## *QUESTION AND ANSWER – 4Q & Year-End 2009 Analyst Conference Call*
## *January 21, 2010*

**David Begleiter** - *Deutsche Bank - Analyst*
Chuck, can you comment on what you're seeing in Industrial Coating demand trends by region, both for January and how the autos look for longer term?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
The Industrial Coatings segment for us, the trends are positive, especially here in North America and in Asia. In North America, we're benefiting from the rebound in automotive builds, and as you know, 2009 and the end of 2008, were periods of real weakness, so in 2010, we're looking for a rebound in North America on the automotive side and a lesser rebound, but still a positive push here in North America on the Industrial Coatings side.

In Europe, the story is slightly different. We think that OEM automotive production will be relatively flat, maybe slightly positive depending on how the year proceeds and industrial production will be up slightly, these are low single digit numbers in Europe.

The real positive story for us is going to continue to be Asia. As we mentioned in the report, Asia now makes up about 20% of the sales of our Industrial Coatings segment. We had record automotive build in China in 2009. We ended the year with a lot of momentum. The beginning of 2010 appears to be strong, so we're looking, again, in China for another 10% or so increase in automotive production. Korea and India are also positive and building momentum and on the industrial side, we're seeing some strength in consumer electronics and in automotive parts.

So I would say we're looking in the Industrial Coatings segment to continue growth in Asia, return to growth in North America and relatively flat in Europe and South America, although it's less important for us, it looks positive as well.

**David Begleiter** - *Deutsche Bank - Analyst*
And, Chuck, you've commented on raws, are you seeing price increases in either TI02 or propylene base raws? If not, when might you see those price increases?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
We saw the beginnings of modest price increases in coatings, raw materials. I would say these are low single digit numbers in the fourth quarter as we went through the quarter. We have discussions going on now. In most of those commodities for coatings, propylene, as you know, has been going up throughout 2009, that's the basis for many coatings raw materials, so now I would expect modest price increases as we move through the year and I'm talking now low single digit kind of increases overall for coatings.

**David Begleiter** - *Deutsche Bank - Analyst*
Thank you very much.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Thanks, David.

**Kevin McCarthy** - *Banc of America Merrill Lynch - Analyst*
Yes, good afternoon. Chuck, to follow up on industrial coatings, your margins in that segment were the best since the first half of 2007, even well before the downturn commenced. I was just wondering if you could comment on the outlook for margins there. It sounds like you have a constructive volume outlook and raw materials are under control. Should we expect margins to move higher this year?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
I think we can overall look for improvement in 2010 in our Industrial segment for earnings margins. I think we are going to benefit here in North America in particular from a year-over-year increase in automotive OEM production and the real story for us has been the restructuring activities. We have really worked hard at reducing our structural costs in our industrial coatings segment both here and in Europe, and as you know from Bob's remarks earlier in the presentation, we are still now achieving at the end of the fourth quarter some additional cost reductions in the industrial segment. So I think the cost story for us is going to continue to be positive, we're going to pick up volume, especially here in North America and in Asia. I think raw materials, although there is some inflation out there, I think it is manageable, so we're looking for some further improvement in the coatings margins for industrial in 2010.

**Kevin McCarthy** - *Banc of America Merrill Lynch - Analyst*
Okay. As a follow-up, if I may, Bob, I think you made a comment that you would intend to manage the cash balance down this year. It looks like your target for incremental debt reduction is lower at 150 to 250 [million dollars]. Perhaps you could comment on uses of free cash flow in that context and touch upon M&A and potential for repurchase this year?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
Yes, we continue to have $1 billion of cash on the balance sheet the same as we did at the end of last year. We'll likely return to a more balanced approach towards using our cash. Debt repayment will still be there if it's neutral or accretive to earnings. To the extent our debt is trading above market and difficult to repurchase, we probably won't chase it. And we will continue to look at bolt-on acquisitions and may selectively consider share repurchases. And so I think over time, we'll look to be a little more aggressive in our cash usage in a way that facilitates earnings growth.

