAP Diluted EPS

	Q2 2017	Q2 2016
Income per average diluted common share – GAAP	**$0.24**	**$0.50**
Adjustments per average diluted common share:		
• Loss (income) from discontinued operations, net of tax	$0.07	($0.04)
• Loss on extinguishment of debt	$0.15	$0.02
• Pension settlement charge	$0.05	---
• Gain on sale of surplus property	---	($0.08)
• Tax effect on adjustments	($0.07)	$0.02
Adjusted earnings per average diluted common share – Non-GAAP	**$0.44**	**$0.42**
Average diluted common shares – GAAP	**146,860,939**	**147,994,032**

Adjusted Debt Reconciled To GAAP Debt

$ Millions	June 30, 2017	June 30, 2016
Total short-term and long-term Debt – GAAP	**$1,089**	**$2,051**
Operating leases	$106	$217
Postretirement benefit obligations	$202	$265
Asset retirement obligations	$76	$79
Accrued interest not included in reported debt	$13	$44
Workers compensation/self insurance	$14	$16
Excess cash[1]	($349)	($517)
Total adjustments[2]	$62	$104
Adjusted Net Debt	**$1,151**	**$2,155**

	TTM 2017	TTM 2016
Adjusted EBITDA	**$643**	**$637**
Leverage Ratio	**1.8**	**3.4**

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. Adjustments for Q2 2016 have not been recast to reflect the disposition of L&W Supply.

TTM = Trailing Twelve Months

Adjusted Operating Profit Rollforward

$ Millions

Adjusted Operating Profit – Three months ended June 30, 2016	**$127**
US Wallboard	---
US Surfaces and Substrates	($5)
US Gypsum Selling and Administrative Expenses	($1)
US Gypsum Q2 2016 Operational Reserve Adjustment	$2
US Ceilings	($6)
USG Boral Adjusted Equity Method Income	($2)
Canada and Mexico	($4)
Foreign Currency	($2)
Corporate	$6
US Gypsum Prior Year Adjustments for Disc Ops	$1
US Ceilings Prior Year Adjustments for Disc Ops	$1
Adjusted Operating Profit – Three months ended June 30, 2017	**$117**

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.