



# PPG Industries, Inc. First Quarter 2011 Financial Results

## Earnings Brief – April 21, 2011

---

**PPG Industries, Inc.**



### **First Quarter 2011 Financial Results**

**Charles E. Bunch, Chairman and  
Chief Executive Officer**

**Robert J. Dellinger, Sr. Vice President  
and Chief Financial Officer**

Information current as of  
April 21, 2011

### **CEO Opening Remarks**

PPG posted record earnings-per-share this quarter, marking the third consecutive quarterly record for the company. We have built on the strong performance and momentum from the second half of 2010. Our year-over-year sales improved 13 percent to \$3.5 billion, with each major region posting double-digit percentage sales increases and higher sales in every PPG reporting segment.

Higher volumes accounted for about one-half of our sales growth, led once again by stronger global industrial activity which aided many of our businesses. The global industrial recovery continues with solid growth in emerging regions and North America, and with strengthening conditions in Europe. The higher European activity levels outpaced our expectations of a few months ago.

Excellent volume growth was also a key factor in the record earnings performance by our Optical and Specialty Materials segment.

In construction end-use markets, activity levels remained low in the developed regions, as these markets have not demonstrated any convincing signs of imminent improvement. Despite the market weakness, our volumes in businesses serving these markets were modestly positive in comparison with an already low prior year base.

Improved selling prices accounted for the majority of the company's remaining sales gains in the quarter. Every reporting segment posted higher year-over-year pricing, with the most significant percentage gains in Commodity Chemicals and Glass, resulting in substantial earnings recovery in these segments versus the recession-impacted first quarter of last year.

In our coatings businesses, higher selling prices partially offset persistent raw material cost inflation. Despite inflationary cost pressures, operating margins in each coatings segment were essentially flat with the prior year, and our total coatings operating earnings improved by nearly 12 percent. Volume and pricing gains were supplemented by continued, aggressive cost management actions. We also expanded our product reformulation activities in an effort to utilize lower cost raw materials to limit inflationary impacts on our customers.

Lastly, another growth lever for us is the continued deployment of our cash for earnings accretion. While our recent acquisition activity has been minimal, we repurchased about \$275 million of PPG stock during the quarter, bringing our total repurchases over the

past nine months to about \$700 million at an average share price of \$81. As a result, our share count has dropped nearly 3 percent versus last year's first quarter.

In summary, our performance in the quarter was excellent. Despite persistent inflationary pressures, our overall segment margins improved by more than 300 basis points in comparison with last year and 150 basis points sequentially versus the fourth quarter of 2010. We posted double-digit sales growth on strong volumes and higher pricing, and achieved record first quarter earnings-per-share. We also returned about \$375 million of cash to shareholders, including \$90 million of dividends.

Looking ahead, we remain optimistic as we anticipate similar economic trends in the second quarter, which is seasonally our strongest sales quarter. We remain focused on offsetting inflationary pressures with expected additional price gains in the second quarter in all our businesses. Also, our aggressive cost management and execution focus remains. Finally, we continue to work on accretive initiatives to deploy our cash. We are applying our disciplined approach toward evaluating acquisitions and anticipate several small to medium sized bolt-on acquisitions over the next 6-to-9 months. Lastly, as a reflection of our outlook and our continued strong cash prospects, we raised our quarterly dividend another \$0.02 cents today to \$0.57, which is our second increase in the past nine months.

This concludes our opening remarks.

## First Quarter Financial Recap



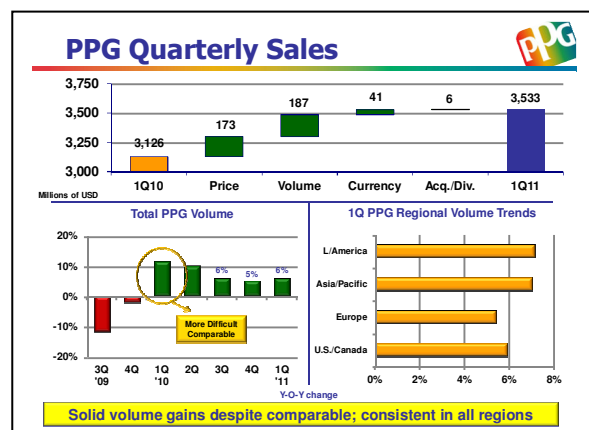
PPG delivered sales of \$3.5 billion in the first quarter of 2011, an increase of 13 percent compared to 2010 first quarter sales of \$3.1 billion. First quarter 2011 reported net income was \$228 million, or \$1.40 per share, a PPG record for any first quarter.