**Kevin McCarthy** - *Banc of America Merrill Lynch - Analyst*
Thanks very much.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Thanks, Kevin.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
Good afternoon, gentlemen. Chuck, perhaps another use of cash could be getting a luxury box at the super bowl to see the Jets play this year.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
I know. We've enjoyed the success over the past few years from the Steelers, but I wish you and the Jets all the best here. I don't have a dog in this fight now, Frank, so if you want the Jets, well, we'll root for the Jets.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
All right. Terrific. Just following up, Bob, on the last question. I mean you said that you wanted to get the cash flow down to historic levels. Are you talking about one half billion dollars? Is that the normal levels that you were thinking of?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
Yeah, I think that's where we've operated over an extended period of time. You have to recognize that we do need to reserve some cash for our likely potential asbestos settlement here later in the year. That would be in the neighborhood of $300 million after tax. Obviously we continue to expect to generate cash during full year 2010. So you're right, we will have flexibility.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
Yes. A lot of flexibility. That's not an insignificant number, plus, the higher CapEx is more than offset by the lower pension side of things, so we can look for something of a meaningful bolt-on let's say or a fairly meaningful share buy back and something along those lines, is that something that is a first quarter or second quarter event that you're thinking, right now?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
We're not prepared to share timing on those kinds of things, but as we said, we are going to look to be balanced in our usage of cash. Bolt-ons are clearly part of that equation and we are looking for those and will continue to look for those, and we'll selectively consider share repurchases.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
Obviously a very nice job in '09 on building up that cash balance front. And then just to Chuck, there was a question earlier about raw materials inflating up modestly on the coatings side of things. And how would you talk about your ability to generate price increases such that you're offsetting some of those raw material costs?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
We're working on price increases in a number of our Coatings businesses. We think we will be successful in passing along cost increases for our Coatings businesses, so at these levels of expected inflation, which are modest, we think that we will be able to successfully move pricing in those businesses that would be affected.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
Okay. Great. And then on the income statement there was a note D that talked about $40 million from improved equity affiliate results, higher royalty income as well as impact of gains on non-operating asset sales. Should we think of those three items, the equity affiliate, the royalty income, and the non-operating asset sales in that order in terms of size, relative to the $40 million total?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
Yes. And, I'd point out that this number, other income has averaged about $40 million a quarter over the last eight quarters with two exceptions. First quarter '09 and fourth quarter '08, where, obviously we were severely impacted by the recession. So our normal run rate here has been about $40 million a quarter. It's obviously jumped up a little higher in fourth quarter '09, and we did see a significant increase in equity earnings and royalty income associated with our Glass and Commodity Chemicals business.

**Frank Mitsch** - *BB&T Capital Markets - Analyst*
Okay. Thank you.

**John Roberts** - *Buckingham Research Group - Analyst*
I think you indicated the automotive OEM market was expected to be up about 10% this year. How much higher than 10% will the first half be and how much lower than 10% would the second half be because the comparisons are very uneven as we go through the year?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, I think what we said there is that we're going to expect to be up about 10% globally, and I would say that the percentage will be higher, we think, in the first half. The percentage increase would be higher in the first half than the second half because we began to experience a

recovery especially here in North America, but also we were building momentum through the year in China and in Asia. So I would expect that you would see higher percentage increases in the first quarter and in the second quarter than you're going to see later in the year.

**John Roberts** - *Buckingham Research Group - Analyst*
Would it actually be flat in the back half of the year or you think you'll still be up, because you're comparing against the little bit of a stimulus recovery here in the second half of '09?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
I think it's not going to be flat in the second half of the year. It may be flat in Europe, but we're not expecting a big difference. But I would say that in North America, it should be up in the second half as well and as you look at the broadening of the growth in automotive builds in the rest of Asia, places like Korea, India, even Australia, that I think you're going to have growth in the second half in Asia as well.

