USG Corporation

Investor Presentation

September 2018

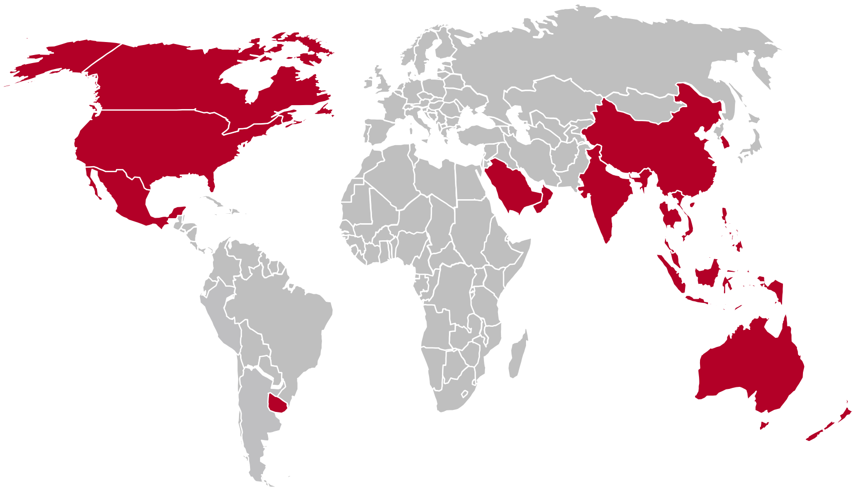
Safe Harbor

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, statements regarding the opportunity for significant market penetration and expected share gain in large addressable markets, margin expansion, and the proposed merger with Knauf (the “proposed transaction”), including expected timing, completion and effects of the proposed transaction. In some cases, forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words “expect,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “may,” “will be,” “will continue,” “will likely result” and similar expressions. Actual business, market or other conditions may differ materially from management’s expectations and, accordingly, may affect our sales and profitability, liquidity and future value. 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. Among the risks, contingencies and uncertainties that could cause actual results to differ from those described in the forward-looking statements or could result in the failure of the proposed transaction to be completed are the following: the failure to obtain necessary regulatory or other governmental approvals for the proposed transaction, or if obtained, the possibility of being subjected to conditions that could result in a material delay in, or the abandonment of, the proposed transaction or otherwise have an adverse effect on the Company; continued availability of financing or alternatives for the financing provided in the debt commitment letter; the failure to satisfy required closing conditions; the potential impact on the UBBP joint venture in the event the proposed transaction is not completed, including that, in connection with the execution of the merger agreement, Boral Limited exercised its option to acquire the Company’s ownership of the UBBP joint venture; the risk that the proposed transaction may not be completed in the expected timeframe, or at all; the effect of restrictions placed on the Company and its subsidiaries’ ability to operate their businesses under the merger agreement, including the Company’s ability to pursue alternatives to the proposed transaction; the risk of disruption resulting from the proposed transaction, including the diversion of the Company’s resources and management’s attention from ongoing business operations; the effect of the announcement of the proposed transaction on the Company’s ability to retain and hire key employees; the effect of the announcement of the proposed transaction on the Company’s business relationships, results of operations, financial condition, the market price of the Company’s common stock and businesses generally; the risk of negative reactions from investors, employees, suppliers and customers; the outcome of legal proceedings that have been instituted against the Company related to the proposed transaction and any additional proceedings that may be instituted in the future; the amount of the costs, fees, expenses and charges related to the proposed transaction; and the occurrence of any event giving rise to the right of a party to terminate the merger agreement. Information describing other risks and uncertainties affecting the Company that could cause actual results to differ materially from those in forward-looking statements may be found in our filings with the U.S. Securities and Exchange Commission (the “SEC”), including, but not limited to, the “Risk Factors” in our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q.

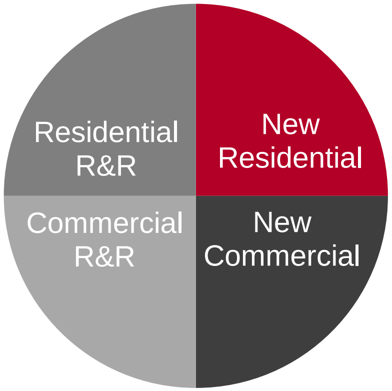
USG Profile

FOUNDED: 1902
NYSE: USG
LISTED: 1931

- **Industry leader; 2017 sales of $3.2 billion[1]**
- **Over 75 production facilities**
- **Diverse footprint with sales and operations in over 20 countries**
- **#1 or #2 in all businesses:**
  - **Ceilings –** Acoustical tile and ceiling suspension systems with architecturally recognized brands
  - **Gypsum –** Industry leading USG Sheetrock® brand gypsum wallboard portfolio and Surfaces portfolio
  - **Performance Materials** – Division highlights growth potential with #1 share positions in a number of products
  - **USG Boral –** 50/50 joint venture with market leading position and sales of $1.2 billion in Asia, Australasia, and the Middle East[1] as of CY 2017



