



PPG Industries, Inc. Third Quarter 2010 Financial Results

Recorded Commentary – October 21, 2010

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 third 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 once again posted very strong results. In fact, we delivered record third quarter adjusted earnings per share which easily eclipsed our prior record. Our earnings per share results were more than 60 percent higher than last year's recession-impacted

numbers and about 15 percent higher than the pre-recession levels of 2007 and 2008, even though volumes are still around 10 percent below those years.

This achievement reflects the benefits of the strategic initiatives we've undertaken to broaden our geographic footprint, especially in high-growth emerging regions, and the diversity of the end-use markets we serve. In addition, our lower overall cost structure has allowed us to leverage the ongoing, gradual global industrial recovery into a higher rate of earnings growth. We achieved this despite persistent raw material cost inflation and anemic construction markets in the developed economies of the world.

Overall, PPG's sales volumes in the quarter grew 6 percent in comparison with 2009. For our businesses with links to global industrial activity, the growth trend remained fairly constant throughout the third quarter, taking into account seasonal impacts. We anticipate that it will continue to do so for the remainder of the year. However, given the lethargic construction markets in the mature regions, our year-over-year volumes remained negative in our architectural coatings businesses, at a rate of decline consistent with prior quarters.

We also delivered selling price increases totaling over 3 percent for the entire company. In many cases, this pricing is working to counteract elevated raw material inflation.

Year-over-year segment earnings grew by more than 35 percent. Higher industrial activity resulted in sizable gains in PPG's Industrial Coatings and Commodity Chemicals segments and in our fiber glass business, all of which are experiencing strong demand recovery from the recession.

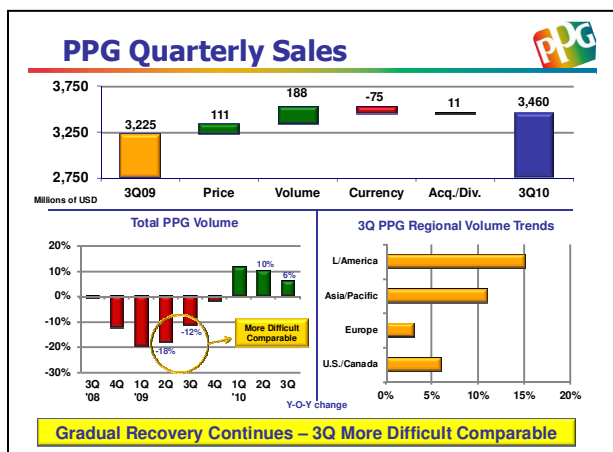
Our Performance Coatings and Optical and Specialty Materials segments once again grew earnings at double-digit percentages and delivered third quarter earnings records. Architectural Coatings Europe, Middle East and Africa or "EMEA" segment earnings fell slightly with negative currency conversion being a major factor.

Overall, I was very satisfied with our performance for the quarter. I believe we demonstrated that our actions have properly positioned the company to grow in today's environment. We are now

beginning to deploy our strong balance sheet to provide additional, future earnings growth opportunities.

Now, I'll turn the call over to Bob to provide more 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 third quarter sales, detailed on slide #4. Sales improved \$235 million, or 7 percent, versus the third quarter of 2009. In most businesses, we experienced normal seasonal sales declines versus the second quarter.

Our overall pricing improved by over \$100 million. Our coatings segments have delivered higher pricing each quarter this year, as we continue to work to

offset persistent raw materials inflation. Year-over-year pricing was also higher in the Commodity Chemicals segment due to continued tightening in the caustic soda market.

