



**PPG Industries**

Bringing innovation to the surface.™

# PPG Industries, Inc. – Third Quarter 2013 Financial Results

Charles E. Bunch, Chairman and Chief Executive Officer

Frank S. Sklarsky, Executive Vice President, Finance and Chief Financial Officer

Information current as of October 17, 2013



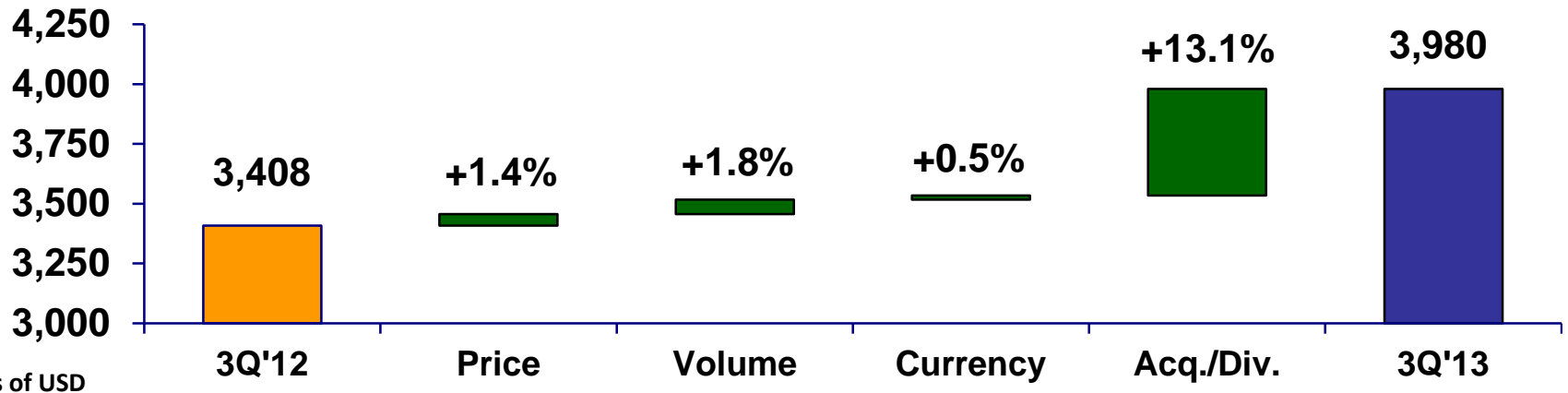
# Forward-Looking Statements

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, the realization of anticipated cost savings from restructuring initiatives, difficulties in integrating acquired businesses and achieving expected synergies therefrom, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, foreign exchange rates and fluctuations in such rates, fluctuations in tax rates, the impact of future legislation, the impact of environmental regulations, unexpected business disruptions, PPG's ability to integrate the North American architectural coatings business of AkzoNobel and to achieve anticipated synergies, 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. This presentation also contains statements about PPG's agreement to divest its Transitions Optical joint venture interest. Many factors could cause actual results to differ materially from the company's forward-looking statements with respect to the Transitions Optical joint venture divestment, including, the parties' ability to satisfy the conditions to the closing the transaction; the parties' ability to complete the transaction on anticipated terms and schedule, risks relating to the ability of the parties to obtain regulatory approvals for the transaction, any unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects of the Transitions Optical business. 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, 2012 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 17, 2013, 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, except as otherwise required by applicable law.

