

PPG Industries

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PPG Industries, Inc. – Second Quarter 2014 Financial Results

Charles E. Bunch, Chairman and Chief Executive Officer

Michael H. McGarry, Chief Operating Officer

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

Information current as of July 17, 2014



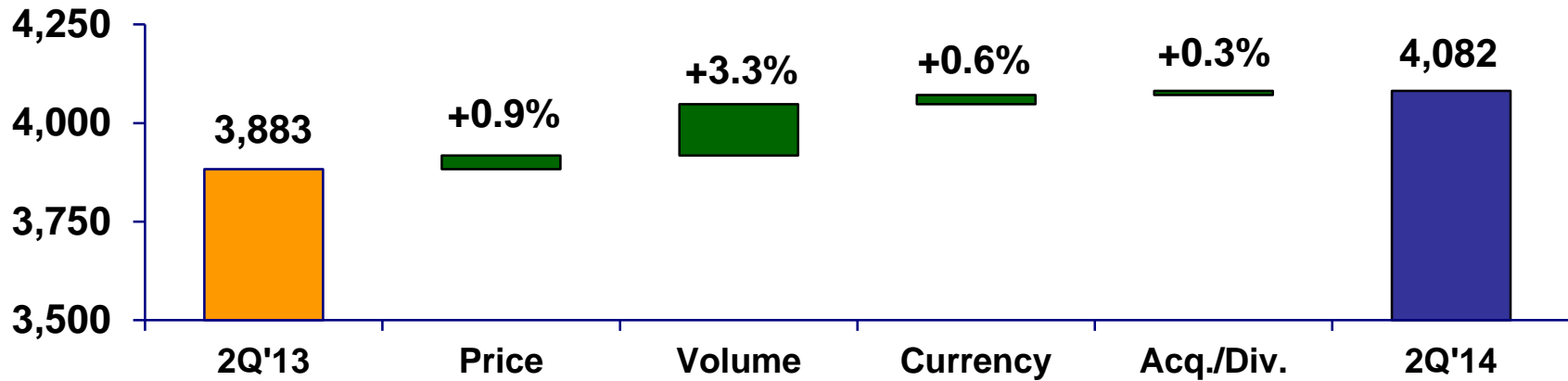
Forward-Looking Statements

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, 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. The presentation also includes statements about the expected effects on PPG of the Comex acquisition (the "Transaction"), the anticipated timing and benefits of the Transaction, including expected synergies, the expected methods of financing the Transaction, PPG's expected financial flexibility, future cash deployment plans, and all other statements that are not historical facts. Such risks, uncertainties and assumptions include: the satisfaction of the conditions to the Transaction and other risks related to the completion of the Transaction and actions related thereto; the parties' ability to complete the Transaction on the anticipated terms and schedule, including the ability to obtain regulatory approvals; risks relating to any unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects; business and management strategies and the expansion and growth of PPG's operations; PPG's ability to integrate the acquired business successfully after the closing of the Transaction and to achieve anticipated synergies; and the risk that disruptions from the Transaction will harm PPG's businesses. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in PPG's 2013 Form 10-K 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 17, 2014, 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.

Second Quarter 2014 Financial Summary

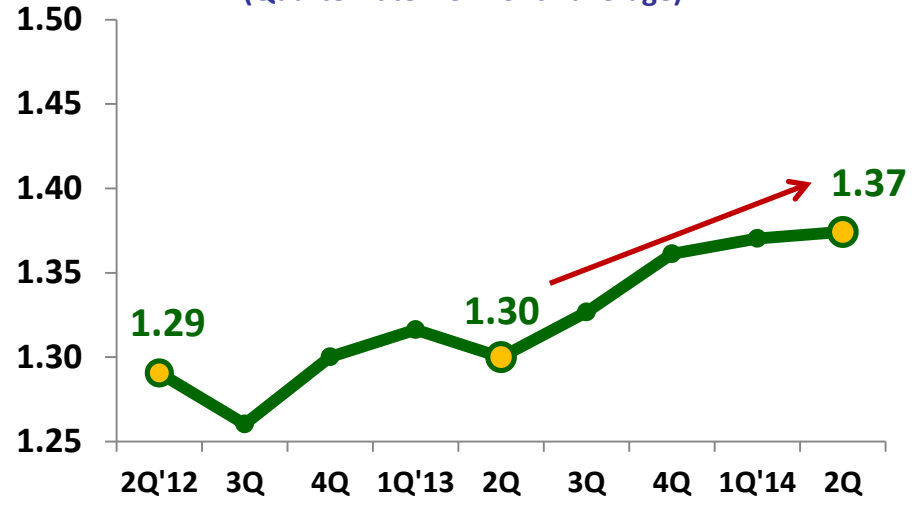
- **Increased sales of 5 percent driven primarily from continued volume growth**
 - Volume growth in all major regions with aggregate company volumes up 3 percent year-over-year; Volume growth was strongest in June.
 - Selling prices improved modestly in all regions. Currency translation was a minor sales benefit.
- **Continued, strong earnings growth**
 - All-time quarterly record adjusted earnings per diluted share from continuing operations up 24 percent versus the prior year.
 - Earnings growth in each major region driven by earnings leverage from higher volumes.
- **Execution on strategic initiatives and cash deployment continues**
 - Acquisitions:
 - ✦ Announced Comex acquisition June 30, 2014 - \$2.3 billion transaction value
 - ✦ Recently completed – Canal Supplies, Painter’s Supply, Masterwork and Homax
 - Share repurchases - \$100 million in the quarter (repurchases halted mid-quarter due to Comex negotiations).
 - Quarter-end cash and short-term investments of \$2.9 billion.
 - Company anticipates continued 2H’14 earnings-accretive cash deployment, including share repurchases