First quarter 2011 results were aided by a 13 percent improvement in sales, with consistent volume growth in all major regions. The continued global industrial recovery supported the volume performance, including improving

results from Europe. Activity in construction markets in developed regions remained at low levels, although the company posted positive year-over-year volume results in these markets.

Higher pricing was achieved in all segments, and, in the coatings segments, served as a partial offset to persistent raw material cost inflation.

During the quarter, the company returned about \$375 million to shareholders. This included about \$275 million from PPG share repurchases. The company's quarter-end cash and short-term investment balance was \$1.4 billion.



## PPG Quarterly Sales

Sales of \$3.5 billion improved \$407 million versus the first quarter of 2010.

The strong sales performance was aided by pricing which improved by \$173 million, or 6 percent. Each segment contributed, and, on a percentage basis, Commodity Chemicals and Glass led the pricing gains due to continued strong demand and tightening supply in their respective end-use markets. Each coatings segment delivered higher pricing this quarter,

with a focus on offsetting persistent raw materials inflation.

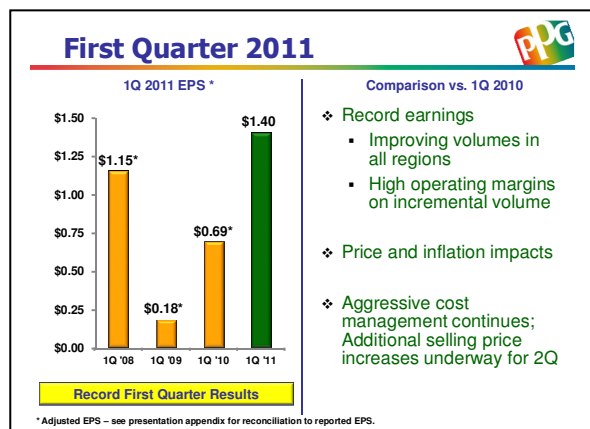
Currency translation increased sales by \$41 million, or about 1 percent, primarily as a result of strengthening Asian and Latin American currencies compared to last year.

Volumes improved by \$187 million, or 6 percent, with each major region contributing fairly equally on a percentage basis. This volume growth compares to strong growth in the prior year's first quarter when the global industrial economy began to recover.

Overall, the company continued the strong momentum established in 2010, with the third consecutive quarter of record earnings aided by the broad and consistent sales growth. This

improved sales performance was led by several top performers in our business portfolio, including automotive refinish, aerospace, and the Optical and Specialty Materials segment.

We also experienced further sales recovery in several businesses that were still heavily impacted by the recession in last year's first quarter, specifically Commodity Chemicals, automotive OEM and fiber glass.



### Adjusted Earnings Per Share

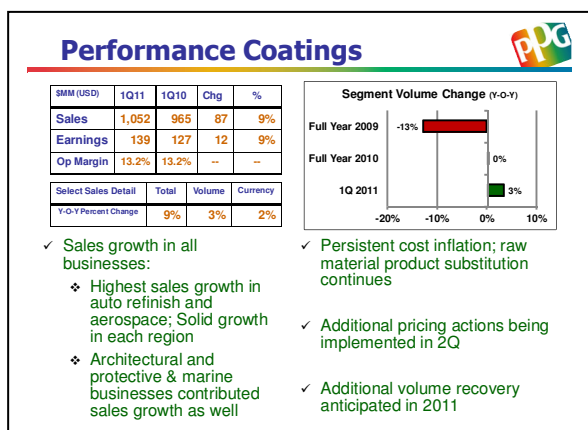
Earnings per share were \$1.40 for the first quarter, easily establishing a new first quarter record. This compares with \$0.69 last year and \$0.18 in a recession-impacted first quarter of 2009.