End Market Opportunity[2]



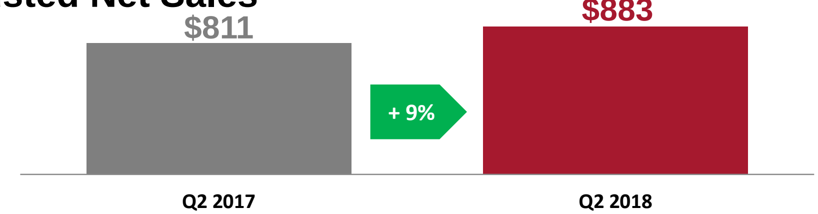
1. USG Boral is a 50/50 joint venture and its sales are not consolidated.
2. Estimated.

Business Overview

Q2 2018 Highlights

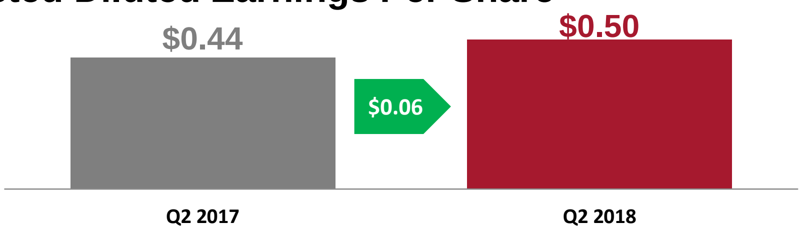
Q2 2018 Financial Results

Adjusted Net Sales[1]



Adjusted Operating Profit[1]

Adjusted Diluted Earnings Per Share[1]



Segment Adjusted Operating Margins[1]

U.S. Wallboard & Surfaces	↓ 290 bps	→	13.3%
U.S. Performance Materials	↓ 610 bps	→	1.9%
U.S. Ceilings	↓ 50 bps	→	19.0%
USG Boral	↓ 360 bps	→	11.4%

Top Line Improvement Offset by Inflation

- U.S. Wallboard price increases 2% year over year across all channels
- U.S. Wallboard volumes increase 2% year over year due to improvement across the big box channel
- U.S. Surfaces profitability impacted by elevated resin spot prices
- U.S. Performance Materials continues strategic investments to lower cost position and accelerate adoption of new products while combatting cost inflation
- U.S. Ceilings adjusted net sales[1] increase nearly 20%:
  - Price and volume improvement across grid and tile
  - USG Ceilings Plus contributes half the increase
- USG Boral equity income decreases $2 million due to higher input costs and SG&A expenses

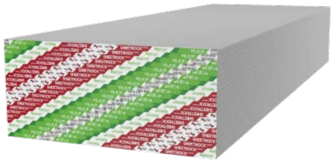
1. See reconciliation to GAAP results in the Appendix.

U.S. Wallboard & Surfaces

- **U.S. leader - #1 or #2 market share across all core products**
- **Revolutionized the industry with the introduction of UltraLight building products**
- **Modern network of high speed plants**
- **Our Lean Six Sigma efforts have enabled us to lower our breakeven to ~18BSF**

WALLBOARD

- Sheetrock® is the most recognized, trusted and specified wallboard brand in the world
- Best in class performance and easier to install
- Commands a price premium relative to all competing wallboard brands
- Largest portfolio of lightweight wallboard for use in commercial & residential buildings
- Launched USG Sheetrock® brand EcoSmart Panels in 2017, which is industry's first architecturally specifiable wallboard and is up to 22% less weight



SURFACES

- Key products: Joint Compound, Corner Bead, Joint Tape, Plaster
- Surfaces sales growth of 3% in 2017
- Product adjacencies create growth opportunities and diversifies earnings

U.S. Performance Materials

- **Division formed to highlight growth potential**
- **Products offer superior solutions to solve industry’s largest challenges including job site efficiency, sustainability and high performing solutions**
- **Opportunity for significant market penetration in large addressable markets.**