PPG Second Quarter Net Sales



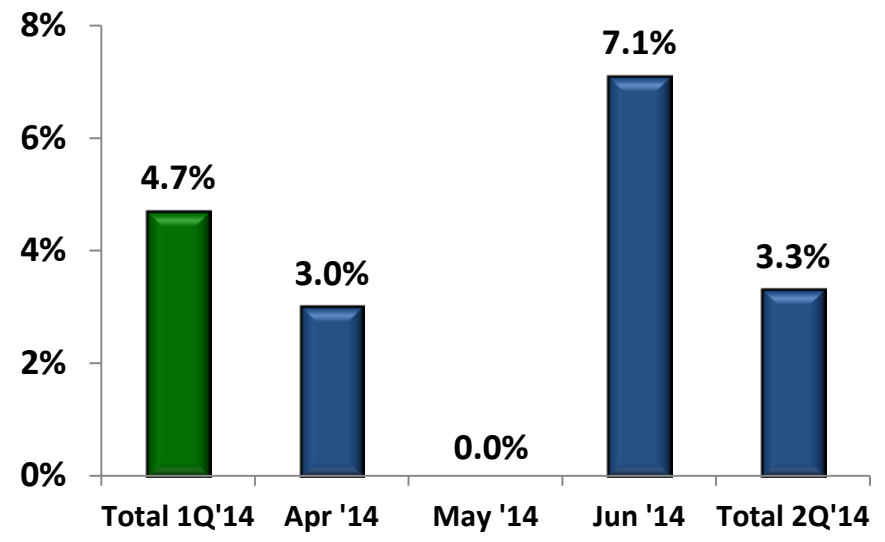
Millions of USD

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



Favorable Euro offset emerging region currencies

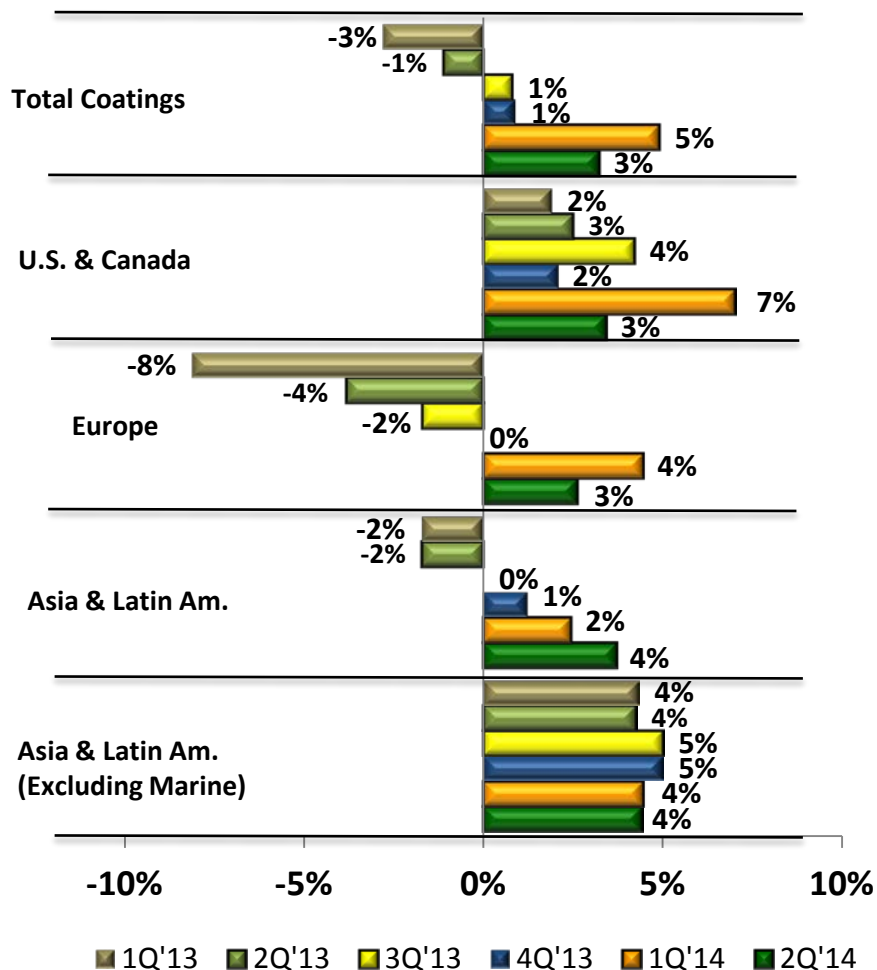
Volumes - Y-O-Y Change
(excludes price, currency and acquisition impacts)