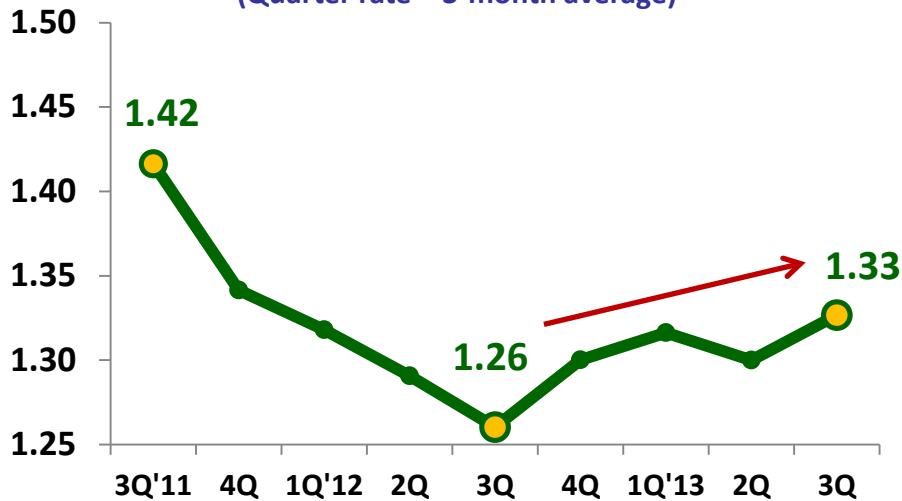
# Third Quarter Financial Summary

- **Improved volume trends across all regions versus the first half of 2013**
  - Higher level of volume growth in North America and stronger performance in most Asian end-use markets. Europe volumes remained negative, but notable improvement in trend.
- **Integration of acquired AkzoNobel N.A. architectural coatings business on track**
  - Acquired business added ~\$400 million of sales during the quarter and upper mid-single-digit EBIT margins – remains slightly ahead of synergy targets.
- **Continued, strong earnings growth driven by coatings**
  - Growth of 23 percent in aggregate coatings segment earnings due to strong operating performance and earnings from recent acquisitions.
- **Ending cash-on-hand & short-term investments total \$2.2 billion**
  - Year-to-date cash from operations of \$1.3 billion, up about 25 percent versus prior year.
  - Share repurchases total about \$325 million year-to-date; Full-year projection on share repurchases to be toward upper end of previously communicated range (\$500 -to- \$750 million).

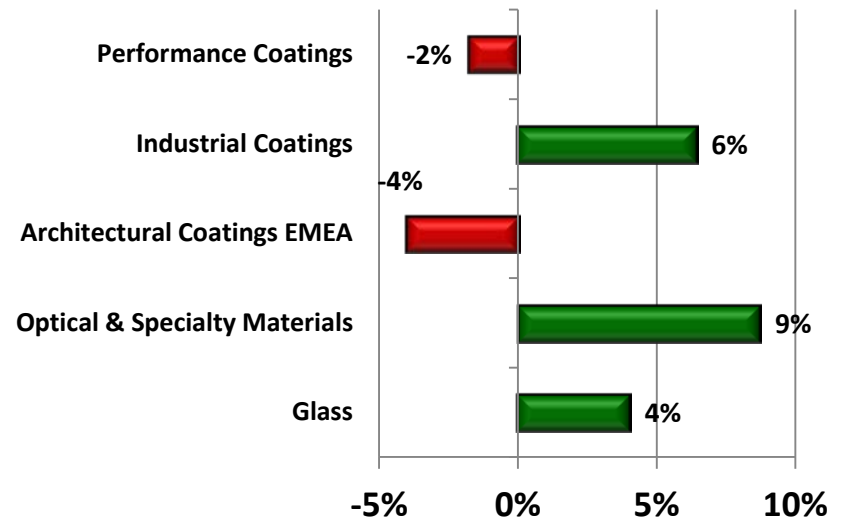
# PPG Third Quarter Net Sales



**Dollar/Euro Conversion Rate**  
(Quarter rate = 3-month average)



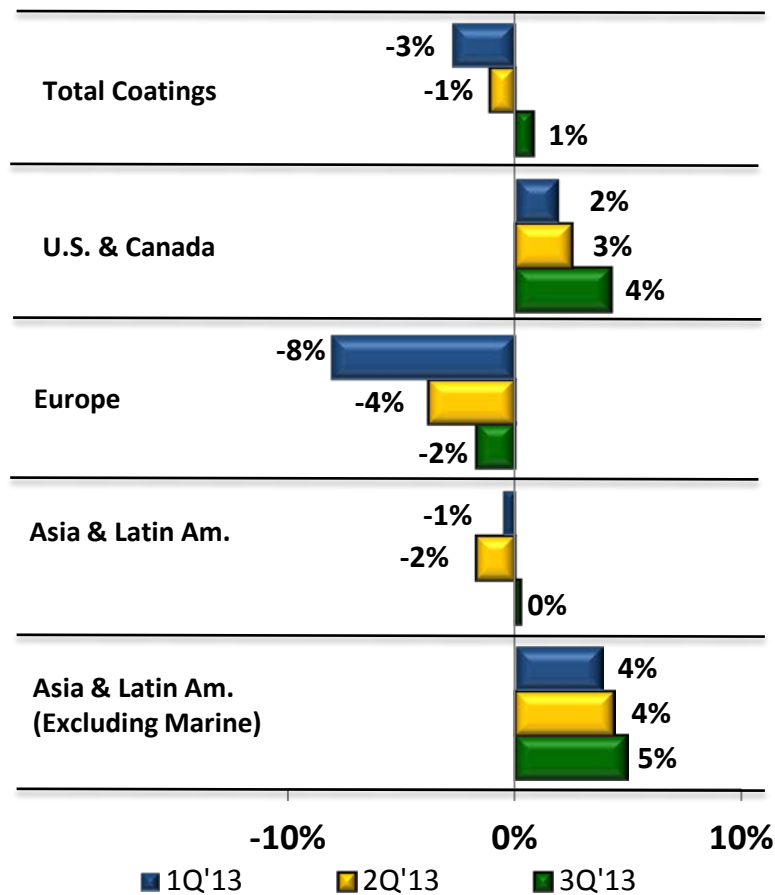
**3Q'13 Segment Volumes Y-O-Y Change**  
(excludes price, currency and acquisition impacts)



Sales growth led by acquisitions; Highest quarterly volume growth for 2013

# Net Sales Volume Trends – Coatings Segments

## PPG Coatings Y-O-Y Regional Volume Trends (excludes price, currency and acquisition impacts)



Improved volume trends in all regions

## 3Q 2013 Commentary Y-O-Y (versus 3Q 2012):

### U.S. & Canada:

Consistent growth trends continue, aided by higher regional demand in most end-use markets.

