



# PPG Industries, Inc. Second Quarter 2010 Financial Results

Recorded Commentary – July 15, 2010

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**Comments by: Charles E. Bunch, Chairman & CEO**

## Agenda



- ❖ Opening Remarks
- ❖ Financial Recap
- ❖ Closing Comments
- ❖ Question & Answer Session

Thank you Vince, and welcome everyone.

This afternoon, I will provide a brief overview of our second quarter performance. Bob Dellinger will review details of our financial results. I will make a few closing remarks and then we will take questions.

PPG's strong results this quarter benefitted largely from a 10 percent increase in volumes. The breadth of geographies and end-use markets that we serve is enabling us to leverage continuing positive momentum in global industrial demand. The

performance of our portfolio is being elevated by higher industrial activity and strong demand across Asia / Pacific and Latin America, which is more than offsetting weak construction in North America and Europe. Our performance and growth occurred consistently through the quarter, and all of the major regions contributed. Our earnings-per-share were close to 2008 pre-recession levels as we leveraged the volume growth with our now lower cost structure.

Our earnings this quarter were aided by an improved sales mix in some of our top-performing businesses, such as aerospace, auto refinish and our Optical and Specialty Materials segment. As a matter of fact, both Optical and Specialty Materials and Performance Coatings segments posted record earnings results. Our Optical segment posted sales growth rates approaching 20 percent, and it remained our top operating margin segment. Performance Coatings delivered record earnings as margins grew by over 200 basis points. Our auto refinish, aerospace and protective and marine coatings businesses all delivered increased sales, which more than offset the impact of lower volumes in our U.S. architectural coatings business.

Our Industrial Coatings segment continued to approach historical earnings levels. In the second quarter, the segment delivered 12 percent operating margins for the first time since 2006. Segment volume growth was more than 25 percent versus a recession-weakened prior year period. We achieved 40 percent growth in our automotive OEM coatings business, easily outpacing the 25 percent year-over-year global industry growth. And we continued to realize double-digit percent growth in our general industrial business in the emerging regions.

In Architectural Coatings EMEA, our volume performance was consistent with the past several quarters, declining about 5 percent. Currency conversion negatively impacted sales and accounted for half of the earnings drop.

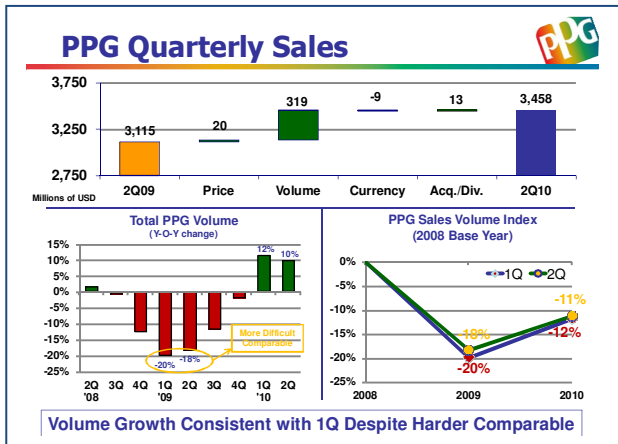
Results in our Commodity Chemicals segment improved nicely versus last year on higher demand and lower input costs. Most notable was the \$50 million improvement versus the first quarter of 2010, due to improving pricing, higher demand and lower natural gas costs.

Our Glass segment benefitted from substantially improved performance in our Fiber Glass business, including improved equity earnings from our Asian joint ventures.

The strong and continued improvement in the company's financial performance this past quarter occurred despite demand that still remains more than 10 percent lower than 2008 pre-recession levels. Our strong performance clearly reflects the benefits from our improved business portfolio along with our lower cost structure. We are positioned for further earnings growth opportunities as the global economy continues to recover and through utilization of our strong balance sheet.

Now, I'll turn the call over to Bob to provide additional details on our financial performance for the quarter.