May had one fewer sales day Y-O-Y; June one additional

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

2Q 2014 Commentary Y-O-Y (versus 2Q 2013):

U.S. & Canada:

Continued positive volume growth which accelerated toward the end of the quarter.

Volume growth in most businesses led by automotive OEM, general industrial and specialty coatings and materials.

Europe:

Volumes grew 3% versus an improving prior year comparable period. Overall regional recovery demand trends remain generally favorable.

End-use demand growth remained mixed by country and was more broad than 1Q'14 growth, with more PPG businesses delivering Y-O-Y volume gains led by auto OEM.

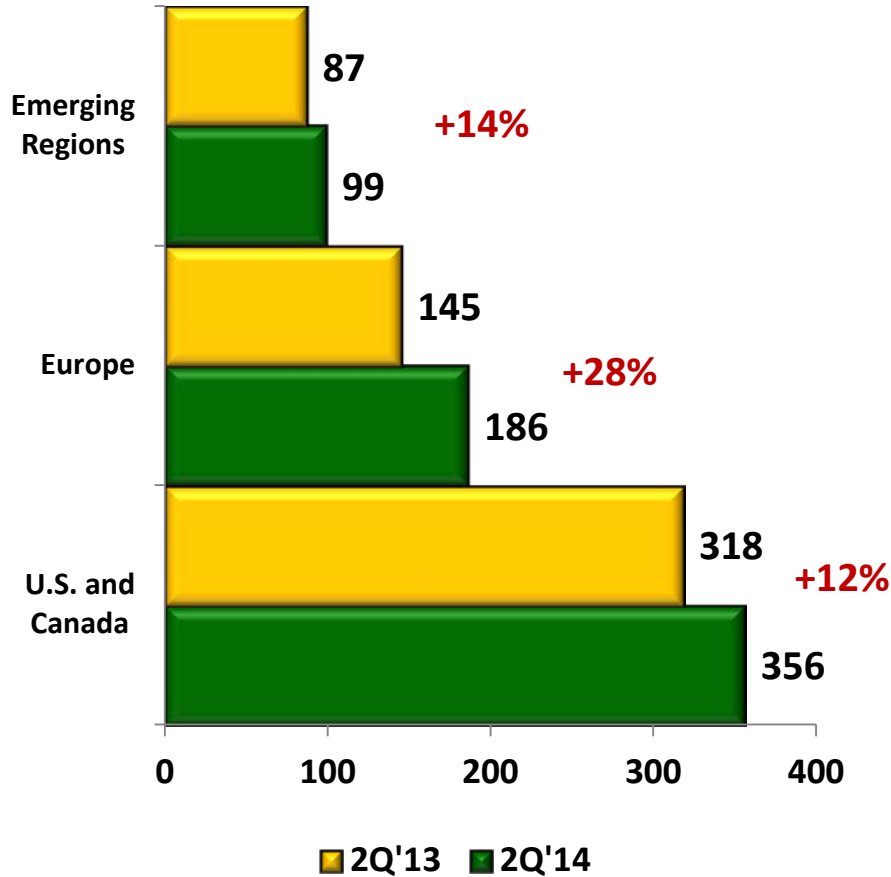
Asia & Latin America (emerging regions):

Consistent aggregate growth rates, with growth accelerating in Asia (China and India) and softer market conditions in Latin America (continued Mexican growth offset by weakness in Brazil).