Segment earnings improved by 50 percent year-over-year, with each segment posting higher results. The main contributors were improved sales volumes and the return of the Commodity Chemicals and Glass segments to solid

profitability driven, in large part, by higher pricing and improved manufacturing costs.

Incremental operating margins on the higher volumes were nearly 50 percent, excluding price, inflation and currency impacts. This high incremental margin reflects the strong business mix of the volume growth, along with a continued cost management focus in all businesses as we continue to hold overhead costs to a lower level than the base business.

For the coatings businesses, higher pricing partially offset inflation, as raw material costs escalated by high single-digit percentages versus last year's first quarter. Not all coatings businesses fully offset raw material inflation in the quarter, and additional pricing actions are underway for the second quarter in every business. For the company in total, inflation was offset by higher volumes and pricing, aggressive cost management and raw material substitution.



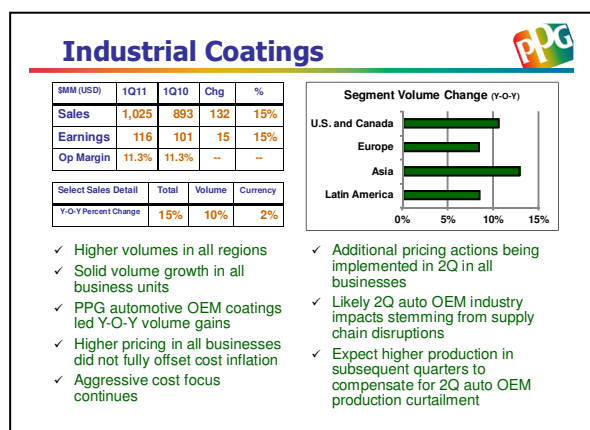
### Performance Coatings

For Performance Coatings, sales for the quarter were \$1.05 billion, up \$87 million versus the prior year's period. Segment earnings improved 9 percent to a first quarter record of \$139 million. Operating margins were flat with the prior year's quarter, as high growth from several top-performing businesses, along with lower costs and improved selling prices, offset raw material inflation.

Sales growth was led by low double-digit percentage growth in the aerospace and automotive refinish businesses. Solid sales improvement also occurred in the protective and marine coatings and architectural

coatings – Americas and Asia/Pacific businesses. Segment sales grew in all regions and volumes improved 3 percent in the quarter.

The second quarter is stronger seasonally for this segment and further pricing gains are anticipated to combat persistent raw materials inflation. We continue to utilize lower cost substitute raw materials to aid in counteracting the negative impact of inflation. Further segment volume recovery is anticipated in 2011, as volumes last year were flat with recession levels and the segment has not yet experienced any sizable volume recovery following the recession.



## Industrial Coatings

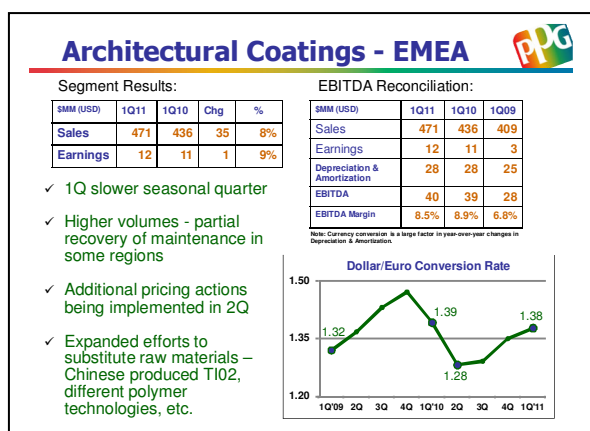
The Industrial Coatings segment's sales increased to more than \$1 billion, up 15 percent in comparison with the prior year's quarter which included a benefit from strengthening global industrial end-use markets. Currency translation was a slight positive. First quarter earnings of \$116 million were up \$15 million on strong volume gains and a continued, aggressive cost focus. Selling price increases did not fully offset higher raw material costs. We are continuing to improve the sourcing and specification of raw

materials in order to minimize inflationary impacts on our customers.

Volumes grew by 10 percent, as the global industrial recovery strengthens. Each region contributed, led by 13 percent volume growth in Asia. The automotive OEM coatings business posted mid-teens volume percentage growth based on further recovery of auto production in the developed regions and expanded auto production in the emerging regions.