**Comments by: Robert J. Dellinger, Sr. VP Finance and CFO**



**PPG Quarterly Sales**

Thank you, Chuck.

I will begin by reviewing the year-over-year bridge of our second quarter sales, which is detailed in the accompanying slide pack on slide #4. Sales improved about \$340 million, or 11 percent, versus the second quarter of 2009, which was negatively impacted by the global recession.

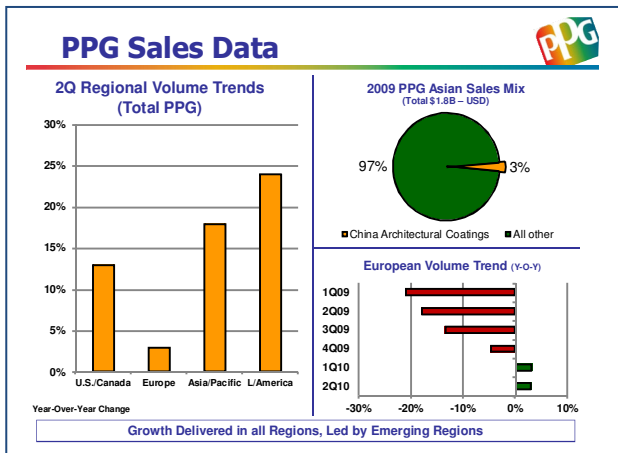
Overall, pricing improved modestly, by about \$20 million. Higher prices in our Coatings segments offset lower pricing in the Glass businesses, and

more specifically in our Performance Glazings business, which remains impacted by weak U.S. construction markets. Year-over-year pricing was also lower in Commodity Chemicals, however, pricing levels this quarter in Commodity Chemicals have moved higher versus the first quarter of 2010.

Compared to last year, currency conversion reduced sales by \$9 million as the impact of a much weaker Euro was nearly offset by stronger currencies in Asia, Latin America and Canada.

As Chuck mentioned, we realized a strong increase in volumes. This improvement of more than \$300 million was driven by higher global industrial activity in all regions of the world. Weaker construction markets in the mature regions of Europe and North America detracted somewhat from our volume growth.

As illustrated on the graphs, our year-over-year volume comparisons this quarter were similar to the first quarter, despite a more difficult comparison period in 2009. As detailed on the lower right chart, in comparison with 2008 pre-recession levels, we remained down more than 10 percent, also comparable to the first quarter.



**PPG Sales Data**

Further details on our sales are contained on the next slide.

As you can see, the emerging regions of Asia/Pacific and Latin America are continuing to grow faster than the developed regions of the world. Asia/Pacific continues to be a considerable growth platform for the company, led primarily by our industrial businesses serving both exports from the region and local consumption within the region. While there is concern regarding property value appreciation in China, as detailed on the top right chart, only 3

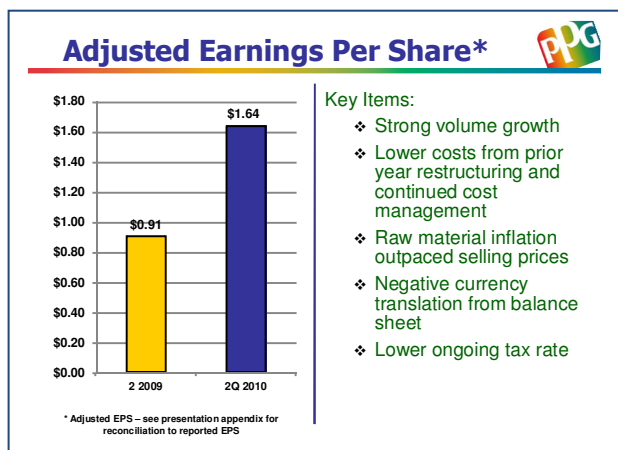
percent of our total Asian sales stem from China architectural coatings.

In the United States and Canada, we continued to experience solid growth, again driven by higher industrial activity along with improving commodity chemical demand. However, our businesses selling into the construction markets declined versus the prior year due to continued weakness in those markets.

