



# PPG Industries, Inc.

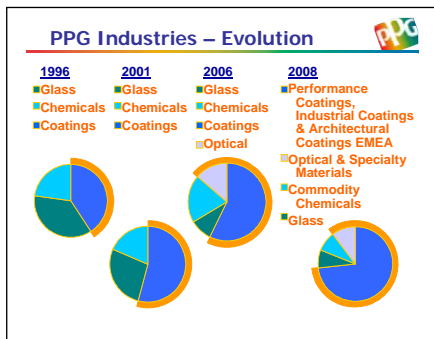
Comments by: William H. Hernandez, Senior Vice President, Finance  
As presented to the Lehman Industrial Select Conference, February 12, 2008

Thanks, Sergey. Good morning everyone and thank you for your interest in PPG Industries. My name is Bill Hernandez and I am PPG's Chief Financial Officer. As Sergey said this is our fifth consecutive year of presenting at this conference and we consider it the best conference of the year.



## Agenda

Today I will discuss PPG's evolution. Those of you who have followed us for some time know that our story over the past 18 months has been very exciting. I will show you a little later how several of the decisive strategic actions we have taken over this time significantly changed our overall portfolio and our geographic sales mix. These actions, combined with our continued organic growth, have allowed us to greatly accelerate the transformation of the company. But, before I get too far ahead of myself, let me give you a quick overview of PPG and its businesses.



## PPG's Evolution

PPG is a leading coatings, optical products and specialty materials, commodity chemicals and glass company. We have been in the coatings, glass and chemical industries for well over 100 years. But, beginning in the mid-1990s, we modified the

company's strategy to shift more focus on coatings and optical products. We made this shift because coatings and optical provided us with greater financial consistency, higher margins and better growth opportunities. At the time, our coatings and glass businesses were roughly the same size, each about 40 percent of our total portfolio, and chemicals represented the remaining 20 percent.

We completed about 20 coatings acquisitions in the late 1990s and, at that time, also divested our European and Asian glass operations. As a result, by 2001 coatings represented over half of our portfolio. This change allowed us, over the next several years, to greatly accelerate our organic growth and broaden our global footprint.

As a result, by 2006 our sales reached \$11B, about 50 percent higher than the 1996 figure a decade earlier, driven by a doubling of our coatings sales. Also, of equal importance, is that our Optical and Specialty Materials businesses had grown into a meaningful portion of the company. In 2006 we completed about a dozen additional bolt-on acquisitions in our core segments of coatings and optical. By the end of 2006, this core of our company had grown and accounted for two-thirds of the company. This was certainly a transformation from where we had begun in 1996.

However, as we will discuss today, in 2007 we further accelerated this transformation. First, due to the sheer size of the coatings businesses, we decided to break these businesses into multiple segments. Next, we experienced our best organic growth in several years driven by our core businesses. Also, we modified our business portfolio by either divesting or currently putting some non-core businesses up for sale. Finally, we capped off a milestone year by announcing the largest acquisition in the company's history, the acquisition of the SigmaKalon coatings company. I'll discuss these actions in more detail a bit later.

As a result of these strategic actions, our core of coatings and optical now accounts for over 80 percent of our total company, with our total sales next year about double the 1996 level. Equally impressive is that sales for just the coatings and optical segments combined in 2008 will easily exceed the company's total sales level of just two years ago. So as you can see, we truly accelerated our transformation.

**Agenda**

- ❖ Opening Remarks
- ❖ Financial Review
- ❖ PPG Business Portfolio
- ❖ Strategic Progress
- ❖ Questions

## Agenda

A little later on, we will discuss in further detail this transformation and our portfolio changes, and provide some additional color on some of our individual business units. Before doing that, let me recap our strong 2007 financial results.

## PPG 2007 Financials (Sales and Earnings)

Simply stated, 2007 was an excellent year for the company as we grew sales and earnings by double-digit percentages. Sales grew by 14 percent supported by combined growth in coatings and optical products of about 17 percent. This marked the six consecutive year of record sales for the company and our core businesses have averaged a 10 percent compound average growth rate over that time period. Additionally, although it is not displayed here, our geographic growth and relating diversity was excellent

with strong growth in all regions of the world.

