USG CORPORATION
3rd Quarter 2016 Earnings

Conference Call and Webcast
October 25, 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 strategic priorities and near-term focus items and the completion of the sale of L&W Supply to ABC Supply. 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: the expected timeline for completion of the sale of L&W Supply to ABC Supply; the impact on our performance and financial results due to the disposition of L&W Supply, one of our largest customers; 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 3rd Quarter 2016 – AGENDA

OPENING REMARKS	**James S. Metcalf,** *President and Chief Executive Officer*
OVERVIEW AND STRATEGY	**Jennifer F. Scanlon,** *Chief Executive Officer Elect*
FINANCIAL RESULTS AND MARKET OUTLOOK	**Matthew F. Hilzinger,** *Executive VP, Chief Financial Officer*
QUESTIONS	
CLOSING REMARKS	**Jennifer F. Scanlon,** *Chief Executive Officer Elect*

CEO REMARKS

Strategic Priorities[1]

- Maintaining a strong balance sheet
- Rigorous cost management
- Exemplary customer service
- Innovative solutions and product leadership in North America and around the world

Near Term Focus Items[1]

- Ensure a smooth, orderly transition of L&W business to ABC Supply
- Retire our $600 million of callable 2020 and 2021 notes
- Continue to lower the break-even and keep cost structure lean
- Effectively deploy capital - advanced manufacturing and return of capital possibilities

1. Reflects management expectations

Q3 2016 HIGHLIGHTS

- **Adjusted operating profit[1] increases to $127 million from $107 million**
- **Adjusted EBITDA[1] increases to $179 million from $153 million**
- **Adjusted operating margin[2] expansion:**
  - **US Gypsum:** 100 bps improvement to 17.8%
  - **US Ceilings:** 700 bps improvement to 24.6%
  - **USG Boral:** 610 bps improvement to 18.1%
- **Surfaces and Substrates: $5 million of improved profit**
- **Expect full-year SG&A to be under $290 million, excluding L&W**
- **Agreement to sell L&W Supply for $670 million – expected to close on October 31st**
- **L&W presented as a Discontinued Operation**

1. See reconciliation to GAAP results in the Appendix.
2. Adjusted operating margin equals operating margin for US Gypsum and US Ceilings. For USG Boral, see reconciliation to GAAP results on Slide 10.

Q3 2016 CONSOLIDATED FINANCIAL RESULTS

$ Millions (except EPS)	Q3 2016	Q3 2015
Net sales	$767	$747
Gross profit	$181	$169
% of net sales	23.6%	22.6%
SG&A	$74	$75
Impairment charges	$10	—
Operating profit	$97	$94
Net interest expense	$37	$40
Income tax (expense) benefit	($18)	$1
Income from discontinued operations, net of tax	$6	$8
GAAP net income	$62	$76
Diluted EPS	$0.42	$0.52
Income from discontinued operations, net of tax	($6)	($8)
Canadian mining asset impairment and severance charges[1]	$12	—
USG's share of USG Boral impairment charges[2]	$4	—
Loss on debt extinguishment[3]	$1	—
Tax effects of adjustments	($4)	—
Adjusted net income[4]	$69	$68
Adjusted diluted EPS[4]	$0.46	$0.46
OTHER NON-GAAP METRICS:		
Adjusted operating profit[4]	$127	$107
Adjusted EBITDA[4]	$179	$153

1. ($4) million tax in Q3 2016.
2. $0 tax in Q3 2016.
3. $0 tax (rounded) in Q3 2016.
4. See reconciliation to GAAP results in the Appendix.