**John Roberts** - *Buckingham Research Group - Analyst*
Okay. Thank you.

**Don Carson** - *UBS - Analyst*
Thank you. A question on the Chlor-Alkali business, you mentioned that gas costs will be up sequentially in Q1. I know there are some caustic price initiatives, but they seem to be taking a little longer to get in place and chlorine is coming down. The question is when do you see the Chlor-Alkali business bottoming; and a follow on to that would be, I know there's been some talk of closing down mercury cell plants, and legislative pressures potentially, is that something you're looking at doing that would help firm up the industry?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
I would comment, Don, on Chlor-Alkali -- let's talk about it first in the fourth quarter; we did get chlorine price increases in the fourth quarter. Actually, volumes were a little better than prior year and sequentially in the fourth quarter. Some of that was related to the healthy export business that we're seeing from PVC back and also back in the chain and also I think at the end of December, we saw a little more strength again because of some of the uncertainty surrounding price increases that had been announced for caustic.

As we went into the first quarter here earlier in the month, I think there was lighter activity in part because I think there had been a number of shipments made at the end of the month around the pricing. We had bad weather. But we're seeing now, we think, a positive trend on volume for Chlor-Alkali. We also are increasingly confident about the success of the $75 caustic price increase, so we feel that even though we're not going to be able to achieve as much of an earnings lift in the first quarter because of some of the export or mix volume and some of the higher natural gas and ethylene costs, but we think we're at the bottom here in the fourth quarter and in the first quarter, so we think we see some positive trends for our Chlor-Alkali business and the industry in general.

**Don Carson** - *UBS - Analyst*
And as a follow-up, Chuck, any plans for closing West Virginia given the pressures on mercury cell capacity and could that be what helps turn the industry around?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
No, I don't, at this point we're not contemplating a near-term decision on any mercury cell capacity. We did convert at Lake Charles several years ago and that mercury cell production for us at Natrium continues to be a part of our production planning and there is increased regulatory

changes in terms of water quality and the rest, but we're confident that we can meet in the coming years the higher standards that we're being held to in terms of emissions.

In the overall industry for Chlor-Alkali in terms of supply and demand, in the near term. There have been some production disruptions among our competitors, and we think that has served to tighten the supply/demand in the industry and I feel that with the enhanced export volumes that you're seeing and if we see a return of economic growth here in North America, I think you're going to see that supply/demand will remain in balance and that there is no immediate need to shutter additional capacity.

**Don Carson** - *UBS - Analyst*
Thank you.

**Sergey Vasnetsov** - *Barclays Capital - Analyst*
What do you see in commercial construction markets?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
The commercial construction market remains weak. In the fourth quarter, the business units that we have, especially here in North America that have exposure to the commercial construction market, and this would include architectural coatings, performance glazings, also some of our general industrial coatings markets, these were some of our weakest. We did not see a rebound in the market in the fourth quarter and in the first quarter, it's still early days, but I would say at this point we're not looking in the first half for an improvement in commercial construction.

Obviously in some of the markets outside of North America and, in particular Asia and China, commercial construction activity is quite good. The activity in Europe is what I would call flat to slightly negative, but the big concern, I think, because of some of the issues in the construction market and the financing markets for commercial construction is weakest right here in the US.

**Sergey Vasnetsov** - *Barclays Capital - Analyst*
Okay. And, Chuck, what kind of trends do you see in some of the long lead time cycles such as aerospace and marine?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Aerospace has been a little weaker here at the end of the fourth quarter. We saw weakness in business or general aviation, that was probably the weakest market and maybe to a lesser extent some of the military applications.

Here in 2010, aerospace, we think still is holding up. The backlogs continue to slide for the big commercial airliners. We're looking at lower backlogs at Boeing and Airbus, but they have kept production schedules at the OEM level in aerospace fairly steady and we think that as they move through all the qualification steps and start ramping up production for the Dreamliner, the 787 at Boeing, that presents us and a number of other suppliers with some upside. So I think that if we can move out of this economic crisis environment, 2010 should still be a good year for our aerospace business and we hope that if the recovery continues, the backlog can rebuild itself over the next eighteen months to two years and they can maintain some of the production schedules that we have. So our outlook there, we realize there's some weakness, but we think that it is manageable for us.