Looking ahead to the second quarter, additional pricing efforts are underway in all businesses in this segment due to inflated raw materials costs. Also, disruptions to the automotive OEM supply chain stemming from the earthquake and tsunami in Japan will likely result in partial curtailment of global automotive production in the second quarter. PPG has no automotive OEM coatings business directly in Japan, but participates with the Japanese auto OEM producers outside of Japan along with all other global auto OEM producers. The company anticipates the industry production curtailments will negatively impact second quarter Industrial Coatings segment sales by a range of 3-to-6 percent.

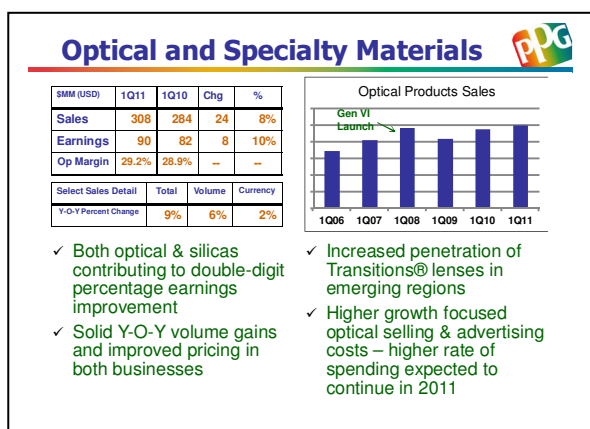
As demand for new vehicles remains strong, current expectations are that industry production levels in subsequent quarters will be higher in response to the second quarter curtailment. Current expectations are for a modest recovery of the curtailed production in the third quarter, and then the majority the recovery to occur in the fourth quarter of 2011.



solid price gains achieved in response to escalating raw materials costs.

Segment performance is also measured in terms of earnings before interest, taxes, depreciation and amortization, or EBITDA. EBITDA is a relevant measure for this segment given the ongoing, non-cash amortization expense from the SigmaKalon acquisition. EBITDA margins remained fairly consistent with the prior year.

Additional pricing efforts are underway with the intention of fully offsetting raw material cost inflation. In addition, the business continues to substitute lower cost raw materials to alleviate a portion of the current inflationary trends. These lower cost substitutions include a shift to lower cost titanium dioxide produced in China and additional product reformulations using different polymer technologies. Lastly, based on the current strength of the Euro to U.S. dollar, currency conversion is expected to be favorable in the second quarter, which is typically a much stronger quarter seasonally.



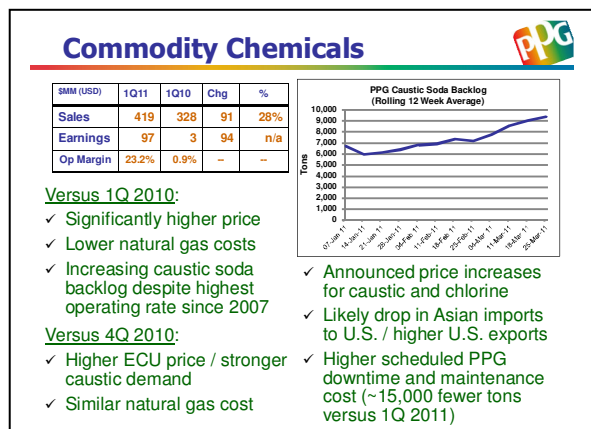
products. Volume recovery continued in the silicas business, aided by higher automotive OEM production, and was supplemented by new product applications.

Helping drive the optical products business's volume gains were higher selling and advertising costs. This higher level of spending is expected to continue in 2011, as is the strong segment financial performance.

## Architectural Coatings EMEA

Architectural Coatings – EMEA segment sales in the quarter of \$471 million were up \$35 million versus last year's period, and earnings improved \$1 million. Currency translation had a minimal sales impact. The first quarter is traditionally a slower sales quarter due to weather related seasonality.