CURRENCY IMPACT

		Q3 2016 as Reported	At Q3 2015 Rates[2]	Currency Impact
CONSOLIDATED RESULTS	Net sales	$767	$771	($4)
	Adjusted operating profit[1]	$127	$129	($2)
	Adjusted operating profit margin[1]	16.6%	16.7%	(0.1%)
	Adjusted net income[1]	$69	$71	($2)
	Adjusted diluted EPS[1]	$0.46	$0.47	($0.01)
	Adjusted EBITDA[1]	$179	$181	($2)
GYPSUM SEGMENT	Net sales	$635	$639	($4)
	Adjusted operating profit[1]	$101	$104	($3)
	Adjusted operating profit margin[1]	15.9%	16.3%	(0.4%)
CEILINGS SEGMENT	Net sales	$135	$135	—
	Adjusted operating profit[3]	$33	$33	—
	Adjusted operating profit margin[3]	24.4%	24.4%	—
USG BORAL SEGMENT	Net sales	$276	$267	$9
	Adjusted operating profit[1]	$50	$48	$2
	Adjusted operating profit margin[1]	18.1%	18.0%	0.1%
	Adjusted net income[1]	$36	$34	$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 September 30, 2015.
3. Adjusted operating profit and margin equals operating profit and margin, respectively.

GYPSUM

Surfaces and Substrates Drive Margin Expansion

- **Segment adjusted operating margin improves 80 bps to 15.9%**
- **US Gypsum adjusted operating margin[4] improvement of 100 bps to 17.8%**
  - Wallboard pricing down slightly – 1% sequentially and year-over-year
  - Wallboard cost inflation driven by increased paper, synthetic gypsum, and labor costs – offset with lower natural gas costs
  - Wallboard volumes up 1%
- **US Surfaces & Substrates: $5 million of profit improvement on 6% sales growth with strength across our portfolio of products**
- **Improved profitability in Canada and Mexico on lower cost position, improved wallboard pricing**

Consolidated Gypsum Segment

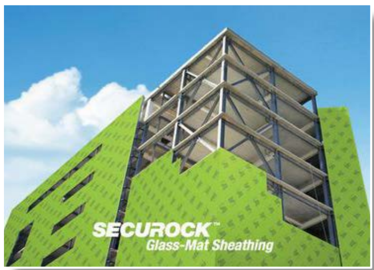
Q3 2015 Adjusted Operating Profit – As Originally Reported[4]	**$89**
Adjustments for Discontinued Operations	$4
Q3 2015 Adjusted Operating Profit[1,3] – As Recasted	**$93**
US Wallboard Price	($2)
US Wallboard Cost	($2)
US Wallboard Volume	$1
US Surfaces & Substrates	$5
US SG&A	$2
US Reserve Adjustments	$3
Canada and Mexico	$4
Foreign Currency[2]	($3)
Q3 2016 Adjusted Operating Profit[1]	**$101**

$ Millions	Q3 2016	Q3 2015[5]	Variance
Net Sales	$635	$617	$18
Operating Profit	$89	$93	($4)
Operating Profit Margin	14.0%	15.1%	(1.1%)
Adjusted Operating Profit[1]	$101	$93	$8
Adjusted Operating Profit Margin	15.9%	15.1%	0.8%

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 September 30, 2015.
3. See slide 13.
4. Adjusted operating profit equals operating profit.
5. Recasted.

US GYPSUM
WALLBOARD, SURFACES AND SUBSTRATES

US GYPSUM – MORE THAN SHEETROCK® WALLBOARD



Surfaces and Substrates: $5 million of profit improvement

- Improved Price: $2 million
- Higher Volumes: $2 million
- Lower Cost: $1 million

Q3 2016 RESULTS[1]

Sales (millions)	Q3 2016	Q3 2015	Variance ($)	Variance (%)
US Wallboard	$237	$237	—	—
US Surfaces & Substrates	$218	$206	$12	6%

Profit Variance (Q3 2016 vs. Q3 2015)	$
US Wallboard	($3)
US Surfaces & Substrates	$5

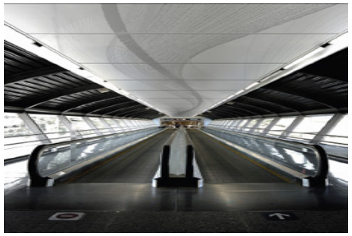
In Q3 2015 and 2016, roughly 65% of US Gypsum's gross profit was generated by Wallboard with 35% driven by Surfaces & Substrates.