Similar to last quarter, our volumes in Europe increased slightly versus the prior year's quarter, and, as we expected heading into the year, the region lags the other major global regions in overall pace of economic recovery. However, volumes remain stable as our industrial businesses continue to benefit from higher activity levels, including more exports from the region, which is offsetting the continuing modest weakness in the construction markets.

Looking ahead for the company, the global economic recovery began to take hold in the second half of 2009 and, as such, our second half comparable periods will be more difficult. Also, the third quarter is traditionally a slower quarter seasonally in several of our businesses, and we expect this historic trend to continue this year.

However, for the second half of 2010, we do anticipate to benefit from the continuing of the macro trend of gradually improving global industrial activity, and expect construction markets to remain sluggish.



### Adjusted Earnings-Per-Share

Our adjusted earnings-per-share is presented on the next slide. A reconciliation of these amounts to our reported earnings-per-share is included in the appendix to today's presentation materials, which is available at the Investor Center on our website at [ppg.com](http://ppg.com).

In the quarter, our adjusted earnings-per-share were \$1.64 cents versus 91 cents last year.

Clearly, the largest contributor in our improvement was the benefit from higher sales volumes.

Additionally, our lower cost structure, including the savings from our prior restructuring actions and our lower tax rate contributed heavily.

While our selling prices were higher, they did not fully offset the impact of higher coatings raw material costs. Coatings raw materials began to inflate early in the year due to higher demand and several supplier outages, and that inflation increased in the second quarter. In total, for our Coatings businesses, costs rose mid-single digit percents, although the rates differ by region and by business. Further inflation pressures have subsided, and we are now working to offset the transitory margin compression in several business units with additional pricing initiatives.

Currency conversion also negatively impacted our earnings. Stronger currencies in Asia, Latin America and Canada offset a weaker Euro within our business segments. However, our corporate costs were impacted by just over \$10 million as our losses from converting balance sheet exposures this year compared with gains in the second quarter of 2009.

Lastly, we lowered our 2010 tax rate to 28 percent based on the geographic mix of projected full year results. When compared with the company’s previously estimated 2010 tax rate of 30 percent, the lower rate added \$0.07 cents to our second quarter results, including \$0.02 based on the catch-up of reducing the rate for the first three months of 2010. Our second quarter 2009 tax rate was 33 percent.

### Performance Coatings

SMM (USD)	2Q10	2Q09	Chg	%
Sales	1,111	1,066	45	4%
Earnings	190	158	32	20%
Op Margin	17.1%	14.8%	--	--

Select Sales Detail	Total	Volume	Currency
Y-O-Y Percent Change	4%	0%	1%

- ✓ Double-digit percentage sales growth in Auto Refinish
- ✓ Sales growth returns for Aerospace and Protective & Marine
- ✓ Architectural market remains weak
- ✓ Improved business & geographic mix enhancing segment financial results

Aerospace and Protective & Marine Sales

Segment Sales (2010 YTD)

### Performance Coatings

Moving now to review our individual business segments, let me start on the next slide with Performance Coatings. In the quarter, sales exceeded \$1.1 billion, growing by \$45 million versus the prior year’s period. Overall, volumes were flat, however the segment experienced positive currency conversion and delivered higher selling prices which were focused on countering inflation.

Earnings advanced by \$32 million versus the prior year to a quarterly record of \$190 million. Operating margins expanded 230 basis points, as our

continued strong cost controls supplemented the improved sales mix resulting from the performance of several of our top-performing business units.

Our automotive refinish business continued to recover from last year’s recession and customer destocking. Aided by an improved general economic recovery and higher miles driven, the business accelerated to double-digit sales growth this quarter, excluding modest favorable currency impacts.