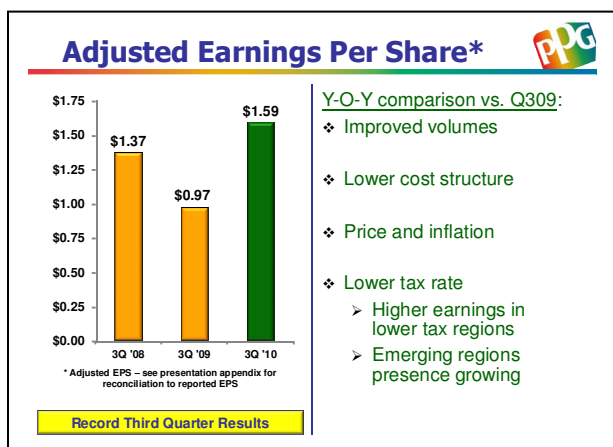
Currency conversion reduced sales by \$75 million, primarily as a result of a much weaker Euro compared to last year.

Our volumes improved by \$188 million, or 6 percent. As illustrated on the total PPG volume trend chart, during the third quarter of last year we began to realize some economic recovery. So, this third quarter comparable period was more difficult comparison than the first two quarters of 2010.

Also, from a regional perspective, our growth in the emerging regions of Asia/Pacific and Latin America remain considerably higher than the developed regions of the world. This higher growth rate is primarily led by our industrial businesses serving both exports from these regions and local consumption.

In the developed regions, we continued to experience higher industrial activity. However, our architectural coatings businesses selling into the weak construction markets declined once again versus the prior year.

During the quarter, we once again posted strong and broad-based year-over-year sales growth led by our growing position in emerging regions and the continued, gradual global industrial recovery. We anticipate similar trends to continue, although sales in several of our businesses are traditionally much slower in the fourth quarter due to seasonality.



Adjusted Earnings Per Share

Our adjusted earnings per share is presented on slide #5. 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.

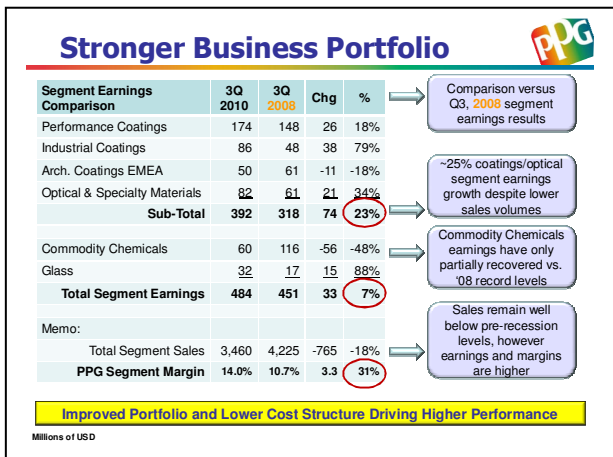
In the quarter, our adjusted earnings per share was \$1.59 versus 97 cents last year and \$1.37 in 2008. \$1.59 per share is the highest third quarter earnings per share in the history of PPG, and surpasses pre-recession levels of 2008 and 2007 by more than 10 percent.

In comparison with the third quarter of 2009, the main contributor driving improved earnings were higher sales. The improved volumes coupled with our lower manufacturing cost structure resulted in incremental margins on the higher volumes of about 60 percent.

As with prior quarters this year, higher selling prices primarily countered higher coatings raw material costs. Raw material costs rose high single digit percentages; although, the inflation rates differ by region and by business. We anticipate further sporadic supply driven inflationary pressures, and our expectation remains that we will offset this inflation with pricing gains.

Another driver in our record performance was our lower tax rate. We lowered our 2010 full year tax rate in the third quarter to 27 percent, reflecting stronger earnings outside the U.S. where our corporate tax rates are lower.

When compared with the company's previously estimated 2010 tax rate of 28 percent, the lower tax rate added 6 cents per share to our third quarter results, including 4 cents of catch-up from reducing the rate on earnings for the first six months of 2010. Our third quarter 2009 tax rate was about 33 percent.