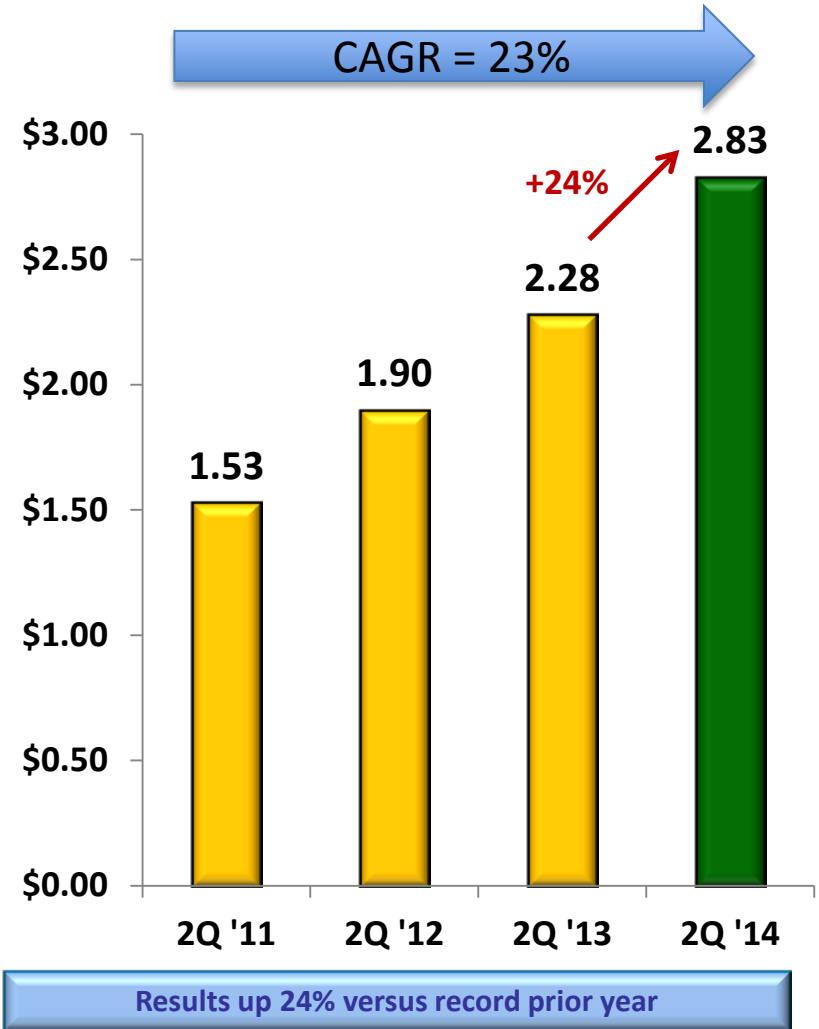
Marine new-build activity stable (no longer a notable negative impact on regional volume trends).

PPG Earnings

2Q Pre-Tax Segment Earnings (\$MM)