1. Freight revenue ($61 million for Q3 2016, $61 million for Q3 2015), other gypsum sales ($18 million net for Q3 2016, $13 million net for Q3 2015) and the impact of discontinued operations ($7 million for Q3 2015) – included in US Gypsum – are not included in the US Wallboard and Surfaces & Substrates tables.

CEILINGS

RECORD OPERATING MARGINS IN CEILINGS

- **Segment adjusted operating margin improves 550 bps to 24.4%[1]**
- **US Ceilings adjusted operating margin[1] improvement of 700 bps to 24.6%**
  - Pricing improvement in both tile and grid products
  - Mix shift continues towards high-end ceilings tiles
  - Significant costs tailwinds in tile products due to lower natural gas and raw materials costs, plus manufacturing efficiencies
  - Flat volumes impacted by mix in tile products and second quarter pre-buy on grid products



CONSOLIDATED CEILINGS SEGMENT

Q3 2015 Adjusted Operating Profit – As Originally Reported[1]	**$24**
Adjustments for Discontinued Operations	$1
Q3 2015 Adjusted Operating Profit[1,2] – As Recasted	**$25**
US Tile & Grid Price	$2
US Tile & Grid Cost	$6
US Tile & Grid Volume	—
US SG&A	$1
Canada and Mexico	($1)
Q3 2016 Adjusted Operating Profit[1]	**$33**

$ Millions	Q3 2016	Q3 2015[3]	Variance
Net Sales	$135	$132	$3
Operating Profit	$33	$25	$8
Adjusted Operating Profit[1]	$33	$25	$8
Adjusted Operating Profit Margin	24.4%	18.9%	5.5%

1. Adjusted operating profit and margin equals operating profit and margin, respectively.
2. See slide 13.
3. Recasted.

USG BORAL

Record Adjusted Operating Margins in USG Boral

TOTAL (100%) USG BORAL JV RESULTS

- **Total JV adjusted operating margin improved 610 bps to 18.1% – highest quarterly adjusted margin since inception of the JV**
- **On a constant-currency basis[2]:**
  - Net sales expand to $267 million from $250 million
  - Adjusted net income increases to $34 million from $24 million

USG's 50% PORTION OF USG BORAL RESULTS

- **USG's Q3 2016 net income driven by $5 million of core results improvement**

BUSINESS HIGHLIGHTS

- **Plasterboard volumes up 6%; plasterboard price up in top countries (Australia, South Korea)**
- **Growth in adjacent products; steel stud volumes up 14%**
- **Continued manufacturing efficiencies and cost tailwinds**

Total (100%) USG-Boral JV Results

$ Millions	Q3 2016	Q3 2015	Variance
Total JV Net Sales	$276	$250	$26
Total JV Operating Profit	$41	$30	$11
Total JV Operating Profit Margin	14.9%	12.0%	2.9%
Asset Impairment Charges	$8	—	$8
Other Adjustments	$1	—	$1
Total JV Adjusted Operating Profit[1]	$50	$30	$20
Total JV Adjusted Operating Profit Margin	18.1%	12.0%	6.1%
Total JV Adjusted Net Income[1]	$36	$24	$12

USG's 50% Portion of USG Boral Results

$ Millions	Q3 2016	Q3 2015	Variance
USG's Adjusted Equity Income from USG Boral[1]	$18	$12	$6

Q3 2015 USG's Share of Adjusted Equity Income[1]	$12
Foreign currency	$1
Core results improvement	$5
Q3 2016 USG's Share of Adjusted Equity Income[1]	$18

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 September 30, 2015.