Stronger Business Portfolio

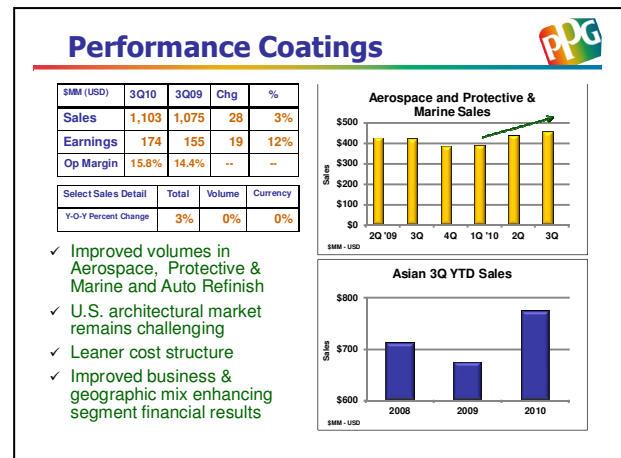
Turning to slide #6, for PPG in total, we had segment earnings of \$484 million were 7 percent higher than our prior third quarter segment earnings high of \$451 million, which we achieved in 2008.

This overall result includes nearly 25 percent growth in the coatings and optical businesses. And our Commodity Chemicals results, while up from last year, are still well below record 2008 levels. We have also improved our total segment margins by more than 300 basis points, a 30 percent increase. This is

largely a result of our cost-reduction initiatives and growth in emerging regions.

It is important to note that we are delivering these record earnings despite volumes that remain about 10 percent below 2008 levels and despite significant currency translation headwinds.

These results provide continued validation of our ongoing strategic actions to grow in emerging regions and lower our global cost structure.



Now, let's walk through each segment's third quarter performance.

Performance Coatings

For Performance Coatings, sales for the quarter were \$1.1 billion, up \$28 million versus the prior year's period.

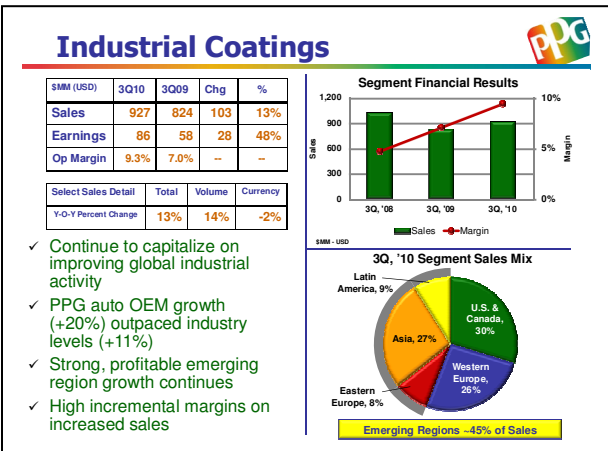
Segment earnings improved 12 percent to a third quarter record of \$174 million. Segment margins expanded 140 basis points to 15.8 percent due to a leaner cost structure and an improved sales mix resulting from the continued growth in several of our top-performing business units. Each business delivered higher selling prices in an effort to offset raw material inflation.

Overall segment volumes were flat, as solid growth in Protective and Marine Coatings, Aerospace and Automotive Refinish, offset by the decline in Architectural Coatings – Americas and Asia/Pacific. As illustrated on the chart, the year-over-year sales growth trends in our Protective and Marine and Aerospace businesses continued to accelerate due to improving global activity levels in many of their end-use markets. Combined sales for these businesses in the past quarter were up 8 percent versus last year.

We also posted solid mid-single digit percentage sales growth in Automotive Refinish aided by emerging regions growth and continued market share gains on the success of our new water-based technology.

As in past quarters, volume trends in our Architectural Coatings – Americas and Asia/Pacific business remained challenging, declining high single-digit percentages versus last year on continued weakness in the U.S. construction markets.

Despite the weaker architectural results, Performance Coatings is on pace to deliver record earnings for the full year. As the year-to-date chart illustrates, we have dramatically increased our Asian presence, which is aiding the growth rates in our top performing businesses. The improving business and geographic mix is supplementing the positive impacts from our leaner cost structure. As we look ahead to the fourth quarter, we expect these overall trends to continue in what is typically a seasonally slower sales quarter for this segment.