Similar story on the marine business. The production schedules in Asia and in China and in Korea in particular have been fairly steady over the last year and we're only looking for a modest decline this year, 2010, in the OEM builds. Now, the backlogs there are coming down as well, so we could have an impact in 2011 in our protective and marine business as they adjust production schedules if the backlog doesn't start to rebuild.

The after-market business for marine, we think is going to be pretty steady and most of the indicators now in terms of marine activity, not the new OEM builds, but overall ship usage are going up, so we think that's going to be a positive and a potential offset in the after-market business and the protective side of our business unit that goes across a number of industrial and infrastructure assets, that's been a very solid in Asia and we looked for that to continue and we think that the business, if the stimulus dollars here or potentially in 2010 in Europe can get to those projects, that that will start to give us a little bit of growth because the protective side of the business has not been very strong here in North America, nor in Europe and we're hoping that industrial activity and some of these infrastructure projects as the stimulus money gets through could give us a little better story in that protective market for 2010.

**Sergey Vasnetsov** - *Barclays Capital - Analyst*
Thank you for your details.

**P.J. Juvekar** - *Citigroup - Analyst*
Yes, hi. Good afternoon, Chuck and Bob.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Hi, P. J.

**P.J. Juvekar** - *Citigroup - Analyst*
In your Architectural EMEA business, are all the synergies from SigmaKalon merger (inaudible) included in your results and what do we look forward to in that business in 2010? And what I mean by that is…your margins have always been lower than the US architectural business in Europe. So how high can those European margins go?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, we think that we were still working on our synergies and restructuring activities in the architectural business in Europe as we moved through 2009. We took what I would call a significant restructuring in the third quarter of 2008 and that got at the initial opportunities we saw from the merger of SigmaKalon and PPG. But as we continued through 2009, the restructuring announcement in the first quarter of 2009 and our work throughout the year, we think we were able to take additional costs out of our architectural coatings EMEA supply chain and so we think there is additional upside.

I think Bob commented on the EBITDA performance of the former SigmaKalon business or the Architectural EMEA business which was very solid in this weaker construction environment. So we think we have good upside going forward, first from additional restructuring and then when we do start to see growth returning to those markets in Europe, we think we'll have good operating leverage; and we think also that the combination of the two companies in Europe has given us additional purchasing power and the ability to work a little harder on our input costs in coatings in Europe.

**P.J. Juvekar** - *Citigroup - Analyst*
Chuck, I was wondering if you could quantify those savings that you generated in '09?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
Yes, P.J., maybe I can touch on those. Our original synergy target was about $50 million in '08. We beat that. In '09, we were looking for another $40 million to $50 million from synergies. We achieved that. We counted on a little extra, maybe $20 million to $30 million in '10 and we saw most of that into '09. So I would say we're ahead on the synergy target. Chuck talked about the additional restructuring actions. Those had some benefit this year, will have continued benefits into 2010. So, I think we're on and ahead of those commitments.

To your other question that I think Chuck answered, this business will be less volatile on the down side in a recessionary environment and it will go up at maybe a more modest rate in an upside environment. That is the nature of it and I think we've seen that in the difficult economic environment in 2009; it held up very, very well.

**P.J. Juvekar** - *Citigroup - Analyst*
Thank you. I have a follow-up question on Chlor-Alkali. One of the arguments put forward by PPG is that as coatings raw materials go up, the same environment Chlor-Alkali makes more money, so there is a natural hedge in the portfolio. How strongly do you believe that that hedge will hold up in 2010?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, I would say that if you looked at the period when we had the strongest raw material inflation and this would be during 2008, especially those first three quarters. You saw at that time the strongest performance for Chlor-Alkali. Now, it's typically been a lagging business unit in terms of its performance, so it lags the recession. We're feeling some of that now.