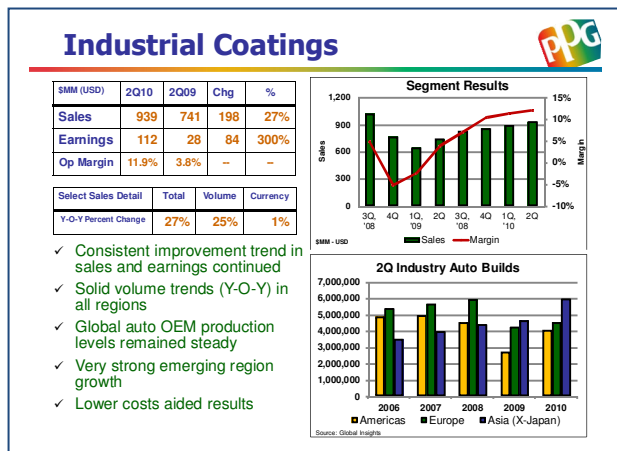
Sales also grew in our protective and marine and aerospace businesses. These businesses both have a sizable after-market component, serve late-economic cycle industries, and did not experience anywhere near the same degree of volume decline during the recession as most of our other businesses. Combined sales for these businesses this past quarter were up low-single digit percents versus last year, reversing the trend of very modest sales declines that we experienced in the past four quarters. We expect the stable nature of these businesses to go unchanged.

Volumes in our Architectural Coatings – Americas and Asia/Pacific business declined mid-single digit percentages versus last year, but the trend was modestly improved versus year-over-year results in the first quarter. Results in our national accounts, or do-it-yourself channel, once again outpaced our company-owned stores. U.S. volumes continue to be hampered by restrained commercial construction activity and continued depressed levels of residential housing activity. However, selling price actions we initiated in the business earlier in the year have been successful and we are selectively seeking additional price for the second half of the year in an effort to offset raw material inflation. Looking ahead, we expect the overall construction markets in the United States to remain at low historical levels for the foreseeable future.

Overall, Performance Coatings has continued to deliver strong results that are being further enhanced because some of our top performing businesses are growing more rapidly.

Also, aiding the segment results is the size of our Asian business, which is now the second largest region for the segment and is delivering the highest growth rate.

We expect the improved business and geographic mix to continue to aid second half results.



## Industrial Coatings

The Industrial Coatings segment results are on the next slide. As you can see, the segment's financial performance has continued to strengthen. In the quarter, sales grew 27 percent, or about \$200 million, to \$939 million with nearly the entire gain coming from volume growth when compared with last year's recession-impacted results. All regions participated in the strong year-over-year growth, and importantly, sales levels in each region were consistent with or higher than first quarter 2010 levels.

Earnings improved by \$84 million to \$112 million and our operating margin is right below 12 percent. In addition to the higher volumes, lower costs from both cost management and restructuring-related initiatives also contributed. Higher raw material costs somewhat tempered these earnings improvements.

Automotive coatings, our largest individual business in the segment, experienced 40 percent volume growth in comparison with last year's very low level. Our growth outpaced the overall global auto industry production figures, which grew by more than 25 percent versus weak prior year global production figures.

Sequentially, industry production advanced about 6 percent versus the first quarter of 2010. In general, the industry continues to match production with sales, and inventories remain at low levels from a historical perspective.

Our sales for this business in each region reflect strong year-over-year sales growth, led by our U.S. region, which posted 75 percent growth on both end-use market recovery and market share gains. The third quarter is normally a seasonally slower quarter due to planned automotive OEM facility shutdowns, and we expect a similar but less acute pattern this year.

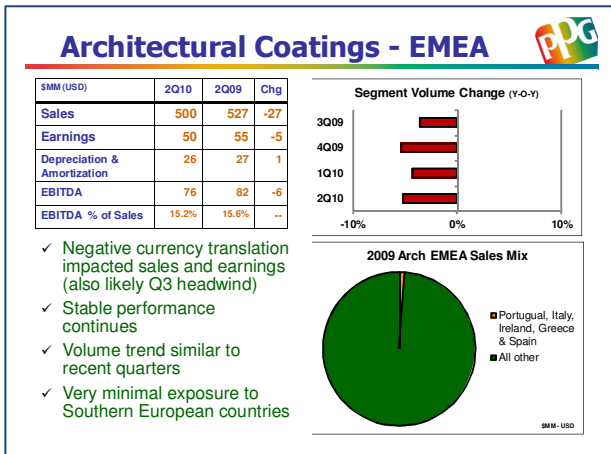
Our Industrial Coatings business unit delivered solid growth levels, around 20 percent, further reflecting an improving general industrial economy in all major regions. Both Asia/Pacific and Latin American growth was around 40 percent, similar to the first quarter.