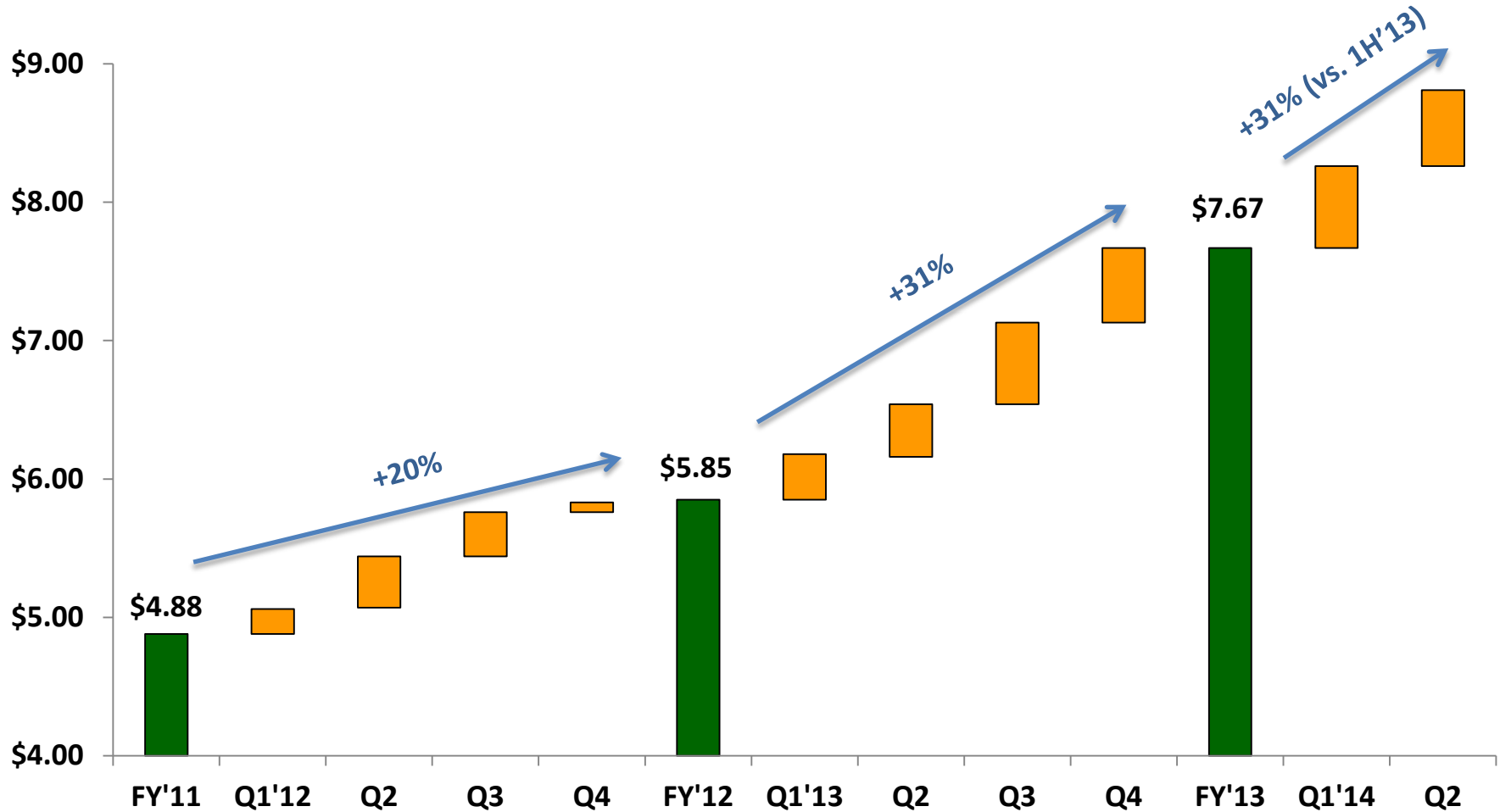
Adjusted 2Q Earnings Per Diluted Share*



* Adjusted Earnings Per Diluted Share from Continuing Operations – See appendix for reconciliations to reported EPS

PPG Adjusted Earnings Per Share Trend*

All figures have been recast based on PPG's current business portfolio



PPG's transformed business portfolio and accretive cash deployment delivering excellent earnings growth

* Adjusted Earnings Per Diluted Share from Continuing Operations – See appendix for reconciliations to reported EPS

Performance Coatings

\$MM (USD)	2Q13	2Q14	Chg	%
Net Sales	2,259	2,343	84	4%
Earnings	324	373	49	15%
Margin %	14.3%	15.9%	--	--

Select Net Sales Detail	Total	Volume	Currency
2Q Y-O-Y Change	4%	1%	1%

Second Quarter (Y-O-Y):

- ✓ Volume growth across most businesses, offset by modest declines in protective & marine
- ✓ All SBUs achieved European volume gains
- ✓ Refinish and aerospace growth continued
- ✓ Low single-digit percentage volume growth in architectural coatings EMEA
- ✓ N.A. architectural coatings organic growth continued, up low single-digit percentages in aggregate; Results differ by month (June strongest) and distribution channel
- ✓ Anniversary of N.A. architectural coatings acquisition was April 1. Synergy capture remains ahead of schedule.

N.A. Performance Coatings

New Architectural Products



2014 Acquisitions



Canal Supplies Inc.
Marine & Protective Coatings



3Q, 2014 Outlook:

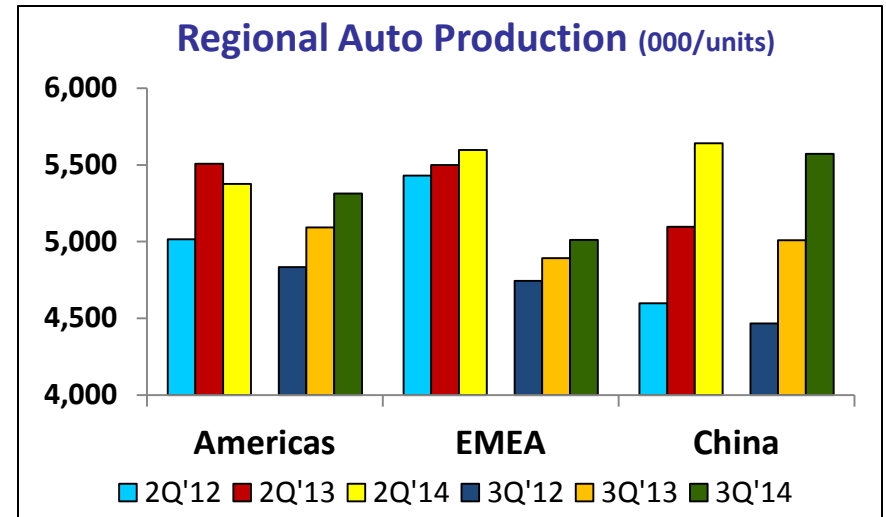
- ✓ Favorable European architectural coatings market recovery trends; Lower sales seasonally
- ✓ Aerospace and refinish demand growth expected to continue
- ✓ Protective and marine coatings growth expected (protective coatings growth with stable marine)
- ✓ N.A. architectural coatings:
 - Modest market-based demand growth continues, still primarily residential related
 - New product introductions
 - New acquisition-related growth
 - Anniversary of certain acquisition synergies

Industrial Coatings

\$MM (USD)	2Q13	2Q14	Chg	%
Net Sales	1,355	1,450	95	7%
Earnings	218	257	39	18%
Margin %	16.1%	17.7%	--	--
Select Net Sales Detail	Total	Volume	Currency	
2Q Y-O-Y Change	7%	7%	0%	

Second Quarter (Y-O-Y):

- ✓ High single-digit percentage PPG global automotive OEM volume growth:
 - Comparable growth in all major regions
 - PPG outpaced global industry auto production growth of ~2%
- ✓ Industrial SBU volume grew by mid single-digit percentages led by N.A. and Asia
- ✓ Lower packaging coatings volume (Europe)
- ✓ Solid specialty coatings and materials demand growth continued



Source: IHS Global Insights

3Q, 2014 Outlook:

- ✓ Continued Y-O-Y automotive OEM growth forecasted (vs. stronger prior year comparable):
 - Solid China growth (world's largest auto OEM market)
 - Lower sequentially in all major regions – Summer shutdowns in U.S. and Europe
- ✓ Improving global general industrial-related demand trends expected:
 - Continued European recovery
 - Higher Asian demand (China and India)
 - Ongoing growth in North America

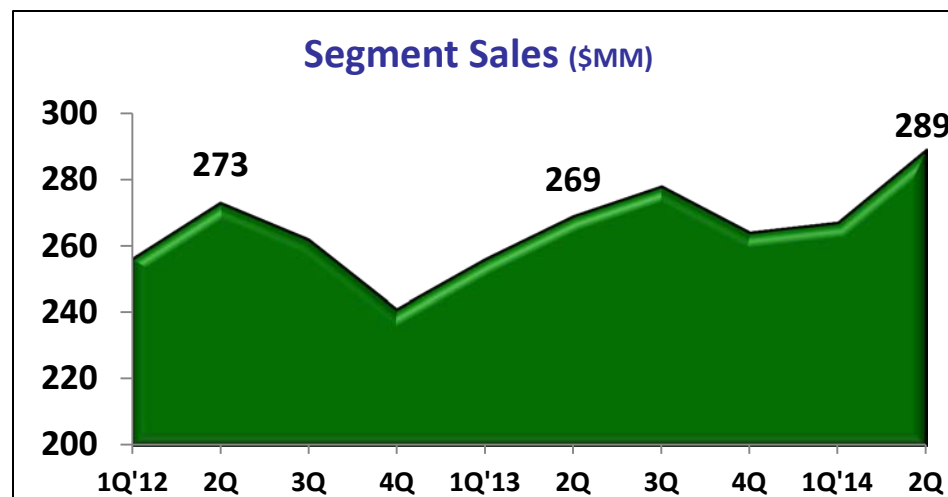
Glass

\$MM (USD)	2Q13	2Q14	Chg	%
Net Sales	269	289	20	7%
Earnings	8	11	3	38%
Margin %	3.0%	3.8%	--	--

Select Net Sales Detail	Total	Volume	Currency
2Q Y-O-Y Change	7%	5%	0%

Second Quarter (Y-O-Y):

- ✓ Segment sales growth:
 - Highest segment sales since recession
 - Fiber glass – continued global demand growth, high PPG asset utilization and low inventories
 - Flat glass – improving demand in residential
 - Large, scheduled PPG maintenance projects negatively impacted earnings by ~\$5MM
- ✓ Cost inflation - higher Y-O-Y natural gas cost