We think, as my comments on Don Carson's question, is that we are near the bottom of the Chlor-Alkali cycle and we're looking for improvement through the year in 2010, even if we're still at a relatively low point. So I think you're going to see a similar phenomena out of the Chlor-Alkali business. As I've commented, the increases that we're seeing in raw materials are modest at this time and we're always going to have somewhat of a lag on that with our Chlor-Alkali business, but we also feel that we also have a lag in terms of when we get raw material increases, either because of contracts or our ability to negotiate with our suppliers. So we think that we will still get the benefits of Chlor-Alkali in terms of that counter cyclical performance.

**P.J. Juvekar** - *Citigroup - Analyst*
Thank you.

**Robert Koort** - *Goldman Sachs - Analyst*
Thank you, good afternoon.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Bob.

**Robert Koort** - *Goldman Sachs - Analyst*
Chuck, on the commentary around your Auto Refinish, you mentioned that demand was weak there and the lack of a restocking cycle. Did you guys not push through the typical, end of year price hike to incentivize those dealers to restock?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, we did have some pricing activity in Refinish in the fourth quarter, but we did not provide any additional incentives for our customers, our dealers and distributors to incentivize them to buy. And I think this is in recognition of, let's say the more fragile nature of the recovery, the

balance sheet or borrowing capabilities of everyone throughout the chain; and I think what we've seen during this cycle as you've heard from our commentary about how we've watched cash and tried to deliver good cash performance strength in the balance sheet, we've seen that at any number of customers, including the Automotive Refinish customers.

So that their clearly have been watching their balance sheets more closely, so rather than restock aggressively to take into consideration a buying window or some other incentive from the manufacturers, we've seen what now is no longer a destocking because that was their initial reaction, especially earlier in this year, they were destocking inventories that they had been holding, but this year we've also been listening to them. So they haven't been asking us to, hey, give us some incentive so that we can restock. Let's manage demand and let's manage our inventories to the level of activity that we see out there.

Now, we also saw at the beginning of this month some more severe weather here in North America and in Europe, so we're hopeful that will lead to increased demand as we get into the spring because of the number of accidents and the other things that happened with that bad weather. But it did make it a little tougher at the beginning of this year to look at economic activity in both the North American and European markets because the weather over the first two weeks, it's moderating now, was much colder and we think that we're not as able as a result of that here sitting in mid-January to say that we're going to see this sell through, but we're more confident that as the quarter goes on, we get into spring, Refinish will be a stronger market because we definitely experienced destocking during the course of 2009.

**Robert Koort** - *Goldman Sachs - Analyst*
Okay. I can sadly say I helped your Refinish business in the fourth quarter, unfortunately.

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
We're sorry to hear that, but slightly happy.

**Robert Koort** - *Goldman Sachs - Analyst*
Final question, if I might. On the architectural EMEA, obviously you guys are pulling it to a much more stable market there given the dynamics of the paint industry. I guess that removes some of the opportunity for a big reversion to the mean as things get better. Can you put in context where historically those margins have been? You've shown us now they're in the 11 to 12% range. Where could they go if everything starts to hit on all cylinders in Europe?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
I would say if you look historically at the EBITDA margins for the business in Europe and, you know, this goes back to the periods before they were part of PPG, they have traditionally been in the range of, let's call it low to mid-double digits; so on an EBITDA basis, you're probably looking at 10% to 13%, 14%, so there is, I think, some modest upside if we get some good growth and we continue to work hard on the cost synergies, but I would say some other margins that we've seen historically out of PPG business where you're north of 15%.

I don't think we're going to see that kind of growth, especially for the next couple of years because I don't think the European construction forecast is robust at this point, Bob. So I would say that I think we can see some further improvement, but we're going to need some additional growth both in the continent and also in that emerging Eastern European region for us to move it up significantly over a percentage point or two.

**Robert Koort** - *Goldman Sachs - Analyst*
Great. Thank you.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
Good afternoon.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Good afternoon.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
Just a clarification. That gain on the sale of non-core assets, how much was that and where did those earnings fall in the segment numbers? And unrelated to that, did you sell any platinum in the quarter that may have contributed some earnings?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
To my knowledge, we did not sell any platinum.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
No platinum. Saul.