Just as important, our earnings per share eclipsed the \$5.00 mark for the first time as growth in earnings was fueled by our strong organic volume gains and the performance of our 2006 acquisitions.

**Business Segment Sales**

	Sales			Earnings		
	2007	2006	% Chg	2007	2006	% Chg
Performance Coatings	\$ 3,811	\$3,088	23%	\$ 560	\$ 514	10%
Industrial Coatings	3,646	3,236	13%	370	349	6%
Optical & Specialty Mtls.	1,029	904	14%	236	217	8%
Commodity Chemicals	1,539	1,483	4%	243	285	-15%
Glass	1,181	1,150	3%	90	99	-9%
<b>TOTAL</b>	<b>\$11,206</b>	<b>\$9,861</b>	<b>14%</b>	<b>\$1,501</b>	<b>\$1,464</b>	<b>3%</b>

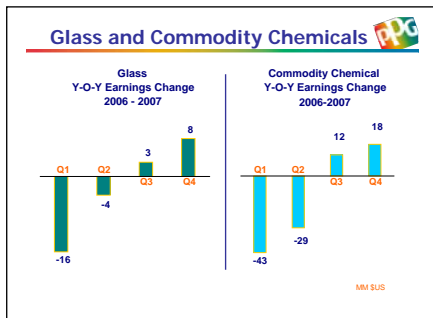
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All-Time Record Sales and Earnings

## Business Segment Sales

Displayed here are our segment sales and earnings. As you can see, we have very strong and consistent growth in both coatings and optical. Sales records were achieved in every one of the six coatings business units and also in our optical products business, and combined earnings growth in these three segments are almost double-digit percentages.

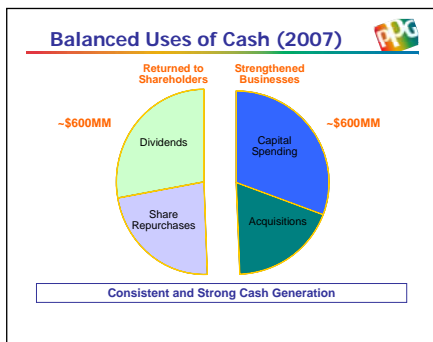
This is certainly a testament to the resilience and strength of these businesses when considering the economic backdrop this past year.



### Glass and Commodity Chemicals Year-over-Year Earnings change

Meanwhile, earnings in both commodity chemical and glass businesses did decline slightly year-over-year. However, of significance is that the trend for both these businesses improved throughout the year. Also of note is the commodity chemical business pricing has been relatively stable for the past eighteen months, and a strong export market continues to aid

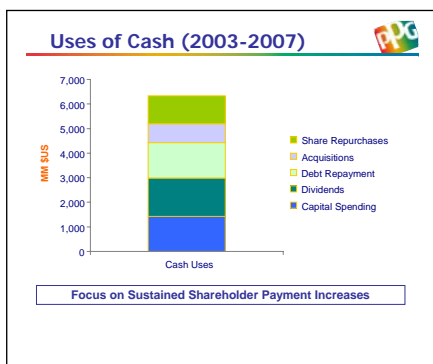
the business. Our glass segment improved on the heels of better fiber glass results, due in part to our efforts to continually improve our manufacturing costs and a stronger overall market for some of our products.



### Balanced Uses of Cash

One of PPG's heritages is to consistently generate cash and utilize that cash in a balanced manner with the ultimate objective of growing shareholder payments. As a matter of fact, Sergey once called PPG a "cash generating machine." In 2007, we once again generated about \$1 billion in cash from operations. We have averaged \$1 billion in cash from operations for over a decade, demonstrating our consistency in delivering on this financial metric.