OVERVIEW

- Mix of well established contractor preferred products and recently launched products that are disruptive to modern building practices
- Expect to gain substantial share in new channels with large addressable markets
- Margins expected to expand with scale, price improvement and operational efficiency including Advanced Manufacturing benefits


PRODUCT CATEGORIES

- Leading brands including Durock™, Levelrock®, and Securock®
- Underlayment product category is responsible for approximately 75%[1] of sales
- Products are sold through a best in class distribution network
- Technology offered in many of the products is patent protected


1. Rounded approximations based on historical costs – management estimates based on the date of this presentation.

U.S. Ceilings

Tile, Grid, Specialty

- **#2 position with estimated 30-35% market leadership in consolidated industry with leading brands**
- **Used primarily in commercial applications**
- **Full ceiling tile and grid product portfolio**
- **Solutions focused on acoustic performance, sustainability, and aesthetics**

EXCLUSIVE DISTRIBUTION, SPECIFIED PRODUCTS

- Vast majority of ceilings distributors carry one brand exclusively for effective product promotion – ceilings distributors often carry wallboard products as well
- Architects are in control of ceiling product specifications – relationships with architects are key
- R&R business often awarded to the legacy ceilings system producer – more than half of the ceilings opportunity is currently R&R

HIGH PERFORMANCE CEILINGS

- Durable trend towards increased specification of higher performing – and higher margin – ceiling tile
- Commitment to innovation fueling the continued introduction of ceiling tile with better light reflexivity, sound absorption, and a smooth aesthetic
- Acquisition of Ceilings Plus™ in November 2017 expanded our presence in attractive, fast-growing segment of the Ceilings market.