Auto OEM, aerospace, architectural and industrial coatings led the regional growth.

### Europe:

Y-O-Y volume trend remained negative, but continued to improve versus the previous quarters. Similar trends (less negativity) experienced by most business units. Architectural coatings improved the most vs. 1H'13 trend.

Demand trends remain mixed by country.

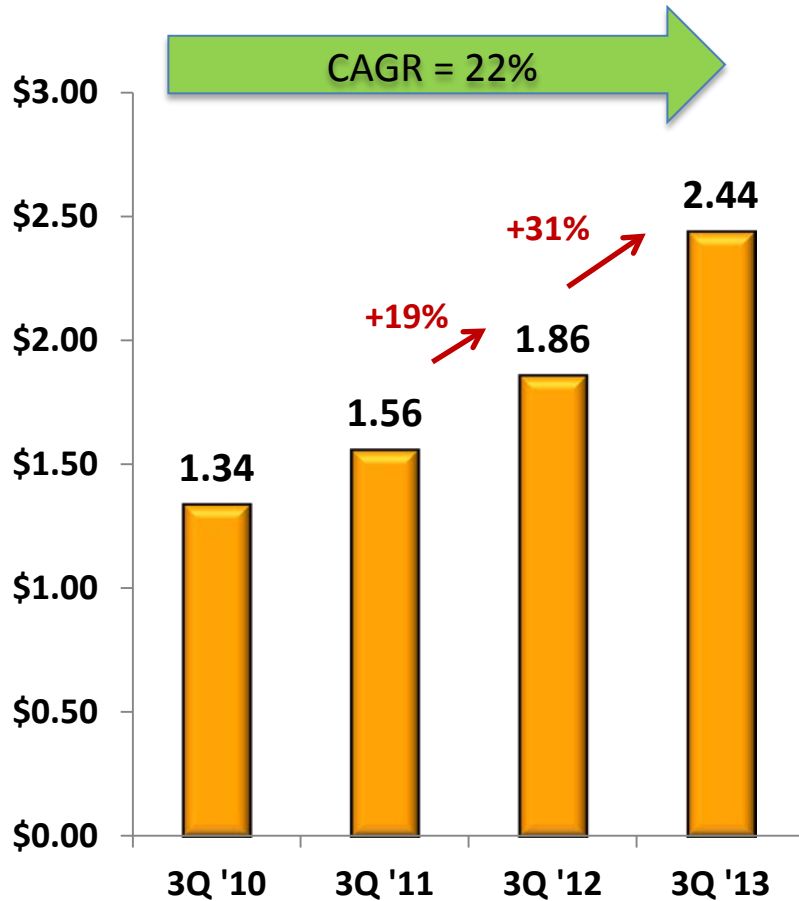
### Asia & Latin America:

Volume performance positive and generally improving in all businesses except marine.

Marine new-build (Asia) remained negative, but sales levels were fairly similar to the previous three quarters indicating initial signs of stabilization in that end-market.