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
No, we sold no platinum. The other income, as I said, it's slightly higher than it's historically been. We've normally run about $40 million a quarter. We're up to $52 million. Principal driver was higher equity earnings from affiliates and royalty income streams which impact the Glass and Commodity Chemicals segments.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
But can you quantify the asset sale component?

**Vince Morales** - *PPG Industries - VP, Investor Relations*
The gap between our average. I'd use the gap between our average, Saul, and this high level.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
What was that?

**Vince Morales -** *PPG Industries - VP, Investor Relations*
I would use a gap between what we've been averaging and this $52 million you mentioned.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
Okay. With regard to your stores, where did you start the year in terms of numbers of stores, where did you end and what are your plans for stores for this year?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
We started, I would say, on average around 425, we're now at 400 and we think that this is the right number of stores for our footprint and so we're not contemplating any significant move on store count.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
And then with the increase in capital spending, Chuck, what would be an example of some of the new projects? Are they cost reduction projects, are they capacity projects? What type of strategic thrust does the higher cap spending have?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
The biggest single project that we have in 2010 is we have started, and we announced this last year, a new resin plant in China, Zhangjiagang, and so that is the biggest single capital project for PPG this year. And that would be an example in Asia and in China, in particular. The capital spending increases are to meet demand. We are running pretty hard at our facilities in Asia, so I would say Asia, the capital, is more tied to growth. In North America and in Europe, it's mostly cost reduction, productivity, maintenance of assets, they're not capacity driven projects in North America and Europe.

**Saul Ludwig** - *KeyBanc Capital Markets - Analyst*
My final question, strategically, when you think about your portfolio of businesses which has the Glass and has the Chemicals and has the Silicas, what would you like to achieve, you know, it takes two to tango, obviously, but what would you like to achieve during 2010 in terms of further repositioning the portfolio of businesses within PPG?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, right now as Bob indicated in our comments about use of cash, we would like to start making smaller bolt-on acquisitions.

We still think that there are things for us to do, especially outside of North America in terms of improving our position in Coatings. So that would accelerate to a limited extent what is already a natural tendency of these regions to grow a little faster and our portfolio to grow a little faster.

At this point we're obviously trying to work ourselves through some tougher times in our Glass businesses and also in Chlor-Alkali. These are more asset intensive, higher asset industries and businesses. We've been pleased during this cycle with the contributions from Chlor-Alkali.

We think that the Fiberglass business is coming back, the Performance Glazings business, however, is being challenged by this weak commercial construction market in North America.

So we'd like to see those businesses rebound to a position where they are contributing more to the portfolio, but obviously our priority is to continue to grow our Optical business and our Coatings businesses, especially in some of the higher growth developing regions. And I think you're going to see that our portfolio will continue to move toward those priority businesses over time regardless of whether we're successful in making larger acquisitions.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Good morning or good afternoon, I guess. A couple of questions I would like to follow up on. You talked about the Silicas business being up significantly in the Optics and Specialty business and I think you also said that the Optics business was up a little bit and yet your volumes are down in the quarters on a year-over-year basis, so what was the offsetting business that did not do well?

**Vince** - *PPG Industries - SVP, Finance and CFO*
Dmitry, we said the Silicas business volumes were up, we said the Optical business sales were up due to currency, so currency was the delta there.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Okay. I got you. So actually the Optical business excluding currency was down enough to exclude the improvement in Silicas?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
Yes, correct.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Then secondly, on the natural gas, you talked about only hedging 25% or so of your needs in 2010 at about $8 [per MMBTU] so is that going to trail off from 50% to 25% through the year or are you basically going to start the year at about 25% hedged?

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
It does ramp down and it's, I think, maybe it goes from 30% to 20% over the course of the year.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Okay.