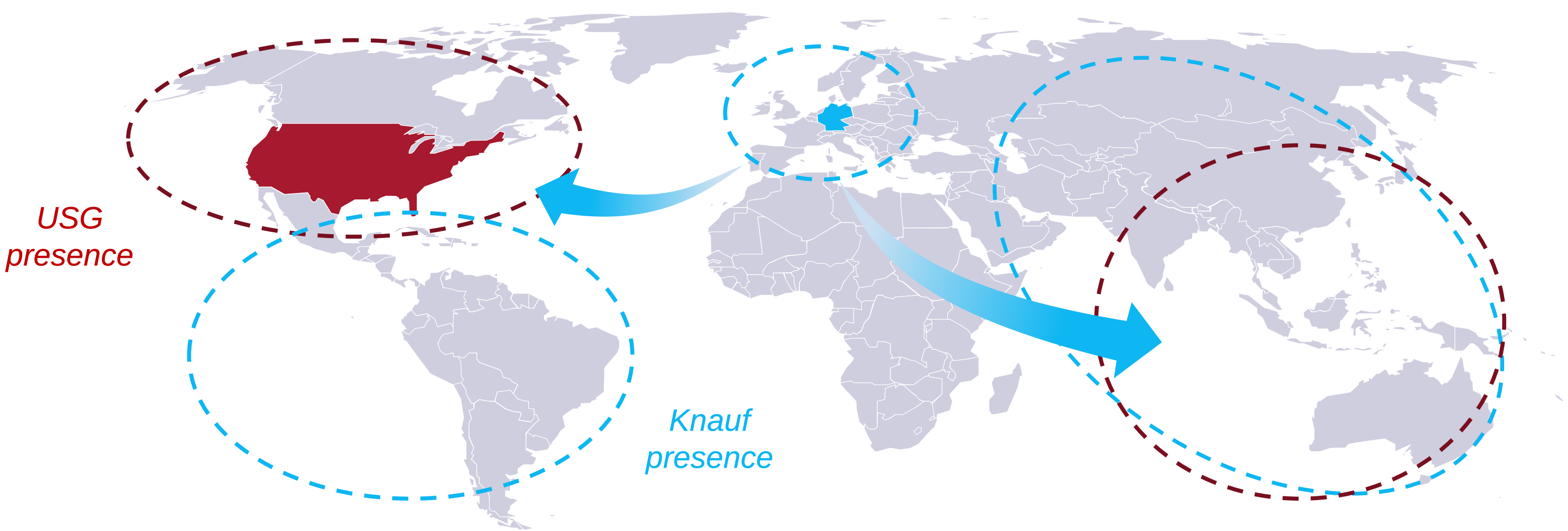
Pending Knauf – USG Acquisition

Pending Knauf-USG Acquisition

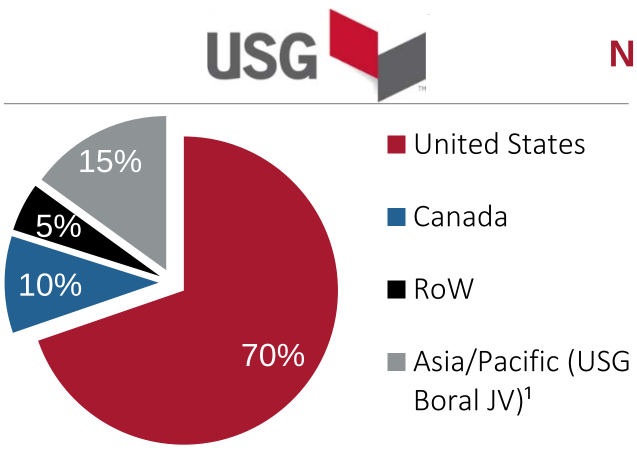
TIMELINE	• Deal was announced on June 11th • Transaction is expected to close in early 2019, subject to regulatory approvals and other customer closing conditions
TRANSITION	• Until the deal closes, Knauf and USG will operate as two completely independent companies • Business as usual with USG until the close of the deal and we do not expect significant changes subsequent to the closing of the deal
COMBINED COMPANY	• Combined company is expected to be a global building materials industry leader that will maximize Knauf and USG's highly complementary businesses, products and global footprint to better meet our customer's needs • Knauf admires USG's strong brands, leading market positions in North America and its employees
BENEFITS	• Following the close of the transaction, it is anticipated that USG will continue to be managed locally in the U.S. • Knauf intends to maintain USG's existing corporate headquarters in Chicago and its facilities in North America. • Knauf has committed to making significant longer term investments in USG's operations throughout the cycle focused on lowering our cost position to benefit USG's customers.
LATEST UPDATE	• USG stockholders approved the proposal to adopt the merger agreement at the September 26th stockholder special meeting • All regulatory filings have been made and request for early termination of the HSR waiting period was received in July 2018

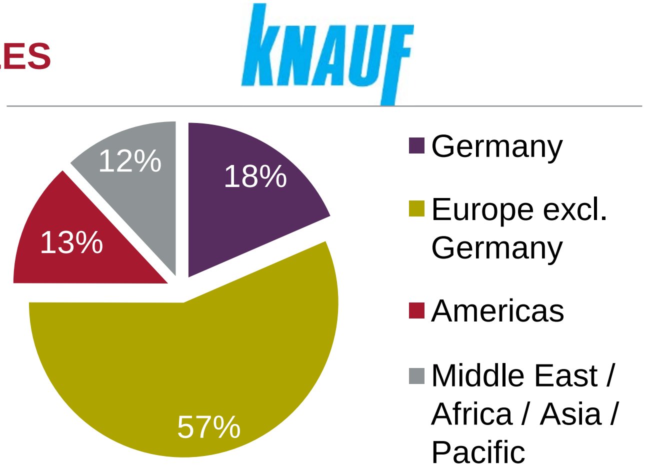
Combination Expected to Result in Global Building Products Leader