L&W – DISCONTINUED OPERATIONS

AGREEMENT TO SELL L&W SUPPLY FOR $670 MILLION – EXPECTED TO CLOSE ON OCTOBER 31ST

- **The L&W Supply business is recorded as a discontinued operation – see slides 12 and 13 for additional information**
- **Adjusted operating margin improves 150 bps to 3.6%**
- **Same store sales increase 5%**
- **Wallboard volumes improve by 4%**
- **Net income increases to $9 million from $8 million**

Q3 2015 Adjusted Operating Profit[1]	**$8**
Wallboard Margin and Volume	$2
Other Core Products	$4
Q3 2016 Adjusted Operating Profit[1]	**$14**

$ Millions	Q3 2016	Q3 2015	Variance
Net Sales	$388	$378	$10
Operating Profit[1]	$11	$8	$3
Operating Profit Margin[1]	2.8%	2.1%	0.7%
Transaction Expenses	$3	—	$3
Adjusted Operating Profit	$14	$8	$6
Adjusted Operating Profit Margin	3.6%	2.1%	1.5%
Income Tax Expense	$5	—	$5
Net Income	**$9**	**$8**	**$1**
Transaction Fees and Expenses	($3)	—	($3)
Income from Discontinued Operations	**$6**	**$8**	**($2)**

1. Includes long-term incentive plan expense for both Q3 2016 and Q3 2015.

DISCONTINUED OPERATIONS

INTERCOMPANY ELIMINATIONS

- Sales and profit inter-segment eliminations now reflect only intercompany activity between Gypsum and Ceilings (minimal activity)

GYPSUM AND CEILINGS SEGMENTS

- Revenues – for all periods – now reflect Gypsum and Ceiling sales to L&W ***only to the extent those sales have been sold through by L&W to 3rd parties***. Gypsum and Ceilings sales are lower when L&W builds inventory and higher when reducing inventory.
- Operating profit – for all periods – is recast to reflect this change in the timing of when revenues are recognized

DISCONTINUED OPERATIONS

- Sales stemming from discontinued operations will contain only L&W's revenue for 3rd party (non-USG products) and L&W's incremental spread on sales of USG products
- Income from discontinued operations contains L&W's profit on USG and non-USG product sales

TRANSACTION EXPENSES

- Transaction fees and expenses incurred year-to-date have been recorded in discontinued operations, net of tax

BALANCE SHEET AND CASH FLOW

- L&W collapsed as assets and liabilities related to disc ops separately on the balance sheet
- L&W operating and investing activities collapsed into one line item separately on the cash flow statement

DISCONTINUED OPERATIONS

Q3 2015 Net Sales	Originally Reported	Disc Ops	Recast
Gypsum			
United States	$517	$7	$524
Canada	$79	-	$79
Mexico/Latin America	$46	-	$46
Mining	$2	-	$2
Eliminations	($34)	-	($34)
Total	**$610**	**$7**	**$617**
Ceilings			
United States	$123	$2	$125
Canada	$13	-	$13
Mexico/Latin America	$9	-	$9
Eliminations	($15)	-	($15)
Total	**$130**	**$2**	**$132**
Distribution			
L&W Supply	$378	($378)	-
Eliminations	($146)	$144	($2)
Total USG Corporation	**$972**	**($225)**	**$747**

Q3 2015 Operating Profit (Loss)	Originally Reported	Disc Ops	Recast
Gypsum			
United States	$84	$4	$88
Canada	$3	-	$3
Mexico/Latin America	$3	-	$3
Mining	($1)	-	($1)
Total	**$89**	**$4**	**$93**
Ceilings			
United States	$21	$1	$22
Canada	$1	-	$1
Mexico/Latin America	$2	-	$2
Total	$24	$1	$25
Distribution			
L&W Supply	$9	($9)	-
Corporate	($25)	$1	($24)
Eliminations	$5	($5)	-
Total USG Corporation	**$102**	**($8)**	**$94**

Q3 2016 CONSOLIDATED CASH FLOW

$ Millions

	9 months ended September 30, 2016	9 months ended September 30, 2015
Cash flow from operations (CFFO)	**$285**	**$127**
- CAPEX	**($44)**	**($67)**
= Free cash flow[1]	**$241**	**$60**
Cash flow provided by other investing activities[2]	**$149**	**$70**
Cash flow used for financing activities	**($204)**	**($44)**
Effect of exchange rate on cash	**($3)**	**($7)**
Discontinued operations	**$9**	**$25**
Increase in cash and cash equivalents	**$192**	**$104**

	September 30, 2016	September 30, 2015
Cash and cash equivalents and marketable securities	$736	$453
Total liquidity	$1,073	$788
Total debt	$1,989	$2,188
Total adjusted debt[3]	$2,037	$2,548
Leverage ratio[4]	3.1	4.6

1. Non-GAAP metric.
2. Consists primarily of purchases and sales of marketable securities.
3. See reconciliation to GAAP results in the Appendix.
4. See Appendix.