Sales grew by high single-digit percents due to higher volumes in certain regions reflecting a partial recovery in maintenance activity, and

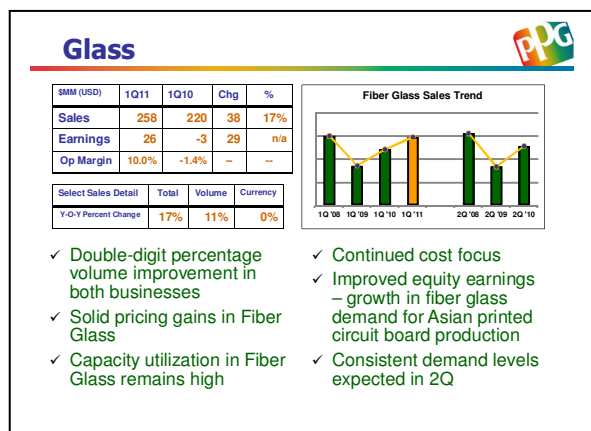


## Commodity Chemicals

Commodity Chemicals segment sales grew by \$91 million to \$419 million and earnings increased to \$97 million, up \$94 million versus a recession-impacted first quarter of 2010. The significant segment sales and earnings recovery is based predominately on higher pricing, although also contributing were better volumes and lower costs driven primarily by natural gas. Operating rates improved to the highest level since 2007, however caustic shipment backlogs rose steadily through the quarter as caustic demand continued to strengthen.

Comparing first quarter results sequentially versus the fourth quarter of 2010, sales and earnings increased in large part due to higher capacity utilization. ECU prices rose, aided by caustic price gains in each month. Natural gas unit costs were similar in both quarters at about \$5.00 per MMBTU.

Looking forward, announced price increases are being implemented in both caustic and chlorine. Lower Asian supply resulting from the Japan earthquake and resulting tsunami is expected to result in a drop in U.S. imports from Asia along with an increase in U.S. exports. PPG will have notably higher scheduled downtime, resulting in higher maintenance costs and approximately 15,000 fewer tons produced versus the first quarter of 2011.



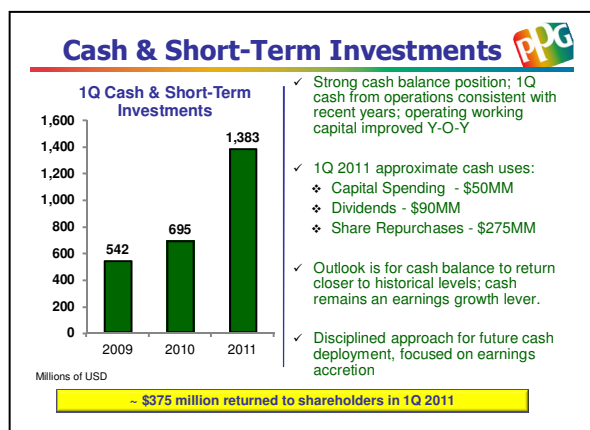
## Glass

First quarter sales for the Glass segment were \$258 million, up \$38 million, as a result of continued strong year-over-year fiber glass demand and higher flat glass volumes. Solid fiber glass pricing gains fueled sales growth, and fiber glass capacity utilization remained high for the entire quarter.

Segment earnings improved to \$26 million, compared with a \$3 million loss in the prior year first quarter. In addition to the benefit from higher

sales, the segment delivered further cost improvements and was also aided by higher fiber glass equity income from greater printed circuit board demand in Asia.

Looking forward, segment demand is expected to remain consistent, as current trends are expected to continue in the U.S. commercial and residential construction end-use markets and high global fiber glass demand is anticipated to continue.



## Cash

PPG ended the quarter with about \$1.4 billion in cash and short-term investments, up approximately \$700 million versus the previous year.

During the quarter, about \$150 million of cash was consumed for operating activities. This level is consistent with the prior two year average and reflects the inventory and sales seasonality of the business portfolio. As a percent of sales, the company's operating working capital improved

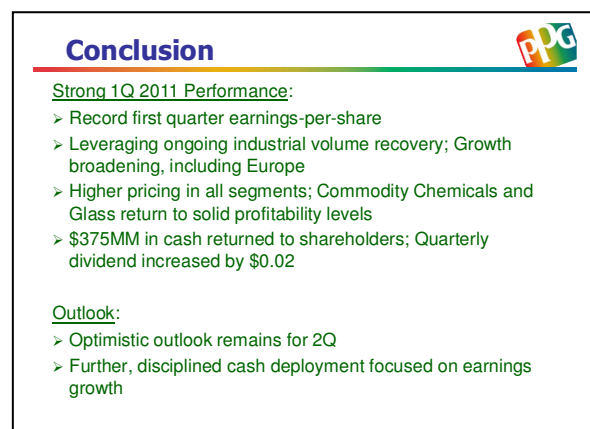
by over 100 basis points versus last year's first quarter.