Global Building Products Leader



NET SALES



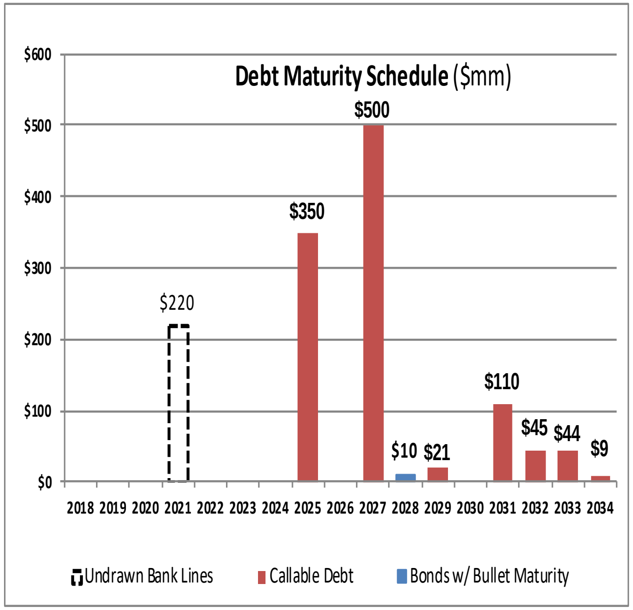


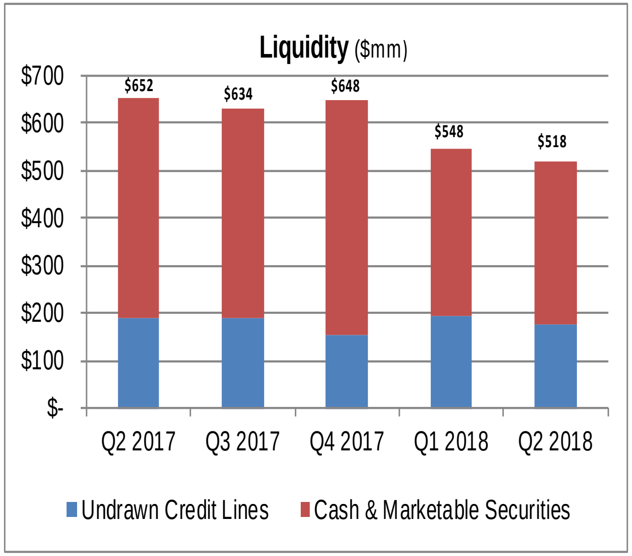
Source: Public filings, company presentations, Knauf's first proposal letter dated 28-Nov-2017
Note: USG based on 2017 revenues. Knauf based on 2016 revenues.
1. Share in USG Boral JV (50% of USG Boral's net sales). Not consolidated in USG's financial statements.

Optimized Capital Structure

USG Capitalization as of June 30, 2018	MM$	% of Cap.
US$ 220 Credit Facility (due 2021)	$ -	0.0%
Total Secured Debt	**$ -**	**0.0%**
4.875% Sr. Notes (due 2027 - callable in 2022)	$ 500	4.9%
5.50% Sr. Notes (due 2025 - callable in 2020)	$ 350	4.9%
Industrial Revenue Bonds (due 2028 to 2034)	$ 239	3.4%
Total Unsecured Debt	**$ 1,089**	**13.2%**
Total Debt	**$ 1,089**	**15.3%**
Market Value of Equity	**$ 6,017**	**84.7%**
Total Capitalization	**$ 7,106**	**100%**

Credit Ratings as of June 30, 2018	S&P	Moody's	Fitch
Corporate/Family Rating	BB+	Ba1	BB+
Outlook	Stable	Stable	Stable
Guaranteed Notes	BB+	Ba1	BB+
All Other Bonds	BB+	Ba2	BB+





- Reduced debt by $1.2B since 2013; No debt maturities before 2025
- $518M of liquidity as of June 30, 2018
- $0.9B U.S. federal cash tax shield due to NOLs and foreign tax credits as of June 30, 2018
- Senior Notes have a mandatory redemption offer at 101% plus accrued and unpaid interest upon change in control
- Fair value of debt was $1.115 billion as of June 30, 2018

Knauf - USG Financing: Facility A & B

Criteria	Facility A	Facility B
Commentary	• Low cost capital • No ratings / disclosure requirements • Financial flexibility (5yr maturity) • Annual principal repayments of $160M • Financial covenants	• Low cost capital – back-stop financing (Sr. Notes) • No ratings / disclosure requirements • Short duration / bullet payment • Financial covenants
Amount	$800 million	$858.5 million (includes 101 CoC for Sr. Notes)
Interest Rate	Libor + 125 bps, margin based on leverage: >3.0x 165 bps 2.5-<3.0x 125 bps 2.0-<2.5x 100 bps <2.0x 90 bps	Libor + 75 bps (with 20 bps quarterly increase)
Duration	5 years after the earlier of (i) the date of the first utilization under Facility A and (ii) September 30, 2018	1 year post close + two 6 month extensions
Mandatory Repayments	$160M/yr (20% of principal)	No (bullet repayment)
Covenants	Guarantor Coverage: >80% EBITDA (Initial Guarantors: Primary U.S. Operating entities) Net Leverage: <3.5x	Same as Facility A
Ratings	Not Required	Same as Facility A
Disclosure	Financial statements, but no MD&A Annual meeting/presentation to lenders Annual delivery of budget	Same as Facility A
Lead Arrangers	Commerzbank & UniCredit Bank	Same as Facility A

Appendix

Non-GAAP Financial Measures

In this presentation, the company'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 company presents the non-GAAP financial measures: adjusted operating profit, adjusted operating margins, adjusted net sales, adjusted average diluted common shares and adjusted earnings per diluted share, 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 company'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 company's core operating results. Adjusted operating profit on a consolidated basis includes the equity income from USG Boral because management views USG Boral as an important business. In addition, the company uses adjusted operating profit and adjusted operating margins 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 company's use of non-GAAP financial measures, and the reconciliations to the nearest GAAP measures, see the Appendix.