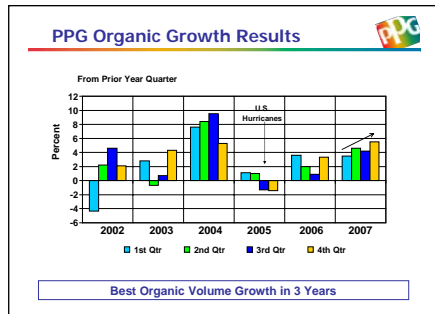
Our cash uses for 2007 were very balanced between growing our businesses and returning cash to shareholders. We spent just about \$600 million on both organic capital spending and on a few coatings acquisitions during the year. We also spent approximately \$600 million on dividends and share repurchases. We have a long legacy of paying dividends and in 2007, we raised our dividend twice representing the 36<sup>th</sup> consecutive year we increased shareholder payments, and we are one of only a handful of companies that has paid annual dividends since the 1800's. Also, we more than just offset dilution as we have reduced our share count by over 20% in the past twenty years.



### Use of cash (2003-2007)

Now over the past five years we have generated over \$6 billion dollars in cash, and we are equally balanced as we spent about \$1.5 billion each on organic capital spending, on dividends and on debt repayment. And while not displayed here since it counts as a reduction of cash from operations, we contributed about \$400 million to our pension plans. Next, we spent approximately \$750 million on acquisitions and used the remainder of about \$1.1 billion to repurchase stock.

We believe this balanced approach allows us to grow long-term shareholder payments by addressing many growth avenues, rather than placing all our eggs in one or two baskets.



## PPG Organic Growth Results

Now let me conclude our financial discussion with a chart that, in my mind, truly depicts how well we performed in 2007. As many of you know, the overall economy slowed as the year progressed, with the fourth quarter the slowest period of all. As I mentioned, our strong financial performance was the result of our volume growth.

This chart depicts our organic volume growth for the past several years. Our volumes accelerated throughout the year with the fourth quarter and full year 2007 our best volume growth in the past three years. This improvement was a direct result of the actions we have taken, particularly our focus on continuing to expand in emerging regions, solid performance by several of our businesses which outpaced their industries, and also strong gains in several businesses that remain positioned for excellent growth.

**Agenda**

- ❖ Opening Remarks
- ❖ Financial Review
- ❖ PPG Business Portfolio
- ❖ Strategic Progress
- ❖ Questions

## Agenda (Portfolio of Businesses)

Now, I will discuss some of these outstanding business unit performances individually as I quickly review highlights of PPG's portfolio of businesses.

## PPG Business Portfolio

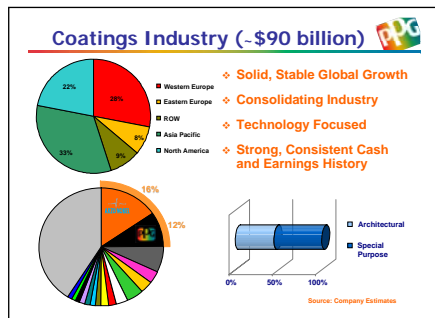
In 2008, PPG has expanded to 13 business units which are housed under six business segments. Versus last year, we added an Architectural Coatings EMEA segment, which consists of the primary businesses we acquired with SigmaKalon. The acronym EMEA stands for Europe, Middle East and Africa, and represents the vast geographic coverage of this decorative paint business.

**PPG Business Portfolio**

- ❖ Performance Coatings
  - > Aerospace
  - > Architectural
  - > Automotive Refinish
  - > Protective & Marine
- ❖ Industrial Coatings
  - > Automotive OEM
  - > Industrial
  - > Packaging
- ❖ Architectural Coatings EMEA
- ❖ Optical & Specialty Materials
  - > Optical Products
  - > Silicas / Teslin synthetic printing sheet
- ❖ Commodity Chemicals
  - > Chlor-Alkali & Derivatives
- ❖ Glass
  - > Performance Glazings
  - > Fiber Glass

We also added the business unit Protective and Marine Coatings, under the Performance Coatings segment. With the SigmaKalon acquisition, we are now the second largest global player in this rapidly growing end-market.

All-in-all, our core businesses of coatings and optical constitute four of the six segments, and, once again, represent over 80 percent of the total company.