Industrial Coatings

The Industrial Coatings segment results are on the next slide #8. This segment has continued to post strong year-over-year improvement, with sales increasing 13 percent in the quarter, to \$927 million, on volume growth and sales price gains. Currency conversion was a modest negative.

Earnings were \$86 million, up \$28 million or 48 percent, against what were improving results in 2009 aided by the U.S. “cash for clunkers” program. Our 14 percent volume increase reflects improving global

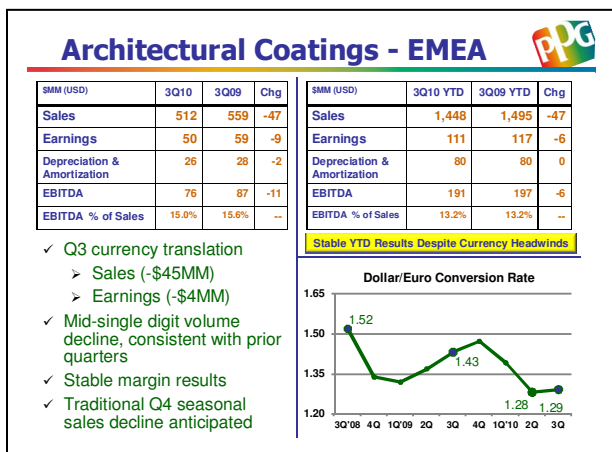
industrial markets, plus increased market penetration by PPG. Our improved segment margin reflects the high incremental margins on our sales growth including the benefit of our lower manufacturing cost structure. Similar to the prior quarters this year, higher sales pricing partially offset elevated raw material costs.

In Automotive OEM Coatings, we posted volume growth of over 20 percent, easily outpacing global industry auto production growth, which was about 11 percent. Our Industrial Coatings business unit also posted double-digit percentage growth this quarter, with increases in each major region, led by the emerging regions where our growth exceeded 20 percent due to market share gains. As anticipated, Packaging Coatings remained a stable performer.

Emerging regions continue to be a significant growth driver for the segment, with year-to-date growth rates of nearly 40 percent in Asia and Latin America. Emerging regions now account for about 45 percent of total segment sales and have margins comparable to or higher than operating margins in the mature regions.

For this segment as a whole, we are pleased to post solid earnings, despite volumes that still remain below pre-recession levels.

As a reminder, the normal historical pattern is for seasonally lower segment sales in the fourth quarter versus the third quarter, and we anticipate this will hold true again this year.



Architectural Coatings EMEA

Results for our Architectural Coatings – EMEA business are on the following slide. Sales in the quarter of \$512 million were down \$47 million versus last year's period, and earnings declined \$9 million.

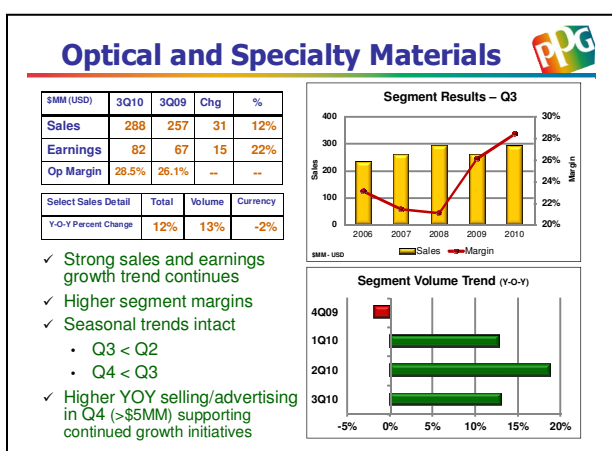
Negative currency conversion due primarily to a weakened Euro was a significant factor in segment results, negatively impacting sales by \$45 million and accounting for \$4 million of the earnings decline.

Volume results remained steady with prior quarters this year, declining mid-single digit percentages. This reflects continued general sluggishness in the construction and maintenance markets.

Included on the slide are the 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.