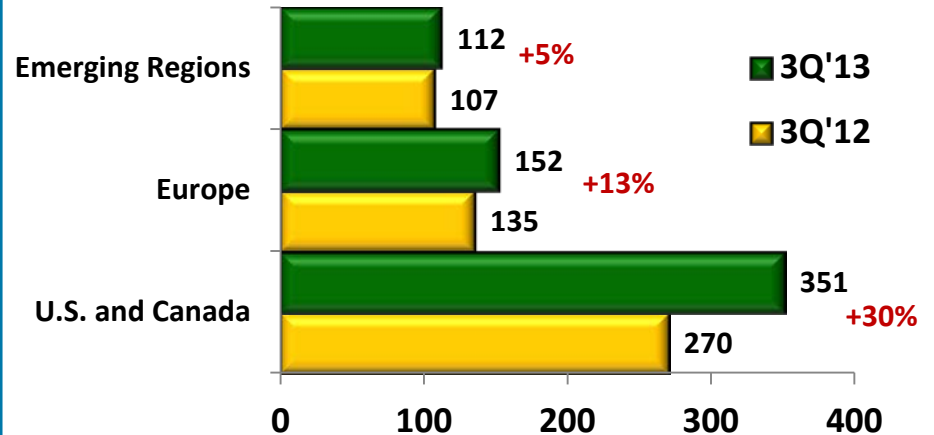
# PPG Third Quarter Earnings

## Adjusted Diluted Earnings Per Share \*

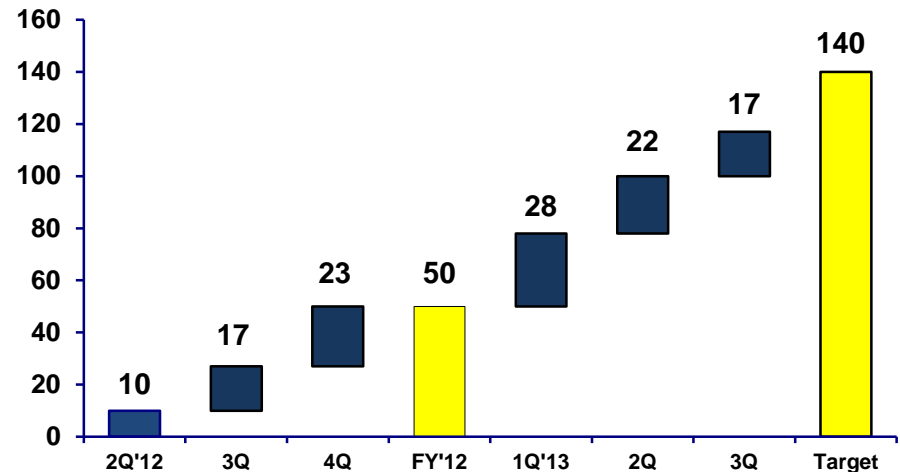


Results up >30% versus record prior year

## Regional Pre-tax Segment Earnings (\$MM)



## PPG 2012 Restructuring Program Savings (\$MM)

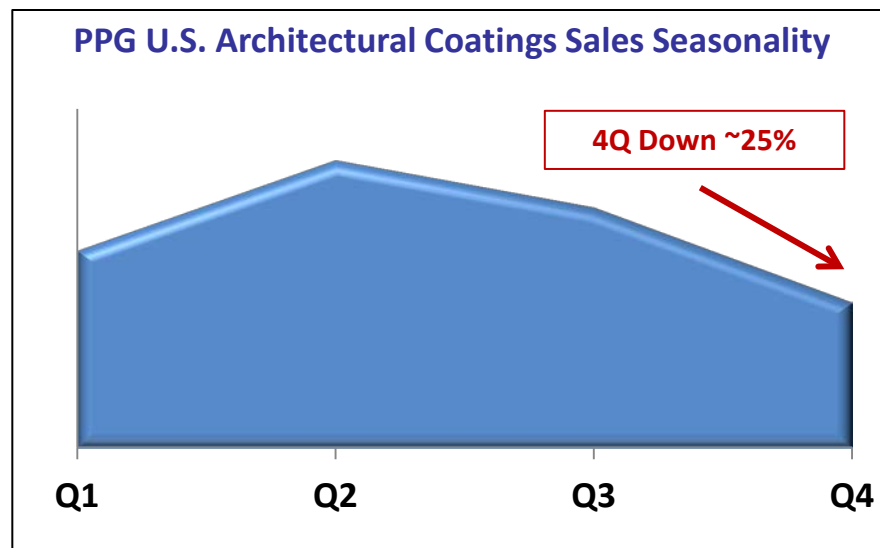


\* Adjusted EPS – see presentation appendix for reconciliation to reported EPS.

# Performance Coatings

\$MM (USD)	3Q13	3Q12	Chg	%
<b>Net Sales</b>	<b>1,619</b>	<b>1,210</b>	<b>409</b>	<b>34%</b>
<b>Earnings</b>	<b>252</b>	<b>203</b>	<b>49</b>	<b>24%</b>
<b>Margin %</b>	<b>15.6%</b>	<b>16.8%</b>	--	--

Select Net Sales Detail	Total	Volume	Currency
<b>Quarter Y-O-Y Change</b>	<b>34%</b>	<b>-2%</b>	<b>-1%</b>



## Third Quarter (Y-O-Y):

- ✓ Volume growth in all SBUs except marine:
  - Excellent aerospace growth continued
  - Refinish emerging region growth offset modest declines in N.A. and Europe
  - Weak marine new-build - Asia
  - U.S. architectural coatings - mid-single digit percentage volume growth (excluding acq.)
- ✓ N.A. architectural acquisition:
  - Acquisition added ~34% to segment sales
  - Acquired business delivered upper mid-single-digit EBIT ROS (ahead of target)

## 4Q, 2013 Outlook:

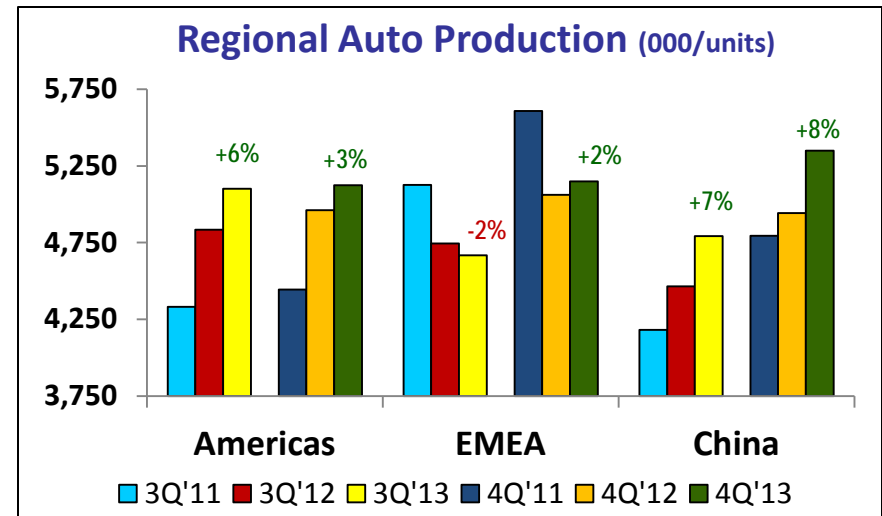
- ✓ Increased segment seasonality (4Q lower than 3Q), for sales and earnings due to significance of acquired architectural business
  - Noticeably reduced acquisition synergy benefit in 4Q due to seasonality
- ✓ U.S. architectural coatings market conditions remain positive
- ✓ Aerospace growth prospects continue
- ✓ Marine demand remains weak, but somewhat easier prior-year comparable
- ✓ More modest benefit sequentially from PPG restructuring program – anniversary of some actions implemented in prior-year 4Q