## Coatings Industry

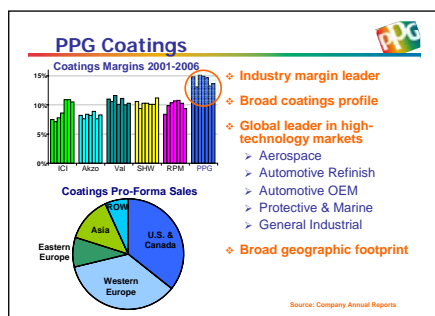
Before we discuss some specifics regarding each business segment, let me take a step back and discuss the overall coatings industry and why we find it attractive. First, this is a very large industry with the total global industry sales now approaching \$90 billion, up from \$75 billion at the turn of the decade. This places coatings as one of the largest specialty chemical businesses globally.

As a result of our acquisition of SigmaKalon, along with Akzo-Nobel's acquisition of ICI, there are now clear market leaders. However, PPG and Akzo combined, still have less than 30 percent market share, and the top 10 or so companies have only about one half of the market.

While consolidation of this industry has begun, there are still many opportunities. We believe the consolidation process will continue as more and more customers demand higher technological products and global suppliers. These customer requirements will continue to shift volumes to global companies like PPG, with global footprints, access to emerging industrial markets, abilities to procure globally from low-cost raw material sources, and the ability to drive technological change.

And this market continues to advance up the technology spectrum. Today, about 50 percent of the paint sold is architectural paint, with the remainder of the paint sold in higher technology applications such as aerospace and marine. These defined markets are requiring increasingly improved protection and performance, and market leaders are consistently developing enhanced and environmental friendly products.

Obviously, the industry has many attractive features both today and looking ahead, with the end result for shareholders being strong and consistent earnings and cash generation.



## PPG Industries Coatings

We consider PPG's coatings businesses the best in the world. Combined, our coatings operating margins are the best of the global industry players, outpacing the global peer group by 50 percent or so, certainly a significant amount. This is a testament to our strong technological presence, and also due in part to our broad end-use market coverage as we are either one of, or the industry leader in the higher technology

based areas of Aerospace, Automotive OEM, Automotive Refinish, Protective and Marine and several general industrial markets.

Also we have the ability to service our global customers anywhere in the world, as our global footprint is one of the best in each industry with no single region accounting for more than 40 percent of our sales. This regional diversity also allows us to take advantage of growth no matter where it happens in the world, and also overcome economic concerns in any single region of the world.

So to summarize why we like coatings, it is a large and growing, but still fragmented market. And, as you can see, PPG is very well positioned today and for the future.



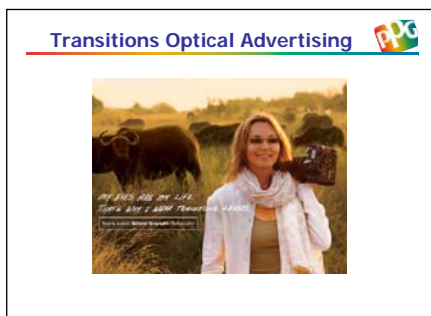
## Optical & Specialty Materials

We are equally excited about our Optical & Specialty Materials segment. This has been a tremendous business for PPG for the past 15 or so years, with a compound annual growth rate over that time in the mid-teens. Also, for those of you who may monitor such things which I am assuming is most of you, this has the best margins of any of PPG's business segments with margins consistently in the mid-20 percent range.

The centerpiece of the segment is our Transition lenses business. This business produces photochromic lens material for prescription and non-prescription eyewear. This has been a fabulous business for PPG as we pioneered this technology for plastic lenses and introduced our first commercial product in the early 1990's. Since then we have introduced several different generations of the product focused on improving the product's performance characteristics, with each generation resulting in further market penetration. Today our penetration in the U.S. prescription lens market is approaching 20 percent, so as you look at those wearing eyeglasses in the room today, it is likely one out of every five will be wearing our product.