Outlook

- **2016 End Markets and Fourth Quarter Wallboard Volumes**
  - **2016 New Residential Starts:** Slightly below 1.2 million
  - **Commercial:** Low-to-mid single digit growth
  - **Repair and Remodel:** Mid-single digit growth
  - **Q4 2016 Wallboard Volumes:** Low single digit growth
- **USG Boral**
  - USG's portion of 2016 adjusted net income expected to increase by at least 10%
- **SG&A**
  - Expect full year 2016 SG&A under $290 million
- **Capital Spending**
  - Expect full year 2016 capital spending of around $90 million
- **Income Taxes**
  - Book taxes expected to be between 30 to 33 percent of pre-tax profits
  - No cash income taxes in US; foreign taxes at ~$2 million per quarter
- **Foreign Exchange**
  - Anticipated full year 2016 unfavorable impact to net income of around $16 million

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

	Q3 2016	Q3 2015[4]	Change ($)	Change (%)
Gypsum adjusted operating profit[1]	$101	$93	$8	9%
Ceilings adjusted operating profit[3]	$33	$25	$8	32%
Adjusted equity income from USG Boral Building Products[1]	$18	$12	$6	50%
Equity income from other joint ventures	—	1	($1)	(100%)
Corporate and eliminations adjusted operating loss[1]	($25)	($24)	($1)	(4%)
USG Consolidated Adjusted Operating Profit[1]	**$127**	**$107**	**$20**	**19%**

Gypsum DD&A	$27	$26	$1	4%
Ceilings DD&A	$4	$4	—	—
Corporate and eliminations DD&A[2]	$1	$1	—	—
USG Consolidated DD&A	**$32**	**$31**	**$1**	**4%**

Gypsum adjusted EBITDA[1]	$130	$120	$10	8%
Ceilings adjusted EBITDA[1]	$37	$30	$7	23%
USG's share of USG Boral Building Products adjusted EBITDA[1]	$30	$21	$9	43%
Corporate and eliminations adjusted EBITDA[1]	($18)	($18)	—	—
USG Consolidated Adjusted EBITDA[1]	**$179**	**$153**	**$26**	**17%**

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.
3. Adjusted operating profit equals operating profit.
4. Recasted.

ADJUSTED OPERATING PROFIT RECONCILED TO GAAP OPERATING PROFIT

$ Millions	Q3 2016	Q3 2015	Change	YTD 2016	YTD 2015	Change
Reported GAAP Operating Profit (Loss)						
• Gypsum	$89	$93	($4)	$310	$262	$48
• Ceilings	$33	$25	$8	$93	$70	$23
• Corporate, Other & Eliminations	($25)	($24)	($1)	($68)	($71)	$3
Total	**$97**	**$94**	**$3**	**$335**	**$261**	**$74**
Adjustments to GAAP Operating Profit (Loss)						
• Gypsum – Asset impairment charges	$12	—	$12	$12	—	$12
• Gypsum – GTL (recovery) of receivables	—	—	—	($3)	($1)	($2)
• Gypsum – Gain on sale of surplus property	—	—	—	($11)	—	($11)
Total	**$12**	**—**	**$12**	**($2)**	**($1)**	**($1)**
Adjusted Operating Profit (Loss) – Non-GAAP measure						
• Gypsum	$101	$93	$8	$308	$261	$47
• Ceilings	$33	$25	$8	$93	$70	$23
• Corporate, Other & Eliminations	($25)	($24)	($1)	($68)	($71)	$3
Other Adjustments						
• Adjusted equity income from UBBP[1]	$18	$12	$6	$41	$33	$8
• Equity income from other joint ventures	—	$1	$(1)	—	$2	($2)
Total Adjusted Operating Profit	**$127**	**$107**	**$20**	**$374**	**$295**	**$79**