Uses of cash during the quarter were as follows:

- Capital expenditures for the quarter were approximately \$50 million, or about 1.5 percent of sales. Anticipated 2011 capital spending remains in the range of 2.5 percent to 3.5 percent of sales.
- There were no debt payments in the quarter. No term debt is due in 2011; however, in the middle of 2011, the company expects to pre-pay, with cash on hand, \$400 million of debt, which is due in mid-2012.
- Dividends paid were about \$90 million in the quarter. Stock repurchases totaled slightly approximately \$275 million for the quarter. Over the past nine months, PPG has repurchased 8.6 million shares for about \$700 million, at an average share price of \$81. The company still has more than 6 million shares remaining under its current share repurchase authorization.

Rewarding shareholders was once again the emphasis in the first quarter, with nearly \$375 million deployed in the form of dividends and buybacks.

Looking ahead, the outlook is for the cash balance to return to more historic levels. We will remain disciplined in our cash deployment with the focus on earnings accretion. The company has been more active in vetting potential acquisitions and anticipates closing several bolt-on transactions within the next six-to-nine months.



## Conclusion

In conclusion, PPG delivered record first quarter earnings per share as the company continued to leverage the broadening global industrial recovery due to a lower cost structure and continued cost management. Higher pricing in all segments was also a major factor in the company's performance, as it buffered the impact of higher raw material costs in the coatings businesses and aided the Commodity Chemicals and Glass segments in their substantial earnings recovery.

The company continued to reward shareholders returning nearly \$375 million of cash via dividends and share repurchases.

The company remains optimistic about its prospects in the second quarter, and it expects a continuation of the current economic trends. Further, disciplined cash deployment is anticipated with an ongoing focus on earnings accretion.

## Appendix



## Adjusted EPS Reconciliation



First Quarter	2011		2010		2009		2008	
	\$	EPS	\$	EPS	\$	EPS	\$	EPS
Net Income/(Loss) Attributable to PPG as Reported	\$228	\$1.40	\$30	\$0.18	\$(111)	\$(0.68)	\$100	\$0.61
Business Restructuring	-	-	-	-	141	0.86	-	-
Acquisition-Related Costs	-	-	-	-	-	-	89	0.54
Change in U.S. Tax Law (U.S. Patient Protection and Affordable Care Act)	-	-	85	0.51	-	-	-	-
Adjusted Net Income	\$228	\$1.40	\$115	\$0.69	\$30	\$0.18	\$189	\$1.15

Amounts in Millions of USD except EPS

**PPG INDUSTRIES, INC.**  
**Condensed Statement of Operations**  
**1st Quarter Results**  
(Millions of Dollars)

	<b>3 Months Ended</b>		
	<b>March 31,</b>		
	<u>2011</u>	<u>2010</u>	<u>% Change</u>
<b>Net Sales</b>	<b>\$ 3,533</b>	<b>\$ 3,126</b>	<b>13.0</b>
Cost of Sales, exclusive of depreciation and amortization	2,127	1,944	9.4
Selling, R&D and administrative expenses	900	823	9.4
Depreciation	86	89	(3.4)
Amortization	31	32	(3.1)
Interest Expense	53	45	17.8
Asbestos Settlement - net	3	3	0.0
Other (earnings)/charges - net	(18)	(16)	12.5
<b>Income Before Income Taxes</b>	<b>351</b>	<b>206</b>	
Income Tax Expense (Note A)	92	147	(37.4)
<b>Net Income Attributable to the Controlling and Noncontrolling Interests</b>	<b>259</b>	<b>59</b>	
Less: Net Income Attributable to Noncontrolling Interests	(31)	(29)	
<b>Net Income (attributable to PPG)</b>	<b>\$ 228</b>	<b>\$ 30</b>	<b>660.0</b>
<b>Earnings per common share (attributable to PPG)</b>	<b>\$ 1.42</b>	<b>\$ 0.18</b>	<b>688.9</b>
<b>Earnings per common share -- assuming dilution (attributable to PPG)</b>	<b>\$ 1.40</b>	<b>\$ 0.18</b>	<b>677.8</b>
<b>Average shares outstanding</b>	<b>160.4</b>	<b>165.9</b>	<b>(3.3)</b>
<b>Average shares outstanding -- assuming dilution</b>	<b>162.5</b>	<b>167.0</b>	<b>(2.7)</b>