# Industrial Coatings

\$MM (USD)	3Q13	3Q12	Chg	%
<b>Net Sales</b>	<b>1,199</b>	<b>1,090</b>	<b>109</b>	<b>10%</b>
<b>Earnings</b>	<b>181</b>	<b>153</b>	<b>28</b>	<b>18%</b>
<b>Margin %</b>	<b>15.1%</b>	<b>14.0%</b>	--	--
<b>Select Net Sales Detail</b>	<b>Total</b>	<b>Volume</b>	<b>Currency</b>	
<b>Quarter Y-O-Y Change</b>	<b>10%</b>	<b>6%</b>	<b>1%</b>	

## Third Quarter (Y-O-Y):

- ✓ Double-digit percentage PPG global automotive OEM volume growth:
  - Outpacing global industry (+3%)
  - PPG growth comparable across all major regions (N.A., Europe and China)
- ✓ Improving industrial business unit volume trends with growth in most regions, except modest European weakness
- ✓ Global packaging coatings grew modestly
- ✓ Acquisitions contributed to sales (~3%) and earnings



Source: IHS Global Insight

## 4Q, 2013 Outlook:

- ✓ Lower activity sequentially vs. 3Q due to seasonality
- ✓ Continued growth trend expected in PPG automotive OEM:
  - European industry production forecasted to grow year-over-year
  - Continued industry growth in N.A. and China
- ✓ Less sequential benefit from PPG's 2012 restructuring program due to the anniversary of some prior-year actions



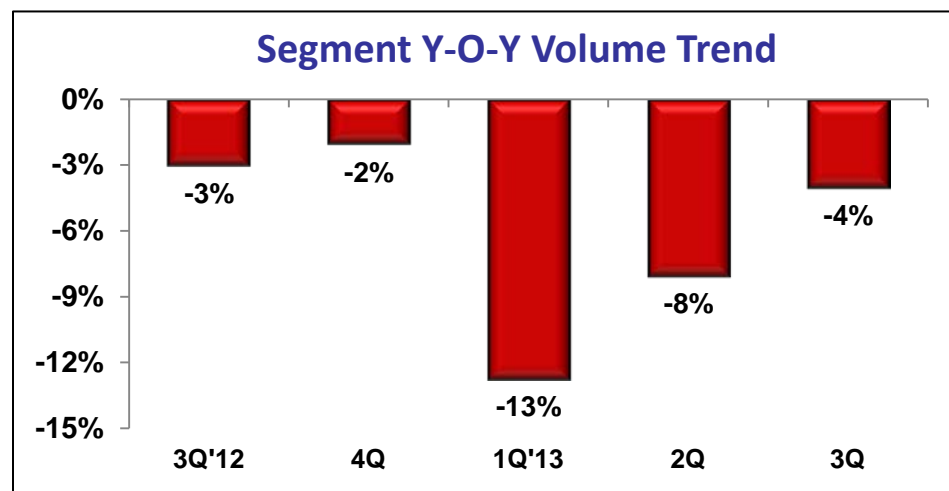
# Architectural Coatings EMEA

\$MM (USD)	3Q13	3Q12	Chg	%
Net Sales	571	564	7	1%
Earnings	73	56	17	30%
Depreciation & Amortization	26	29	-3	-10%
EBITDA *	99	85	14	16%
EBITDA Margin	17.3%	15.1%	--	--

Select Net Sales Detail	Total	Volume	Currency
Quarter Y-O-Y Change	1%	-4%	4%

## Third Quarter (Y-O-Y):

- ✓ Volumes (Y-O-Y) remained negative, but trend improved versus 1H'13 in most regions
- ✓ Discretionary cost control and lower cost structure (stemming from prior restructuring actions) continued to offset negative impacts from lower volumes
- ✓ Currency conversion contributed positively to sales (+20MM) and modestly to earnings



## 4Q, 2013 Outlook:

- ✓ Lower sequential sales (vs. 3Q) due to traditional, seasonal business pattern
- ✓ Two fewer ship days in 4Q'13 vs. 4Q'12
- ✓ Overall market conditions likely to remain negative, with some pockets of stability/growth
- ✓ Will reach the anniversary of some 2012 restructuring program actions
- ✓ Continuation of current exchange rates would result in modest sales translation benefit Y-O-Y (less than 3Q'13 benefit)

\* EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-GAAP financial metric and is utilized as a financial measurement in this segment due to the level of acquisition-related non-cash amortization expense

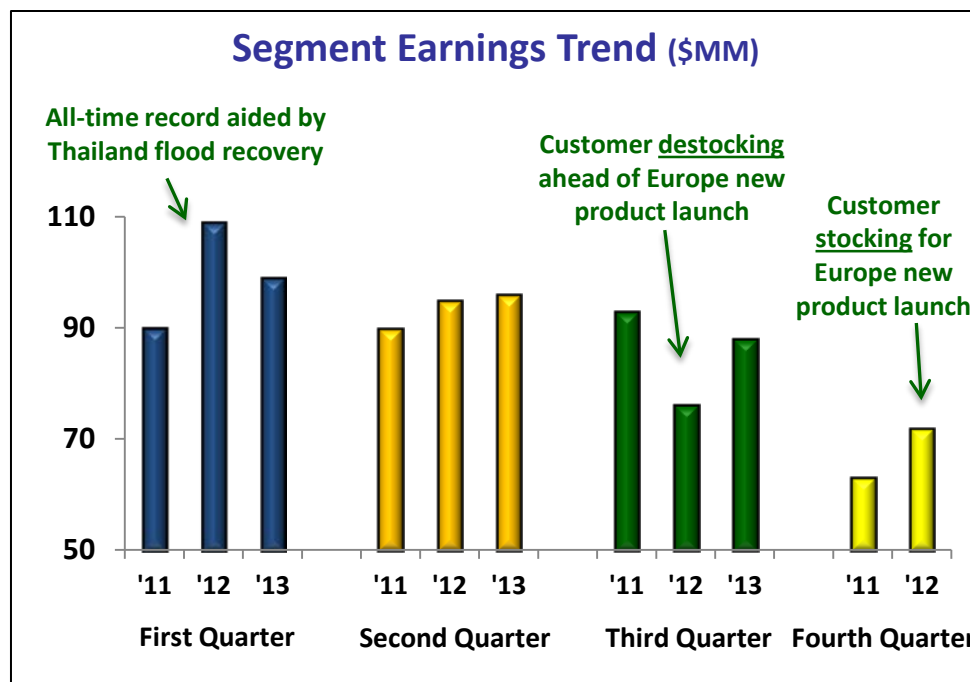
# Optical and Specialty Materials

\$MM (USD)	3Q13	3Q12	Chg	%
Net Sales	313	282	31	11%
Earnings	88	76	12	16%
Margin %	28.1%	27.0%	--	--

Select Net Sales Detail	Total	Volume	Currency
Quarter Y-O-Y Change	11%	9%	0%

## Third Quarter (Y-O-Y):

- ✓ Improved optical volumes:
  - Solid demand in all major regions, including good market demand for new Transitions® product in Europe
  - Customer inventory build for N.A. new Transitions® product launch scheduled for early 1Q'14
  - Prior-year sales were hampered by customer inventory destocking ahead of 1Q'13 European new product launch
- ✓ Higher global silica demand



## 4Q, 2013 Outlook:

- ✓ Seasonally lower demand (vs. 3Q)
- ✓ Transitions® new product launch:
  - Prior year included meaningful new product inventory build in 4Q (Europe)
  - More modest N.A. new product launch inventory build versus prior (last year was more evenly spread between 3Q & 4Q)
- ✓ Silica growth expected to continue

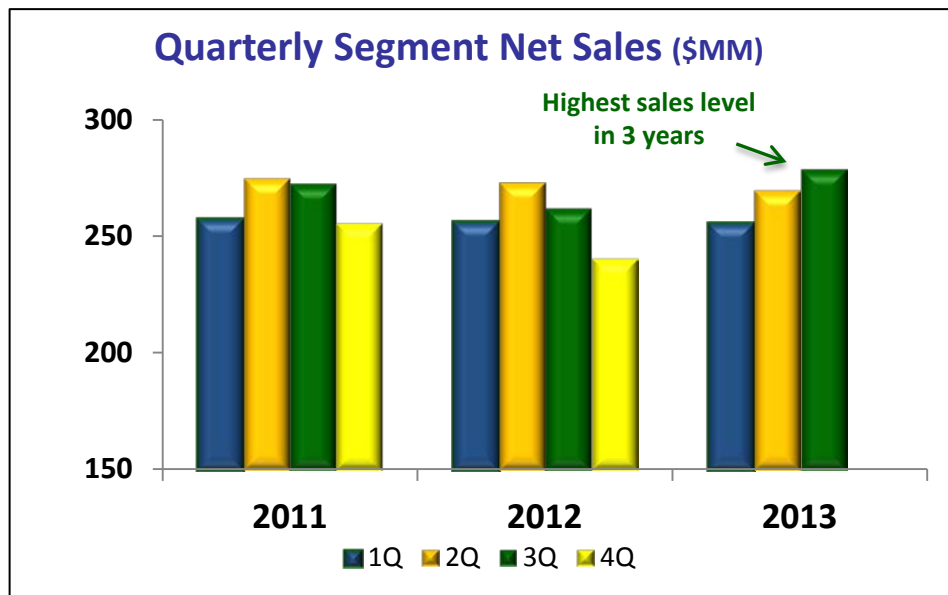
# Glass

\$MM (USD)	3Q13	3Q12	Chg	%
Net Sales	278	262	16	6%
Earnings	21	24	-3	-13%
Margin %	7.6%	9.2%	--	--