1. See reconciliation to GAAP results in the Appendix.

ADJUSTED NET INCOME RECONCILED TO GAAP NET INCOME

$ Millions

	Q3 2016	Q3 2015
Net Income – GAAP Measure	**$62**	**$76**
Adjustments:		
• Income from discontinued operations	($6)	($8)
• Mining impairment and severance charges[1]	$12	—
• USG's share of UBBP impairment charges[2]	$4	—
• Loss on extinguishment of debt[3]	$1	—
• Tax effects of adjustments	($4)	—
Adjusted Net Income – Non-GAAP Measure	**$69**	**$68**

1. ($4) million tax in Q3 2016.
2. $0 tax in Q3 2016.
3. $0 tax (rounded) in Q3 2016.

QUARTERLY ADJUSTED EBITDA RECONCILED TO QUARTERLY OPERATING PROFIT

$ Millions

	Q3 2016					Q3 2015				
	Gyp	Ceilings	UBBP	Corp/ Elim	Q3	Gyp	Ceilings	UBBP	Corp/ Elim	Q2
GAAP Operating profit/(loss)	**$89**	**$33**		**($25)**	**$97**	**$93**	**$25**		**($24)**	**$94**
Interest expense, net				($37)	($37)				($40)	($40)
Other income, net				$1	$1				—	—
Income tax benefit (expense)				($18)	($18)				$1	$1
Equity income from UBBP and other JV's				$14	$14				$13	$13
Loss on extinguishment of debt				($1)	($1)				—	—
Income from discontinued operations, net of tax				$6	$6				$8	$8
Net income attributable to USG					**$62**					**$76**
Less: Income from discontinued operations, net of tax				($6)	($6)				($8)	($8)
Add: interest expense, net[1]				$37	$37				$40	$40
Add: income tax (benefit) expense[1]				$18	$18				($1)	($1)
Add: depreciation, depletion, and amortization[2]	$27	$4		$1	$32	$26	$4		$1	$31
EBITDA	**$116**	**$37**		**($10)**	**$143**	**$119**	**$29**		**($10)**	**$138**
Add: share-based compensation expense[1]				$5	$5				$4	$4
Add: ARO accretion expense	$2	—		—	$2	$1	$1		—	$2
Add: loss on extinguishment of debt				$1	$1				—	—
Add: long-lived asset impairment charges	$12	—		—	$12	—	—		—	—
Subtract: Equity income from UBBP and other JV's				($14)	($14)				($12)	($12)
Add: USG's share of UBBP Adjusted EBITDA[3]			$30		$30			$21		$21
Adjusted EBITDA	**$130**	**$37**	**$30**	**($18)**	**$179**	**$120**	**$30**	**$21**	**($18)**	**$153**

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

	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Operating Profit – GAAP	**$41**	**$30**	**$105**	**$87**
Adjustments: Income from equity method investments owned by UBBP	$3	$2	$9	$7
Adjustments: Operating profit attributable to non-controlling interest, pre-tax	($2)	($2)	($6)	($5)
Adjustments: Severance charges	—	—	$1	—
Adjustments: Long-lived asset impairment charges	$8	—	$8	—
Adjusted Operating Profit – Non-GAAP	**$50**	**$30**	**$117**	**$89**
Net Income attributable to USG Boral Building Products – GAAP	**$28**	**$24**	**$74**	**$66**
Adjustments: Severance charge	—	—	$1	—
Adjustments: Long-lived asset impairment charges	$8	—	$8	—
Adjusted Net Income attributable to USG Boral Building Products – Non-GAAP	**$36**	**$24**	**$83**	**$66**
USG share of income from equity method investments – GAAP	**$14**	**$13**	**$37**	**$35**
Less: Income from equity method investments – other joint ventures	—	($1)	—	($2)
Adjustments: USG's share of long-lived asset impairment charges	$4	—	$4	—
Adjusted equity income from USG Boral Building Products – Non-GAAP	**$18**	**$12**	**$41**	**$33**