**Bob Dellinger** - *PPG Industries - SVP, Finance and CFO*
So we are burning off those hedges so that the amount of hedged natural gas at the end of the year will be lower than what it is right now.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Got you. And can you give us an idea of kind of what's your outlook for natural gas is that you've decided to reduce your hedging?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Well, I can comment on that. Obviously, hedges protect you on the upside. They don't help you, they hurt you when you're in a natural gas market like we've been in. And we've been trying to understand what's going on in natural gas. We don't know if what we've seen during the course of 2009 was the result of the recession and reduced industrial activity, was it the result of increased demand, especially with some of these shale gas finds.

So we have a little less confidence, you would say in our ability to forecast or predict the market and so what we're saying now is that we're prepared, especially until we better understand the supply side and what's happening with shale, that maybe the assumptions that we were under over the last few years that natural gas was a diminishing commodity and we were going to face inflationary pressure for the foreseeable future. We don't believe that now and we're trying to understand the market, and we think we don't need to have the positions out in the out years that we've had and we didn't see even during 2009, the forward years, there wasn't as much of a decrease from the spot or monthly rate. So, you know, we seem to be paying for the hedges that we're paying a premium for that ability to lock in those costs and maybe that's appropriate for a utility that can pass some of those through to their regulatory agencies, but it wasn't as appropriate for us.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Okay. I understand. Turning our attention to the automotive side of the business, automotive OEM side of the business, you talked about not seeing any tail offs in production in December that you would typically expect towards the end of the year. Is this just being delayed, are you seeing production being curtailed in January or do you think the inventory has been depleted enough in the second half of 2009 that the producers are basically not taking the shutdowns they typically do?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Are we talking about automotive OEM?

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Correct.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Yes, automotive OEM, in this country, we saw a little more strength in December versus certainly last year or historically some of the shutdowns. I think they are still working to get through to rebuild inventories in certain models here in North America. So we think that the first quarter is going to be a solid quarter and then maybe the manufacturers will take stock of where their inventories are, what they see the demand being and they could make adjustments down or up following this quarter, but it looks like in North America things are fairly locked in.

In Europe, we think that it's a little less clear, but in Asia and especially China, we see production moving through the end of the year with a lot of momentum. Now, Chinese new year is a little later this year. It's in the middle of February, so our production levels here at the early part of the first quarter are still strong. We are hearing, as you know, we have all been hearing about some of the movements of the Chinese government in terms of financing or borrowing and lending in China, so I think it's a little too early for us to say that this thing is going to continue at the 25% plus kind of numbers for all of 2010. We don't forecast that for China. Our forecasts are more modest than that, but at this point we're seeing very good production in Asia and in China.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
That's helpful. Can you give us an idea of how big your Asian business is versus your US business in automotive OEM?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Our automotive OEM coatings business in Asia is about 20% of our total. We're about a third in North America and the balance would be in Europe and in some of the outlying areas, South America and South Africa as an example.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Okay. So not much in Asia, then?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
No, we're 20%. And none of that is in Japan. We have not been able to penetrate the Japanese market at all so that we think that 20% of our sales now in automotive OEM coming out of Asia with no content in Japan, and this has all been delivered for the most part over the last five plus years. We're quite pleased with our performance and how we've balanced geographically in that business unit.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Absolutely. And then one final question on the autos, as part of your Industrial Coatings business, how big is Autos in 2009 or how big was it in 2009?

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Automotive OEM was still our biggest business unit within that industrial segment. You have to know that the Industrial Coatings or some call it the general industrial business unit, which is the second largest business unit in that segment, was also affected, not quite as much as automotive OEM, but it was still down. So in 2009 and 2010, the automotive OEM business will be the biggest one in that segment.

**Dmitry Silversteyn** - *Longbow Research - Analyst*
Okay. Thank you.

**Chuck Bunch** - *PPG Industries - Chairman and CEO*
Okay. Well, thank you very much. We appreciate all of your support and your interest in PPG and we look forward to working with you in what we hope is going to be another year of recovery here in 2010. Thank you very much.