Select Net Sales Detail	Total	Volume	Currency
Quarter Y-O-Y Change	6%	4%	0%

## Third Quarter (Y-O-Y):

- ✓ Volume growth in both businesses:
  - Flat glass – residential growth supplemented by modest demand recovery in non-residential
  - Fiber glass – growth in both U.S. and Europe
- ✓ Improved flat glass pricing, including natural gas energy surcharge, partly offset by lower fiber glass pricing
- ✓ Cost inflation including logistics/freight and higher Y-O-Y natural gas unit cost
- ✓ Lower licensing and equity earnings (i.e., electronics end-market)

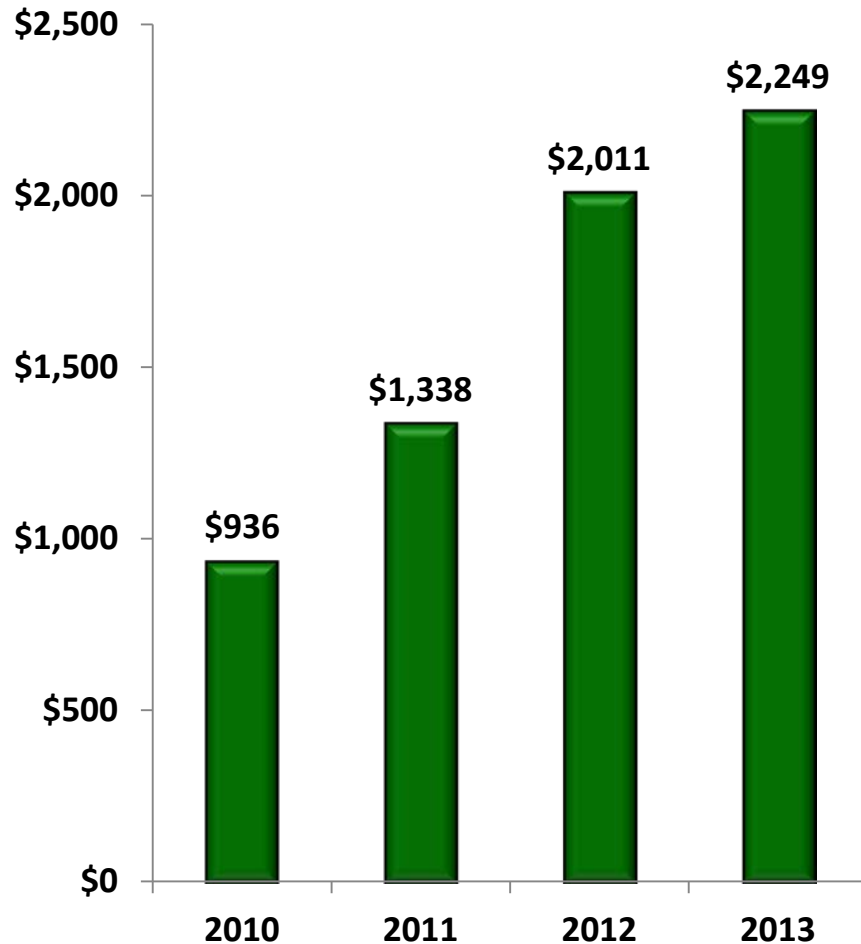


## 4Q, 2013 Outlook:

- ✓ Demand still remains low by historic standards
- ✓ Lower sales/activity levels in comparison with 3Q'13, due to seasonal nature of businesses (past two years sequential decline: 6 percent -to- 8 percent)
- ✓ Equity and licensing earnings expected to remain muted
- ✓ Strong cost focus remaining in both businesses

# Cash and Short-Term Investments

## 3Q Cash & Short Term Investments



## Year-To-Date Cash Performance

- ✓ Strong cash position remains
- ✓ ~\$1.3 billion of cash generated from operations year-to-date, up about 25 percent Y-O-Y; operating working capital improved Y-O-Y
- ✓ 2013 Y-T-D approximate cash uses:
  - ❖ Capital Spending - \$260MM
  - ❖ Dividends - \$260MM
  - ❖ Debt Reduction - \$600MM
  - ❖ Acquisitions - \$1B
  - ❖ Share Repurchases - \$325MM
- ✓ Expected full-year cash deployed for share repurchases to be toward high end of previously communicated range (\$500 -to- \$750 million)