USG BORAL BUILDING PRODUCTS ADJUSTED EBITDA RECONCILIATION

$ Millions

	Q3 2016	Q3 2015	YTD 2016	YTD 2015
GAAP Operating profit	**$41**	**$30**	**$105**	**$87**
Income tax expense	($13)	($7)	($34)	($23)
Income from equity method investments owned by UBBP	$3	$2	$9	$7
Other income (expense)	($2)	—	($2)	—
Net Income	**$29**	**$25**	**$78**	**$71**
Net income attributable to non-controlling interest	($1)	($1)	($4)	($5)
Net Income attributable to USG Boral Building Products	**$28**	**$24**	**$74**	**$66**
Adjustments: Severance	—	—	$1	—
Adjustments: Long-lived asset impairment charges, net of tax	$8	—	$8	—
Adjusted Net Income attributable to USG Boral Building Products	**$36**	**$24**	**$83**	**$66**
Add: interest expense/(income), net	—	—	—	—
Add: income tax expense	$13	$7	$34	$23
Add: depreciation, depletion, and amortization	$11	$11	$33	$32
TOTAL USG Boral Building Products Adjusted EBITDA	**$60**	**$42**	**$150**	**$121**
USG's share of USG Boral Building Products Adjusted EBITDA	**$30**	**$21**	**$75**	**$61**

ADJUSTED DILUTED EPS RECONCILED TO GAAP DILUTED EPS

	Q3 2016	Q3 2015
Income per average diluted common share – GAAP	**$0.42**	**$0.52**
Adjustments per average diluted common share:		
• Long-lived asset impairment charges	$0.08	—
• Income from discontinued operations	($0.04)	($0.06)
• Loss on extinguishment of debt	$0.01	—
• USG's share of UBBP impairment charges	$0.03	—
• Tax effects of adjustment	($0.04)	—
Adjusted earnings per adjusted average diluted common share – Non-GAAP	**$0.46**	**$0.46**
Average diluted common shares – GAAP	**148,387,637**	**147,534,779**
Adjustment to remove common shares that would be antidilutive based on adjusted net income	—	—
Adjusted average diluted common shares – Non-GAAP	**148,387,637**	**147,534,779**

ADJUSTED DEBT RECONCILED TO GAAP DEBT

$ Millions

	September 30, 2016	September 30, 2015
Total short-term and long-term Debt – GAAP	**$1,989**	**$2,188**
Operating leases	$217	$237
Postretirement benefit obligations	$265	$333
Asset retirement obligations	$73	$78
Accrued interest not included in reported debt	$31	$36
Workers compensation/self insurance	$16	$14
Excess cash[1]	($554)	($338)
Total adjustments[2]	$48	$360
Adjusted Debt	$2,037	$2,548

	TTM Q3 2016	TTM Q3 2015
Adjusted EBITDA	**$659[3]**	**$551[4]**
Leverage Ratio	**3.1**	**4.6**

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.
3. Excludes L&W adjusted EBITDA of $18 million in Q2 2016, $14 million in Q1 2016, and $8 million in Q4 2015.
4. Excludes L&W adjusted EBITDA of $12 million in Q3 2015, $12 million in Q2 2015, $7 million in Q1 2015, and $9 million in Q4 2014.

TTM = Trailing twelve months

ADJUSTED OPERATING PROFIT ROLLFORWARD

$ Millions

Adjusted Operating Profit – Three months ended September 30, 2015	$107
US Wallboard	($3)
US Surfaces and Substrates	$5
US Gypsum Selling, General, and Administrative Expenses	$2
US Gypsum Reserve Adjustments	$3
US Ceilings	$8
US Ceilings Selling, General, and Administrative Expenses	$1
USG Boral Adjusted Equity Method Income	$6
Income from Other Equity Method Investments	($1)
Corporate and Eliminations	($1)
Adjusted Operating Profit – Three months ended September 30, 2016	**$127**

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.