Note A:

Income tax expense for the quarter ended March 31, 2010, includes expense of \$85 million resulting from the reduction of our previously provided deferred tax asset related to our liability for retiree medical costs. The deferred tax asset was reduced due to tax law changes in health care legislation enacted by Congress in March 2010, that included a provision to reduce the amount of retiree medical costs that will be deductible after December 31, 2012. The remaining tax expense for the quarter ended March 31, 2010 of \$62 million represents an effective tax rate on pretax earnings of approximately 30 percent.

**PPG INDUSTRIES, INC.**  
**Business Segment Information**  
**1st Quarter Results**  
(Millions of Dollars)

	Net Sales		Segment Income	
	2011	2010	2011	2010
PERFORMANCE COATINGS	\$ 1,052	\$ 965	\$ 139	\$ 127
INDUSTRIAL COATINGS	1,025	893	116	101
ARCHITECTURAL COATINGS EMEA	471	436	12	11
OPTICAL and SPECIALTY MATERIALS	308	284	90	82
COMMODITY CHEMICALS	419	328	97	3
GLASS	258	220	26	(3)
<b>SUBTOTAL</b>	<b><u>\$ 3,533</u></b>	<b><u>\$ 3,126</u></b>	<b><u>\$ 480</u></b>	<b><u>\$ 321</u></b>
			(26)	(21)
<b>LEGACY ITEMS (NOTE A)</b>			(43)	(37)
<b>INTEREST EXPENSE, NET OF INTEREST INCOME (NOTE B)</b>			(60)	(57)
<b>OTHER UNALLOCATED CORP. EXPENSE - NET (NOTE C)</b>				
<b>INCOME BEFORE INCOME TAXES</b>			<b><u>\$ 351</u></b>	<b><u>\$ 206</u></b>

Note A:

Legacy items include current costs related to former operations of the company, including pension and other postretirement benefit costs, certain charges for legal matters and environmental remediation costs, and certain charges which are considered to be unusual or non-recurring. Legacy items also include equity earnings from PPG's approximate 40 percent investment in the former automotive glass and services business. Beginning in 2011, the earnings impact of adjustments to the company's proposed asbestos settlement liability will be presented in Legacy items. Prior year amounts have been conformed to this presentation. The amount of this charge for the three months ended March 31, 2011 was equal to the prior year amount.

Note B:

The year-over-year higher net interest cost is due to PPG's November 2010 \$1 billion debt issuance.

Note C:

Beginning in 2011, unallocated stock-based compensation costs will be reported as part of Other unallocated corporate expense. Prior year amounts have been conformed to this presentation. The amount of this charge for the three months ended March 31, 2011, was comparable to the prior year amount.

#### 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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 Exchange Act, and the rules and regulations promulgated thereunder. Accordingly, many factors could cause actual results to differ materially from the forward-looking statements contained herein. Such factors include global economic conditions, increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials, the ability to maintain favorable supplier relationships and arrangements, difficulties in integrating acquired businesses and achieving expected synergies therefrom, the realization of anticipated cost savings from restructuring initiatives, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, foreign exchange rates and fluctuations in such rates, fluctuations in tax rates, the impact of future legislation, 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 and in PPG's Form 10-K for the year ended December 31, 2010 are 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, results of operations or liquidity. All information in this presentation speaks only as of April 21, 2011, and any distribution of this presentation after that date is not intended and will not be construed as updating or confirming such information. PPG undertakes no obligation to update any forward-looking statement.