Over the past two years, this business has proven to be a very stable performer. As detailed for both the quarter and year-to-date, EBITDA margins remained fairly consistent despite the modest volume declines and negative currency impacts. We expect the negative currency impacts to continue in the fourth quarter given that the Euro strengthened in the fourth quarter of last year.

This business also exhibits significant seasonal slowing from the third to the fourth quarter, and we anticipate this year will follow historical patterns.



Optical and Specialty Materials

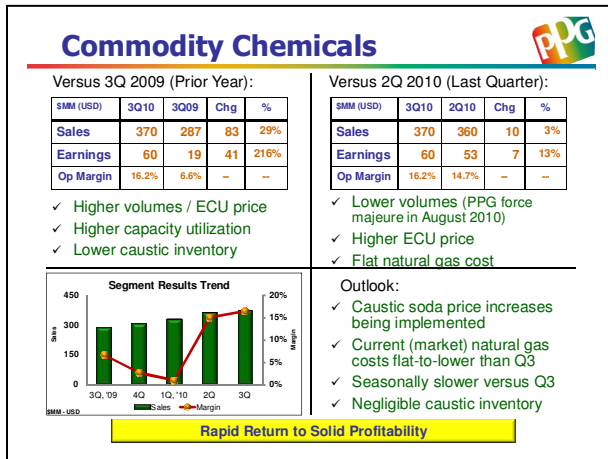
Our Optical and Specialty Materials segment results are detailed on slide #10. Third quarter sales were \$288 million, up \$31 million on 13 percent volume growth. Earnings grew by 22 percent to \$82 million, a new third quarter record for the segment.

Sales growth trends were similar to prior quarters. The growth is primarily due to increased penetration

in the optical end-use market of both our Transitions lens products and other adjacent products, coupled with a recovery in several silicas end-use markets, including automotive.

Our operating margins have remained consistent all year, above 28 percent.

Again, the fourth quarter is typically slower due to seasonality and we anticipate that trend will occur again this year. We also expect our year-over-year selling and advertising costs to increase by at least \$5 million in the fourth quarter as we continue to focus on growth initiatives moving into 2011.



Commodity Chemicals

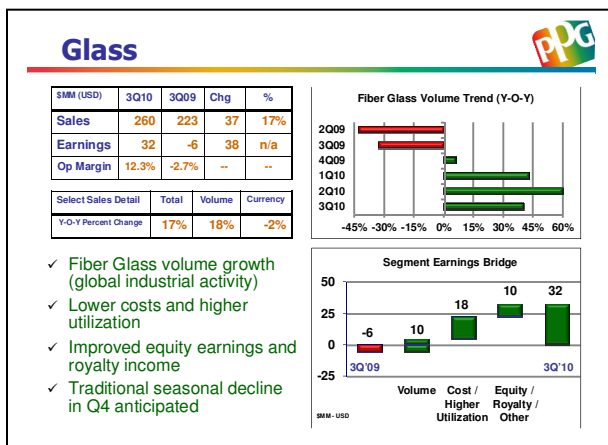
Turning to slide #11-- Commodity Chemicals segment.

Compared with last year's third quarter, sales grew by \$83 million and earnings increased by \$41 million. The segment has rapidly returned to solid profitability, as higher market demand increased volumes by 9 percent, and pricing rose for both caustic soda and chlorine. We also benefitted from higher capacity utilization and lower natural gas costs, which were partially offset by higher maintenance costs.

In comparing results this quarter versus the second quarter of this year, sales and earnings increased despite lower production volumes as a weather-related event at one of our manufacturing facilities resulted in a force majeure declaration for a portion of August. Both caustic and chlorine pricing improved. Our natural gas unit costs were essentially flat at about \$5.25, including the impact from our prior natural gas hedges.

Looking forward, additional announced price increases are being implemented, and, based on current market pricing, we expect our natural gas unit costs will be flat-to-modestly lower in the fourth quarter. We anticipate lower operating rates due to seasonal trends and several scheduled maintenance projects by both us and our customers.