We have a great deal of opportunity globally in this business as our penetration in Europe is just about half of our U.S. rate, and we have considerable growth opportunities available in Asia and other emerging regions where healthcare is just now becoming more mainstream.

Now I mentioned that each new generation of our product produced higher penetration rates and on February 1<sup>st</sup> of this year our newest generation, Gen VI, became available to consumers. Now one of the key sustainable strengths of this business is



its brand name recognition, and in concert with our newest generation product, we have new a television ad campaign. Let me spend just a few seconds and show you the ad.

## Transitions Ad

With our new generation product, our continued globalization of the brand and our financial growth track record in this business, you obviously see why we remain very excited about our growth prospects.



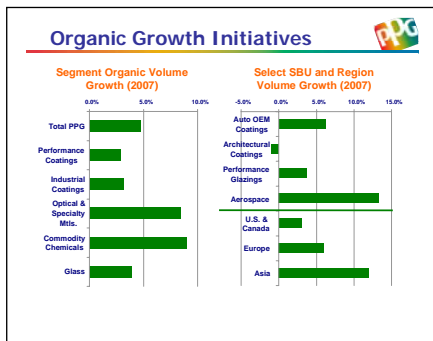
## Agenda (Strategic Progress)

Now I only had an opportunity to partially discuss our portfolio, but in the interest of time and because I want to ensure enough time for Q&A, let me shift to discuss our strategic progress. Let me just once again quickly summarize some of our strategic initiatives.

First, let me remind you that our overriding mission is to be the leading coatings and optical and specialty materials company. Let me discuss three of our primary strategic initiatives that are focused on achieving this mission:

- First, we need to perform well organically in all our existing businesses.
- Next, we need to continue to expand our already robust geographic footprint with better than market growth in emerging regions.
- And finally, we need to utilize our financial stability and strength, primarily our strong balance sheet and cash flow consistency, to grow our businesses.

Now those of you who know us well understand that we believe the best way to measure our strategic direction is not by making promises or forecasts, but by reviewing actual results.



### Organic Growth Initiatives

So let me start with our solid performance in delivering organic growth. As you can see each one of our segments grew nicely in 2007, despite a very difficult macro environment, and I will remind you that our growth accelerated as the year progressed as the economy become more challenging. Also, the bottom of the graph on the right details our excellent organic results performance by region.

The remainder of the graph on the right details the performance in some of our individual units, including several businesses that most don't associate with growth or where our performance outpaced most external expectations.

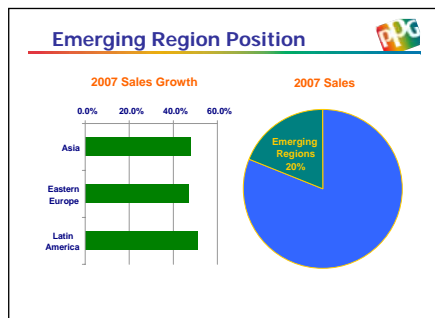
First is our Automotive OEM coatings business. We strongly believe that the global automotive industry is grossly misunderstood by the equity markets. This global industry, despite slight compression in the North American market and a stable Western European market, continues to grow at rates exceeding 5 percent and has done so for six consecutive years. The growth is due to emerging regions with China increasing 2007 production by 22 percent to nearly 9 million vehicles, up from just 3 million at the beginning of the decade. Also, Eastern Europe built about 6 million vehicles in 2007, an increase of 17 percent versus the prior year.

PPG's results over the past several years have been at the upper-end of the global range, as our North American OEM coatings business has consistently outpaced the market given our strong relationships with the non-U.S. automakers who have built facilities here. All-in-all, this remains a global and profitable growth business for PPG and our organic growth of 6 percent supports that standing.

Also our U.S. construction facing businesses, architectural coatings and architectural glass, which we call Performance Glazings, performed admirably despite significant drops in residential construction. Our Glass business grew volumes by 4 percent supported by a robust commercial construction market that favors our value-added energy-efficient coated glass. About 70 percent of glass sold is now value-added, supporting "green" and energy conservation initiatives.