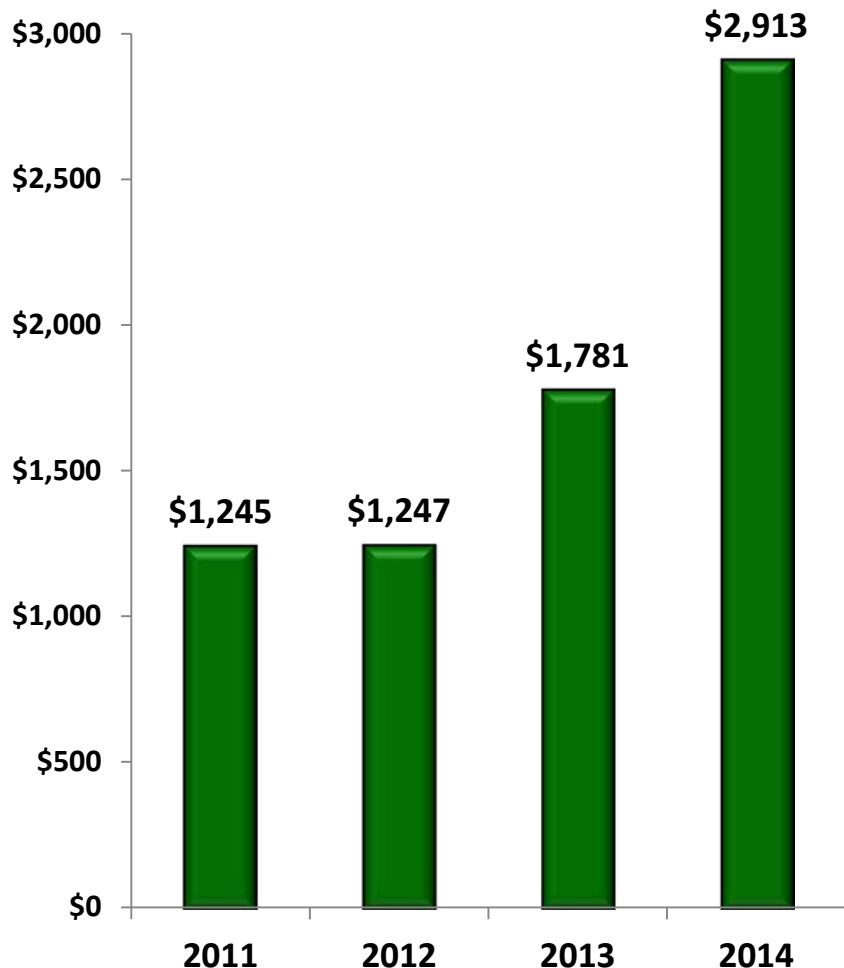


3Q, 2014 Outlook:

- ✓ Demand growth expected to continue
- ✓ Higher pricing in fiber glass - growing market demand
- ✓ Higher flat glass pricing/mix – increase in higher value-added product mix (non-residential)
- ✓ No additional noteworthy maintenance project costs Y-O-Y
- ✓ Moderating Y-O-Y natural gas inflation impact

Cash

2Q Cash & Short Term Investments (\$MM)



Cash and Cash Uses

Key Cash Flow/Cash Items (\$MM)

	2Q'14	2014 YTD
Cash From Operations (continuing operations)	\$382	\$512
Capital Expenditures	\$129	\$232
Dividends	\$92	\$177
Acquisitions	\$2	\$24
Share Repurchases	\$100	\$300

Focus remains on timely, disciplined cash deployment for earnings accretion:

- ✓ Announced acquisition of Comex – June 30, 2014
- ✓ Announced or closed several other bolt-on acquisitions adding ~\$75MM in annual sales
- ✓ \$2B share repurchase authorization approved by Board of Directors – April 17, 2014

Summary

- **Record financial performance**
 - All-time record adjusted earnings-per-share
 - Higher earnings in all major regions
 - Excellent earnings contribution from improved volume growth
 - New products/technologies contributing to growth
- **Ongoing strategy execution and cash deployment**
 - Comex acquisition announced and several recent bolt-on acquisitions
 - ✦ Continued expansion in key coatings markets
 - ✦ Continued geographic diversity
 - Share repurchases continued in the quarter
- **Strong financial flexibility remains**
 - Robust balance sheet; Strong cash generation
 - Cash deployment remains an earnings growth lever going forward



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Additional Materials and Appendix