Millions of USD

# Summary

## Third Quarter Financial Results:

- Improved volume trends in each region; Regional differences remain with N.A. and Asia solid and Europe stabilizing
- Record adjusted earnings per share improved 31 percent
- Continued strong coatings earnings growth:
  - ▶ Strong global growth continued in automotive OEM and aerospace, supplemented by higher demand in other businesses
  - ▶ Aggressive cost management coupled with 2012 restructuring program benefits
  - ▶ Earnings benefit from cash deployed for recent acquisitions

## Other Notable Items:

- Synergy capture relating to the N.A. architectural coatings acquisition remains on target
- Recorded previously announced business restructuring focused on acquisition synergy achievement and select businesses where challenging market conditions remain

## Strong Balance Sheet Remains:

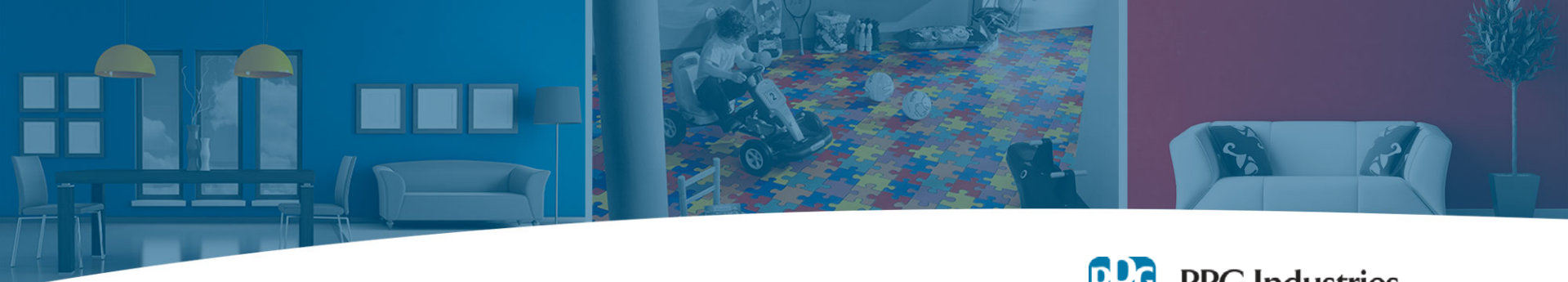
- Cash and short-term investments of \$2.2 billion at quarter-end; improved year-over-year cash from operations and working capital metrics

# Adjusted Diluted EPS Reconciliation

## 3<sup>rd</sup> Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
<u>Year 2013</u>	<u>Net Income</u>	<u>EPS</u>	<u>Net Income</u>	<u>EPS</u>	<u>Net Income</u>	<u>EPS</u>
<b>Net Income/(Loss) Attributable to PPG as Reported</b>	\$ 220	\$ 1.52	\$ 6	\$0.04	\$ 226	\$ 1.56
Business Restructuring	73	0.50	--	--	73	0.50
Increase in legacy environmental reserve	56	0.39	--	--	56	0.39
Business restructuring	4	0.03	--	--	4	0.03
<b>Adjusted Net Income/(Loss) Attributable to PPG</b>	<b>\$ 353</b>	<b>\$ 2.44</b>	<b>6</b>	<b>\$0.04</b>	<b>\$ 359</b>	<b>\$ 2.48</b>
<u>Year 2012</u>						
<b>Net Income/(Loss) Attributable to PPG as Reported</b>	\$ 288	\$ 1.86	\$ 51	\$0.32	\$ 339	\$ 2.18
Business separation costs	--	--	9	0.06	9	0.06
<b>Adjusted Net Income/(Loss) Attributable to PPG</b>	<b>\$ 288</b>	<b>\$ 1.86</b>	<b>\$ 60</b>	<b>\$0.38</b>	<b>\$ 348</b>	<b>\$ 2.24</b>
<u>Year 2011</u>						
<b>Net Income/(Loss) Attributable to PPG as Reported</b>	\$ 247	\$ 1.56	\$ 64	\$0.40	\$ 311	\$ 1.96
No adjustments	--	--	--	--	--	--
<b>Adjusted Net Income/(Loss) Attributable to PPG</b>	<b>\$ 247</b>	<b>\$ 1.56</b>	<b>\$ 64</b>	<b>\$0.40</b>	<b>\$ 311</b>	<b>\$ 1.96</b>
<u>Year 2010</u>						
<b>Net Income/(Loss) Attributable to PPG as Reported</b>	\$ 222	\$ 1.34	\$ 40	\$0.24	\$ 262	\$ 1.58
No adjustments	--	--	--	--	--	--
<b>Adjusted Net Income/(Loss) Attributable to PPG</b>	<b>\$ 222</b>	<b>\$ 1.34</b>	<b>\$ 40</b>	<b>\$0.24</b>	<b>\$ 262</b>	<b>\$ 1.58</b>

Amounts in Millions of USD except EPS



Thank you for your interest in PPG  
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Contact Information:

**Investors:**

Vince Morales  
(412) 434-3740

**Media:**

Mark Silvey  
(412) 434-3046

[www.ppg.com](http://www.ppg.com)