Growth in the mature regions also was consistent with the first quarter between 7-and-10 percent. All of these sequential comparisons are despite a more difficult comparable period in 2009.

Our Packaging Coatings business also delivered moderate sales growth and solid financial results. This business remains a consistent performer.

Overall, the Industrial Coatings segment continues to return toward historic operating margins. The absolute earnings we achieved this quarter were our highest second quarter results in a decade, despite sales volumes that still remained nearly 15 percent below pre-recession 2008 levels. Looking ahead, we anticipate traditional seasonal impacts to result in lower third quarter sales.

We will keep our cost focus, and we remain comfortable with the prospects of continuing gradual recovery in the global, general industrial market.



### Architectural Coatings EMEA

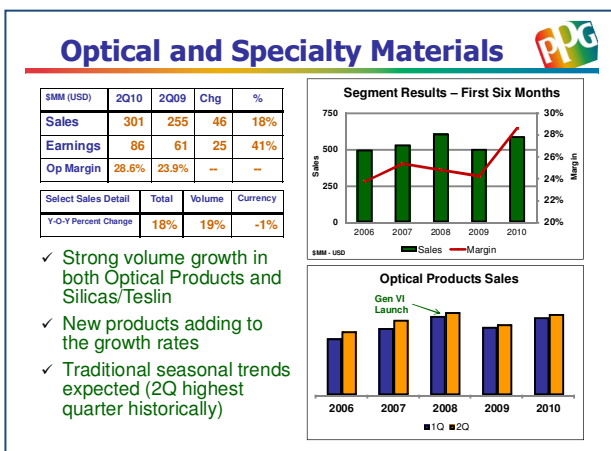
Results for our Architectural Coatings - Europe, Middle East and Africa or "EMEA" business are on the following slide. Sales in the quarter of \$500 million were down \$27 million versus last year's period, and earnings declined \$5 million. Currency conversion was a notable factor in the sales decline and accounted for half of the earnings decline.

Over the past year, the results of this business have been stable, and this pattern held true during the quarter.

Volume trends remained consistent with recent quarters, down mid-single digit percents due to continued sluggish housing and construction markets in the geographies we serve. As illustrated on the bottom right chart, our geographic footprint includes very little-to-no exposure in Southern European countries and other countries, which have experienced the most significant declines in construction, including those such as Portugal, Italy, Ireland, Greece and Spain, which combined account for only about 1 percent of segment sales.

As we have traditionally shown, included on the slide are the earnings before interest, taxes, depreciation and amortization or EBITDA. We believe EBITDA is a relevant measure for this segment given the ongoing, non-cash amortization expense from the SigmaKalon acquisition. As detailed, EBITDA margins were once again comparable this past quarter versus last year.

Looking ahead, we anticipate similar business trends will remain and, based on current exchange rates, we expect currency conversion to again detract from year-over-year segment results in the third quarter.