Finally, our caustic soda inventories remain negligible, with our inventory position currently at its lowest level in the past five years.

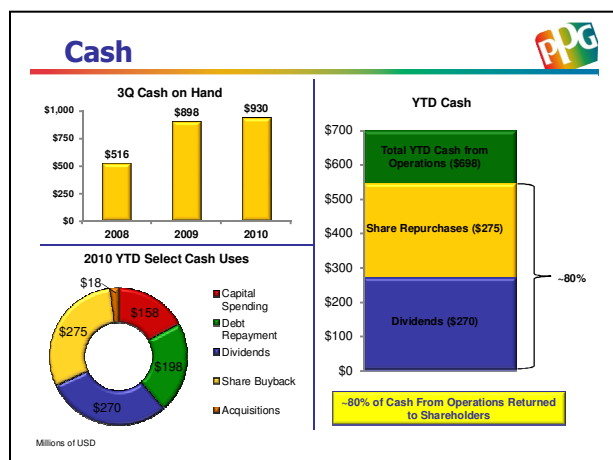


Glass

Our Glass segment results are on the following slide. Sales were \$260 million, up \$37 million, aided by continued strong year-over-year fiber glass volumes stemming from improved global industrial demand. Year-over-year sales were comparable in our Performance Glazings flat glass business, as we offset U.S. construction market weakness with increased sales in other end-use markets. Improved pricing in Fiber Glass was offset by Performance Glazing.

Segment earnings were a \$32 million profit compared with a loss of \$6 million in the prior year. Several factors contributed to this including higher Fiber Glass sales volumes, which also aided manufacturing utilization. Also, equity and royalty earnings continued to improve during the quarter.

We remain pleased with the trend of the segment results the past two quarters. The underlying market fundamentals remain stable. However, like our other segments, we anticipate a traditional seasonal decline in the fourth quarter.



Cash

Let me conclude my remarks by commenting on some of the cash details, which are presented on the next slide. We ended the quarter with \$930 million of cash on hand. We have generated about \$700 million of cash from operations this year, including a deduction of \$220 million for cash pension contributions.

We spent about \$65 million on capital expenditures during the quarter, bringing our 2010 year-to-date total to \$158 million.

We made no substantial change to our debt in the quarter, and on a year-to-date basis we have repaid about \$200 million. We don't anticipate any further debt reduction of significance for the remainder of the year.

In the quarter dividend payments, an important element of our cash uses and a PPG heritage, were \$90 million and totaled \$270 million for the year-to-date period. We last raised our quarterly dividend payment this past July.

During the quarter, we spent about \$160 million repurchasing PPG stock. Year-to-date we have spent \$275 million and repurchased 4.2 million shares at an average price of approximately \$65 per share. We have about 3.1 million shares remaining under our current share repurchase authorizations.

Rewarding our shareholders in the form of dividends and buybacks remains a long-standing PPG tradition and we have maintained that this year. As detailed on the chart, year-to-date we have paid out nearly 80 percent of our cash from operations as either dividends or share buybacks.

Our financial flexibility remains strong given our current cash position and considering that due to the seasonality of our business, our strongest cash generation quarter is traditionally the fourth quarter.

We intend to remain disciplined and balanced with our cash deployment, but with a focus on growing earnings per share. We continue to review potential bolt-on acquisitions and we anticipate further, disciplined share repurchases will be a likely use of cash over the remainder of this year. With that, I will now turn it back over to Chuck for some closing remarks.

Comments by: Charles E. Bunch, Chairman & CEO

Conclusion

Thanks, Bob.

I will conclude by reiterating a few key items.