GAAP Net Sales Reconciled to Adjusted Net Sales

$ Millions	Q2 2018	Q2 2017	Change
Reported GAAP Net Sales			
• U.S. Wallboard and Surfaces	$512	$482	$30
• U.S. Performance Materials	$105	$100	$5
• U.S. Ceilings	$139	$118	$21
• Canada	$121	$104	$17
• Other	$65	$59	$6
• Eliminations	($62)	($52)	($10)
Total	**$880**	**$811**	**$69**
Adjustments to Net Sales			
• U.S. Ceilings – Non-cash purchase accounting amortization	$3	—	$3
Total	**$3**	**—**	**$3**
Adjusted Net Sales – Non-GAAP measure			
• U.S. Wallboard and Surfaces	$512	$482	$30
• U.S. Performance Materials	$105	$100	$5
• U.S. Ceilings	$142	$118	$24
• Canada	$121	$104	$17
• Other	$65	$59	$6
• Eliminations	($62)	($52)	($10)
Total Adjusted Net Sales	**$883**	**$811**	**$72**

GAAP Operating Profit Reconciled to Adjusted Operating Profit

$ Millions	Q2 2018	Q2 2017	Change
Reported GAAP Operating Profit (Loss)			
• U.S. Wallboard and Surfaces	$81	$78	$3
• U.S. Performance Materials	($6)	$8	($14)
• U.S. Ceilings	$23	$23	—
• Canada	$8	$2	$6
• Other	$4	$1	$3
• Corporate & Eliminations	($35)	($17)	($18)
Total	**$75**	**$95**	**($20)**
Adjustments to GAAP Operating Profit (Loss)			
• U.S. Wallboard and Surfaces – Gain on sale of surplus property	($13)	—	($13)
• U.S. Performance Materials – Loss on contract termination	$8	—	$8
• U.S. Ceilings – Integration & realignment costs	$1	—	$1
• U.S. Ceilings – Non-cash purchase accounting amortization	$3	—	$3
• Corporate & Eliminations – Integration & realignment costs	$2	—	$2
• Corporate & Eliminations – Knauf merger related Costs	$8	—	$8
Total	**$9**	**—**	**$9**
Adjusted Operating Profit (Loss) – Non-GAAP measure			
• U.S. Wallboard and Surfaces	$68	$78	($10)
• U.S. Performance Materials	$2	$8	($6)
• U.S. Ceilings	$27	$23	$4
• Canada	$8	$2	$6
• Other	$4	$1	$3
• Corporate & Eliminations	($25)	($17)	($8)
Other Adjustments			
• Equity income from UBBP	$12	$14	($2)
Total Adjusted Operating Profit	**$96**	**$109**	**($13)**

Adjusted Financial Results for USG Boral Buildings Products

$ Millions	Q2 2018	Q2 2017
Net Sales – GAAP	**$297**	**$287**
Operating Profit – GAAP	**$31**	**$40**
Adjustments: Income from equity method investments owned by UBBP	$4	$5
Adjustments: Operating profit attributable to non-controlling interest, pre-tax	($1)	($2)
Adjusted Operating Profit – Non-GAAP	**$34**	**$43**

GAAP Diluted EPS Reconciled to Adjusted Diluted EPS

	Q2 2018	Q2 2017
Income per average diluted common share – GAAP	**$0.41**	**$0.24**
Adjustments per average diluted common share:		
• Loss from discontinued operations	—	$0.07
• Knauf merger related costs	$0.06	—
• Gain on sale of surplus property	($0.09)	—
• Loss on contract termination	$0.06	—
• Integration & realignment costs	$0.01	—
• Loss on sale of joint venture	$0.06	—
• Non-cash purchase accounting amortization	$0.01	—
• Pension settlement charge	—	$0.05
• Loss on extinguishment of debt	—	$0.15
• Tax effect on adjustments	($0.02)	($0.07)
Adjusted earnings per adjusted average diluted common share – Non-GAAP	**$0.50**	**$0.44**
Average diluted common shares – GAAP	**140,879,921**	**146,860,939**
Adjustment to add common shares that would be dilutive based on adjusted net income	—	—
Adjusted Average diluted common shares – Non-GAAP	**140,879,921**	**146,860,939**

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 a definition that does 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, and therefore 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 provisions 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 the Board determines that these provisions are no longer necessary for the preservation of tax benefits.

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.