### Optical and Specialty Materials

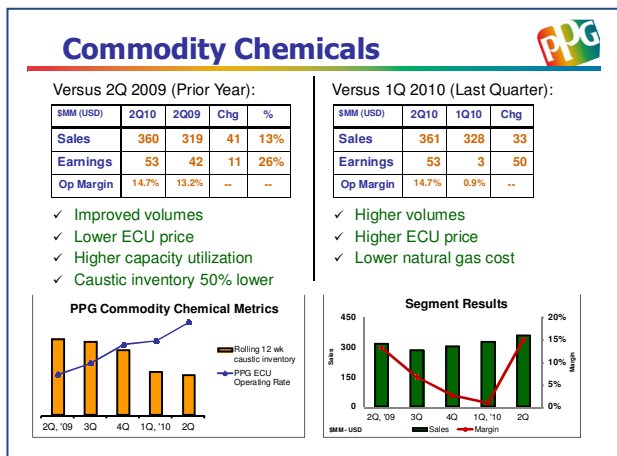
Our Optical and Specialty Materials segment results are detailed on the next slide. Versus the prior year, second quarter sales surpassed \$300 million, up \$46 million on nearly 20 percent volume growth. Earnings grew by 41 percent to \$86 million, a new record for the segment.

Both business units, optical products and silicas, continued to benefit from improved overall demand, new product sales and product line extensions. Our Optical Product sales are now approaching the peak levels we achieved directly following the introduction

of our Generation VI Transitions lens product.

Our operating margins were consistent with the past quarter and remained at more than 28 percent through the first half of the year, which, as detailed on the chart, compares favorably versus prior years due in part to the benefits of restructuring actions completed in 2009.

Looking ahead, the third quarter is typically a slower quarter seasonally, and we anticipate this trend will continue this year.



## Commodity Chemicals

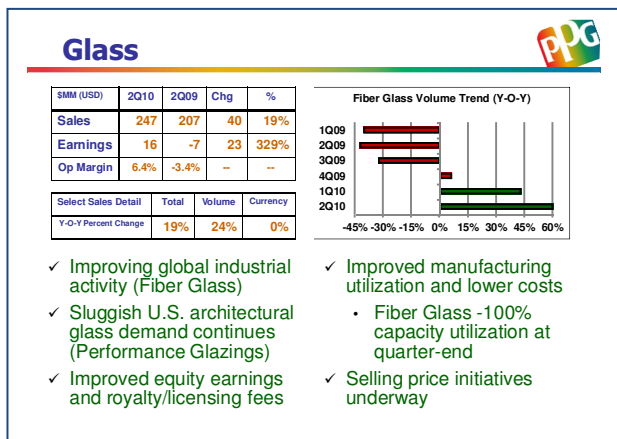
The next slide displays our Commodity Chemicals segment results. Compared with last year's second quarter, sales advanced by more than \$40 million and earnings grew by \$11 million. Improved demand more than offset lower caustic soda pricing, and our higher capacity utilization positively impacted manufacturing costs.

In comparing results this quarter versus the first quarter of this year, we delivered significant improvement, as the business has rapidly recovered from trough earnings levels. Sales advanced \$32

million as higher volumes were coupled with higher pricing for the ECU, which is an aggregate of chlorine and caustic soda prices. Segment earnings jumped by \$50 million dollars, as sales gains combined with lower natural gas costs.

Despite our higher production rates, increased demand has cut our inventory in half versus last year.

Looking forward, we expect modestly higher natural gas unit cost in comparison with the second quarter, and we are implementing additional, previously announced price increases in both chlorine and caustic soda.



## Glass

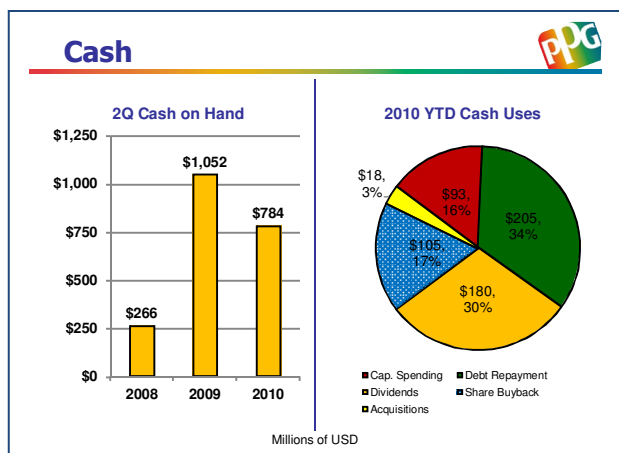
Our Glass segment results are on the following slide. Sales were \$247 million, up \$40 million or 19 percent, due to dramatic improvement in fiber glass volumes which in turn are a result of improved global industrial demand. Segment earnings improved to a \$16 million profit compared with a loss of \$7 million in the prior year.