- Our focus continues to be on operational excellence as we remain committed to cost management. As such, we are fully maximizing the continued, gradual volume growth from the economic recovery by delivering strong incremental margins.
- We have already established a strong coatings leadership position in the emerging regions that has and will continue to enable us to take full advantage of the expected future higher growth rates in these regions. We will do this organically, including market share gains, and through bolt-on acquisitions. As a side benefit, these regions typically have low tax rates which will enable us to sustain our lower overall tax rate.
- The shift of our business portfolio to focus on coatings and optical products has significantly reduced our capital intensity. As a result, we have additional cash to use for earnings growth opportunities and to return to shareholders. Year-to-date, we have returned nearly 80 percent of our cash from operations to our shareholders, and we are currently assessing a variety of disciplined ways to deploy our balance sheet to further accelerate our earnings growth.

Let me conclude by reiterating that we delivered record third quarter earnings despite the fact that the sales in our businesses have yet to fully recover, and in some cases, such as architectural coatings, remain at recessionary levels. This, combined with our continued organic growth prospects and strong balance sheet, give me continued optimism about our future earnings potential.

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

Appendix



Adjusted EPS Reconciliation



Third Quarter	2010		2009		2008	
	\$	EPS	\$	EPS	\$	EPS
Net Income Attributable to PPG as Reported	\$262	\$1.58	\$159	\$0.96	\$117	\$0.70
Business Restructuring Charge					110	0.67
Gain on Divestiture of Automotive Glass and Services Business					(3)	(0.02)
Net Charge for Asbestos Settlement	2	0.01	2	0.01	3	0.02
Adjusted Net Income	\$264	\$1.59	\$161	\$0.97	\$227	\$1.37

Amounts in Millions of USD except EPS

PPG INDUSTRIES, INC.
Condensed Statement of Operations
3rd Quarter Results
(Millions of Dollars)

	3 Months Ended		
	September 30,		
	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Net Sales	\$ 3,460	\$ 3,225	7.3
Cost of Sales, exclusive of depreciation and amortization	2,108	1,989	6.0
Selling, R&D and admin expenses	836	827	1.1
Depreciation	86	88	(2.3)
Amortization	30	32	(6.3)
Interest Expense	46	47	(2.1)
Asbestos Settlement - net	3	3	0.0
Other (earnings)/charges - net	(35)	(36)	(2.8)
Income Before Income Taxes	386	275	
Income Tax Expense	94	90	4.4
Net Income Attributable to the Controlling and Noncontrolling Interests	292	185	
Less: Net Income Attributable to Noncontrolling Interests	(30)	(26)	
Net Income (attributable to PPG)	\$ 262	\$ 159	64.8
Earnings per common share (attributable to PPG)	\$ 1.59	\$ 0.96	65.6
Earnings per common share -- assuming dilution (attributable to PPG)	\$ 1.58	\$ 0.96	64.6
Average shares outstanding	164.2	165.2	(0.6)
Average shares outstanding -- assuming dilution	165.4	166.0	(0.4)

PPG INDUSTRIES, INC.
Business Segment Information
3rd Quarter Results
(Millions of Dollars)

	Net Sales		Segment Income (Loss)	
	2010	2009	2010	2009
PERFORMANCE COATINGS	\$ 1,103	\$ 1,075	\$ 174	\$ 155
INDUSTRIAL COATINGS	927	824	86	58
ARCHITECTURAL COATINGS EMEA	512	559	50	59
OPTICAL and SPECIALTY MATERIALS	288	257	82	67
COMMODITY CHEMICALS	370	287	60	19
GLASS	<u>260</u>	<u>223</u>	<u>32</u>	<u>(6)</u>
SUBTOTAL	<u>\$ 3,460</u>	<u>\$ 3,225</u>	<u>\$ 484</u>	<u>\$ 352</u>
			(16)	(11)
			(3)	(3)
			(37)	(40)
			(11)	(8)
			(31)	(15)
			<u>\$ 386</u>	<u>\$ 275</u>

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 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.

Note C:

The increase in corporate unallocated costs in 2010 is due to higher variable pay and benefit costs. In addition, changes in foreign currency conversion rates used to translate foreign denominated corporate receivables and payables resulted in unfavorable earnings impacts in comparison with the prior year.

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, 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 October 21, 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.