Our Architectural Coatings business realized a slight 1 percent volume decline as growth in our national accounts channel nearly offset declines in other channels. This business outperformed the expectations given the residential construction backdrop. We have long said this business doesn't experience the volatile swings that are typical in the construction industry, given the percentage of business focused on maintenance of buildings. Hopefully, with the business performance in the worst housing market in the last 30 years, more people will begin to realize the validity of our comments.

Last, our Aerospace business performed very well due to our industry positioning and the tremendous global expansion in the aviation fleet as well as growing passenger miles. We have grown organically by double-digits for the past 4 years and the future looks equally promising, as both Boeing and Airbus are drawing closer to ramping up production of their newly designed planes. We have double the content on the new Boeing Dreamliner 787 as we have on their legacy models. However, our growth doesn't stop there as we continue to participate in the rapidly growing business jet market, and provide a host of products for military use.



### Emerging Region Position

With respect to our strategic initiatives performance in emerging regions, we delivered rapid growth in Asia, Latin America and Eastern Europe. We supplemented our double-digit volume growth with acquisitions, which resulted in growth in all of these regions of over 40 percent year-over-year. Just as important for the future is these fast-growing regions now account for 20 percent of PPG's total sales, or about \$2.2 billion, and

we expect them to have above trend growth rates for sometime.

These results are highlighted by our growth in Asia which alone accounted for well over \$1 billion in sales in 2007. However, the business is growing at such a rapid clip, we expect it will easily grow by another 50 percent again in 2008.

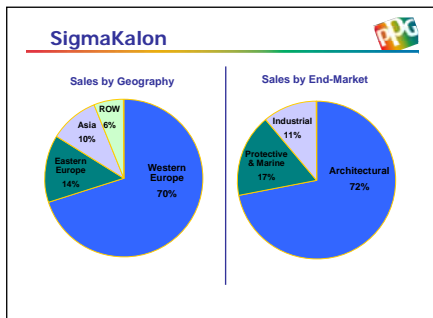


### High Growth Potential

Finally, I mentioned a few businesses with continued double-digit growth prospects are our Aerospace business and our Optical Products business, but the Protective and Marine industry prospects also bode well. What excites me about our strategic direction is that due to our past actions, these businesses combined with our emerging regions accounted for about 35 percent of our total company. Also they

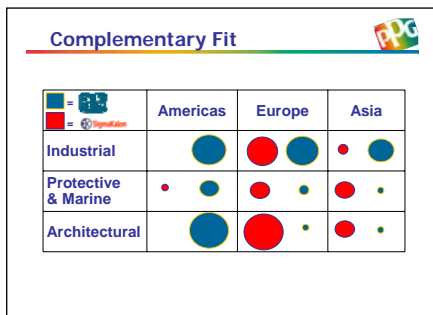
consistently demonstrated the ability to generate double-digit growth and also have some of the best margins in PPG. For those who love growth that is truly exciting.

So we have already covered a great deal of ground today discussing our performance and exciting transformation, and we are just now going to discuss how we are shifting our business portfolio with our largest acquisition in our 125 year old history, which is SigmaKalon.



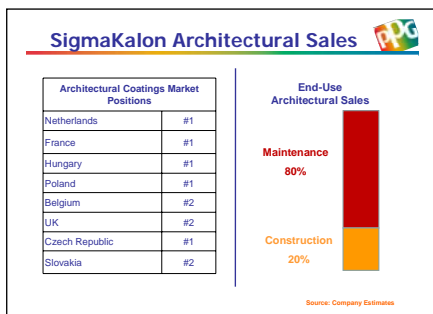
First, SigmaKalon was the second largest coatings company in Europe with 2007 sales approaching \$3 billion. Detailed here is SigmaKalon's geographic footprint, with a solid and growing business in Western Europe and rapidly expanding businesses in both Eastern Europe and Asia. SigmaKalon has very little exposure to some of the Southern European markets, including Italy and Spain, that are currently experiencing a similar, albeit much smaller, construction bubble as the U.S. market.