The 60 percent year-over-year increase in fiber glass volumes resulted in improved manufacturing utilization, up to nearly 100 percent capacity utilization at quarter's-end.

Activity levels in the U.S. architectural glass markets, both commercial and residential construction, served by our Performance Glazings business remained challenging.

Equity and royalty earnings continued to improve during the quarter, and we also benefitted from lower costs, including savings from the restructuring actions we completed last year.

We are pleased with the positive earnings momentum, and looking forward we have recently initiated further selling price initiatives.



## Cash

Let me conclude my remarks by discussing some cash details, which are on the next slide. We ended the quarter with just under \$800 million of cash on hand, down from last year's \$1 billion level, as we began to deploy our cash in a balanced manner over the past twelve months.

We spent about \$50 million on capital expenditures during the quarter bringing our 2010 year-to-date total to \$93 million.

We also repaid more than \$50 million of debt in the quarter bringing our year-to-date total to about \$200

million. We don't anticipate any further debt reduction of significance for the remainder of the year.

Our quarterly dividend payments, an important part of our long standing heritage at PPG, were \$90 million and total \$180 million for the year. We also spent slightly over \$100 million on repurchasing 1.6 million shares of PPG stock. We have more than 4.5 million shares remaining under our current share repurchase authorizations.

Year-to-date returning money to shareholders in the form of dividends and buybacks, which is a PPG legacy, has accounted for nearly half of our cash uses.

One other cash item is pension contributions, and, as we previously stated, we expect full year 2010 contributions to our pension plans of \$240 million and have contributed about \$50 million year-to-date. For the full year of 2009, we put approximately \$450 million in cash and company stock into our plans, including \$210 million in the first half.

Our cash position still remains very strong, especially when considering that due to the seasonality of our businesses, our strongest cash generation quarters are in the second half of the year. We intend to remain disciplined and balanced with our cash deployment, but with a focus on growing earnings-per-share.

We are reviewing potential bolt-on acquisitions, and also anticipate further share repurchases will be a likely use of cash this year. With that, I will now turn the call back over to Chuck for some closing remarks.

**Comments by: Charles E. Bunch, Chairman & CEO**

Thanks, Bob.

I will conclude by reiterating a few key items.

- Our global geographic footprint and the broad set of end-use markets that we serve are continuing to yield benefits. This was clearly in evidence this past quarter as we leveraged the moderate global industrial recovery.
- Our results were aided by growth in emerging regions and an improved sales mix resulting from stronger results in our top performing businesses, including Optical and Specialty Materials, aerospace, and auto refinish.
- Our Commodity Chemical segment rapidly returned to solid profitability, and our Glass business delivered mid-single digit margins on strong fiber glass demand.
- As with the first quarter, we continued to experience solid earnings leverage on higher sales volumes, reflecting the benefits of the structural cost reductions we completed during the recession.

Let me conclude by commenting that I am encouraged with our earnings recovery and that I believe we remain well positioned to capitalize on what we anticipate to be a continued, gradual global economic recovery. Also, we are beginning to utilize our strong balance sheet to accelerate growth. We are currently reviewing several small-to-mid sized acquisitions, in the \$20 million-to-\$250 million range, and intend to remain active on share repurchases.

That concludes our prepared remarks. Now, operator, would you please give instructions and open the phone lines for questions.

## Adjusted EPS Reconciliation



Second Quarter	2010		2009	
	\$	EPS	\$	EPS
Net Income Attributable to PPG as Reported	\$272	\$1.63	\$146	\$0.89
Net Charge for Asbestos Settlement	2	0.01	2	0.02
Adjusted Net Income	\$274	\$1.64	\$148	\$0.91

Amounts in Millions of USD except EPS

**PPG INDUSTRIES, INC.**  
**Condensed Statement of Operations**  
**2nd Quarter Results**  
(Millions of Dollars)

	<b>3 Months Ended</b>		
	<b>June 30,</b>		
	<u>2010</u>	<u>2009</u>	<u>% Change</u>
<b>Net Sales</b>	<b>\$ 3,458</b>	<b>\$ 3,115</b>	<b>11.0</b>
Cost of Sales, exclusive of depreciation and amortization	2,076	1,898	
Selling, R&D and admin expenses	842	828	1.7
Depreciation	85	88	(3.4)
Amortization	30	31	(3.2)
Interest Expense	46	49	(6.1)
Asbestos Settlement - net	3	3	0.0
Other (earnings)/charges - net	(36)	(35)	2.9
<b>Income Before Income Taxes</b>	412	253	
Income Tax Expense	111	84	32.1
<b>Net Income Attributable to the Controlling and Noncontrolling Interests</b>	301	169	
Less: Net Income Attributable to Noncontrolling Interests	(29)	(23)	
<b>Net Income (attributable to PPG)</b>	<b>\$ 272</b>	<b>\$ 146</b>	<b>86.3</b>
<b>Earnings per common share (attributable to PPG)</b>	<b>\$ 1.64</b>	<b>\$ 0.89</b>	<b>84.3</b>
<b>Earnings per common share -- assuming dilution (attributable to PPG)</b>	<b>\$ 1.63</b>	<b>\$ 0.89</b>	<b>83.1</b>
<b>Average shares outstanding</b>	<b>165.4</b>	<b>163.8</b>	<b>1.0</b>
<b>Average shares outstanding -- assuming dilution</b>	<b>166.6</b>	<b>164.4</b>	<b>1.3</b>

**PPG INDUSTRIES, INC.**  
**Business Segment Information**  
**2nd Quarter Results**  
(Millions of Dollars)

	Net Sales		Segment Income (Loss)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
PERFORMANCE COATINGS	\$ 1,111	\$ 1,066	\$ 190	\$ 158
INDUSTRIAL COATINGS	939	741	112	28
ARCHITECTURAL COATINGS EMEA	500	527	50	55
OPTICAL and SPECIALTY MATERIALS	301	255	86	61
COMMODITY CHEMICALS	360	319	53	42
GLASS	<u>247</u>	<u>207</u>	<u>16</u>	<u>(7)</u>
<b>SUBTOTAL</b>	<b><u>\$ 3,458</u></b>	<b><u>\$ 3,115</u></b>	<b><u>\$ 507</u></b>	<b><u>\$ 337</u></b>
			(6)	(12)
<b>LEGACY ITEMS (NOTE A)</b>			(3)	(3)
<b>ASBESTOS SETTLEMENT - NET</b>			(38)	(42)
<b>INTEREST EXPENSE, NET OF INTEREST INCOME</b>				
<b>UNALLOCATED STOCK BASED</b>			(9)	(6)
<b>COMPENSATION (NOTE B)</b>			(39)	(21)
<b>OTHER UNALLOCATED CORP. EXPENSE - NET</b>			<u>\$ 412</u>	<u>\$ 253</u>
<b>INCOME BEFORE INCOME TAXES</b>				

Note A:

Legacy items include current costs related to former operations of the company including pension and other postretirement benefit costs, certain environmental remediation costs, and certain charges which are considered to be unusual or non-recurring. Legacy items also include equity earnings/(losses) from PPG's approximate 40-percent investment in Pittsburgh Glass Works (the former automotive glass and services business).

Note B:

Unallocated stock-based compensation includes the cost of stock options, restricted stock units and contingent share grants that are not allocated to the operating segments.

### 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, which also depends on economic and political conditions, foreign exchange rates and fluctuations in such 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, 2009 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 July 15, 2010, 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.