Looking at SigmaKalon's sales by end-market, about three-fourths are in the decorative or architectural paint market, with the remainder split between protective and marine coatings and industrial coatings.



### Complementary Fit

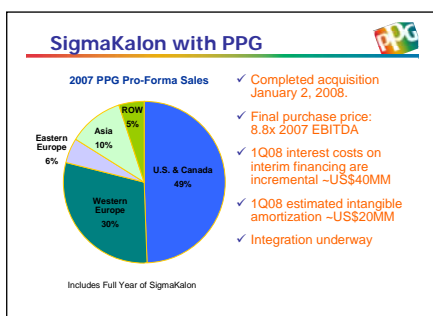
As the next chart depicts the end-market and geographic mix is very complementary as PPG had virtually none of the architectural paint market in Europe, which is one of the largest markets in the world. This positions PPG as one of the leaders in that marketplace. Also, it doubles the size of our European Industrial Coatings business, and makes PPG the #2 global player in the Protective and Marine business.



### SigmaKalon Architectural Sales

SigmaKalon has many strong brand names resulting in either #1 or #2 market positions in several of the major European markets. Similar to our existing U.S. architectural paint business, SigmaKalon sells through company-owned stores and the big-box channel. Our estimates are that about 80 percent of the paint utilized in these markets is for maintenance, with the

remaining 20 percent for new structures. Certainly anyone who has been to Europe understands this given the size and age of the existing building stock in Europe.



### SigmaKalon with PPG

In our January earnings call we provided a status update on SigmaKalon. That status update included some updated financial projections for the business for both 2008 and 2009, including our current estimates on some of the variables such as interest expense. Our updated PPG financial impact for SigmaKalon is included in the appendix to today's slide packet.

But let me quickly summarize the status. We closed on the acquisition on January 2, 2008 and while we are only a few weeks into the process I am happy to report that we are well on our way to a successful integration. We are currently using interim financing, but expect to go to the debt markets soon for permanent financing. Last, on the financial metrics, as has been our history with acquisitions we remain focused on delivering on our commitments.

From a broader perspective, this is a true milestone for PPG as it moves our business mix to more than 80 percent coatings and optical. Also, as the chart details, it gives us one of the broadest coatings geographic footprints and the best end-use market splits, which is why we consider our coatings profile the best in the industry. In summary, these changes further minimize the economic impacts of any individual region, end market or customer, but continue to provide robust growth opportunities resulting in strong and consistent financial returns.

### **Conclusion**

Let me conclude today's discussion by restating what I started with, that is 2007 was a milestone year for PPG. We delivered financially, with double-digit sales and earnings growth despite a softening economy. We made decisive decisions regarding our business portfolio, both acquisitions and divestitures, and we acted upon these decisions. These decisions, and prior ones like them, paved the way for our recent organic growth trends and growing footprint in emerging regions allowing us to truly accelerate our transformation to a coatings and optical and specialty materials company.

And, a primary 2008 story for PPG is going to be our ability to deliver on the acquisition of SigmaKalon, and like we have done so many times in the past, we will be successful on this and use that success to the benefit of our shareholders.

Thank you for your time and I would be glad to take any questions you may have.

### Forward-Looking Statement

Statements contained herein relating to matters that are not historical facts are forward-looking statements reflecting PPG's current view with respect to future events and financial performance. These matters involve risks and uncertainties that may affect PPG's operations, as discussed in PPG's filings with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Accordingly, many factors may cause actual results to differ materially from the forward-looking statements contained herein. Such factors include increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials and energy, the ability to maintain favorable supplier relationships and arrangements, economic and political conditions in international markets, foreign exchange rates and fluctuations in such rates, integration of acquisitions and achievement of expected synergies therefrom, the impact of environmental regulations, unexpected business disruptions, and the unpredictability of existing and possible future litigation, including litigation that could result if the asbestos settlement discussed in PPG's filings with the Securities and Exchange Commission does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on PPG's consolidated financial condition, operations or liquidity. All information in this presentation speaks only as of February 12, 2008, and any distribution of this presentation after that date is not intended and will not be construed as updating or confirming such information.