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Adjusted EPS Reconciliation

2nd Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
<u>Year 2014</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 393	\$ 2.80	\$ (7)	\$ (0.05)	\$ 386	\$ 2.75
Pension Settlement Loss	3	0.02	--	--	3	0.02
Acquisition-related costs	2	0.01	--	--	2	0.01
Adjusted Net Income/(Loss) Attributable to PPG	\$ 398	\$ 2.83	\$ (7)	\$ (0.05)	\$ 391	\$ 2.78
<u>Year 2013</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 318	\$ 2.19	\$ 23	\$ 0.16	\$ 341	\$ 2.35
Acquisition-related costs	13	0.09	2	0.01	15	0.10
Adjusted Net Income/(Loss) Attributable to PPG	\$ 331	\$ 2.28	\$ 25	\$ 0.17	\$ 356	\$ 2.45
<u>Year 2012</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 295	\$ 1.90	\$ 67	\$ 0.44	\$ 362	\$ 2.34
Business separation costs	--	--	3	0.02	3	0.02
Adjusted Net Income/(Loss) Attributable to PPG	\$ 295	\$ 1.90	\$ 70	\$ 0.46	\$ 365	\$ 2.36
<u>Year 2011 (no adjustments)</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 245	\$ 1.53	\$ 95	\$ 0.59	\$ 340	\$ 2.12

Amounts in Millions of USD except EPS

PPG Adjusted Earnings Per Share Trend Reconciliation

Period	Adjusted EPS from Continuing Operations				Y-O-Y Change in Adjusted EPS from Continuing Operations		
	2011	2012	2013	2014	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013
1Q	\$ 0.88	\$ 1.06	\$ 1.39	\$ 1.98	\$ 0.18	\$ 0.33	\$ 0.59
2Q	1.53	1.90	2.28	2.83	0.37	0.38	0.55
3Q	1.41	1.73	2.32	-	0.32	0.59	-
4Q	1.07	1.14	1.68	-	0.07	0.54	-
Full Year*	\$ 4.88	\$ 5.85	\$ 7.67	\$ -	\$ 0.97	\$ 1.82	\$ 1.14
Year over year percentage increase in EPS (2014 based on partial year)					+20%	+31%	+31%

*Full year diluted EPS was calculated using the full year weighted average shares outstanding. As such, the sum of the quarters may not equal the total EPS for the year.

Adjusted EPS Reconciliation

1st Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
<u>Year 2014</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 277	\$ 1.97	\$ 985	\$ 7.00	\$ 1,262	\$ 8.97
Acquisition-related costs	2	0.01	--	--	2	0.01
Adjusted Net Income/(Loss) Attributable to PPG	\$ 279	\$ 1.98	\$ 985	\$ 7.00	\$ 1,264	\$ 8.98
<u>Year 2013</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 191	\$ 1.29	\$ 2,219	\$ 15.02	\$ 2,410	\$ 16.31
Legacy pension and environmental costs	21	0.14	--	--	21	0.14
Acquisition-related costs	5	0.03	--	--	5	0.03
U.S. tax law change enacted in 2013	(10)	(0.07)	--	--	(10)	(0.07)
Adjusted Net Income/(Loss) Attributable to PPG	\$ 207	\$ 1.39	\$ 2,219	\$ 15.02	\$ 2,426	\$ 16.41
<u>Year 2012</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ (77)	\$ (0.50)	\$ 90	\$ 0.58	\$ 13	\$ 0.08
Business restructuring	137	0.89	26	0.17	163	1.06
Environmental remediation costs	99	0.64	--	--	99	0.64
Acquisition-related costs	4	0.03	--	--	4	0.03
Adjusted Net Income/(Loss) Attributable to PPG	\$ 163	\$ 1.06	\$ 116	\$ 0.75	\$ 279	\$ 1.81
<u>Year 2011 (no adjustments)</u>						
Net Income/(Loss) Attributable to PPG as Reported	\$ 144	\$ 0.88	\$ 84	\$ 0.52	\$ 228	\$ 1.40

Amounts in Millions of USD except EPS

Adjusted EPS Reconciliation

3rd Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
Year 2013						
Net Income/(Loss) Attributable to PPG as Reported	\$ 204	\$ 1.41	\$ 22	\$0.15	\$ 226	\$ 1.56
Business Restructuring	73	0.50	--	--	73	0.50
Increase in legacy environmental reserve	56	0.39	--	--	56	0.39
Acquisition-related costs	3	0.02	1	0.01	4	0.03
Adjusted Net Income/(Loss) Attributable to PPG	\$ 336	\$ 2.32	23	\$0.16	\$ 359	\$ 2.48
Year 2012						
Net Income/(Loss) Attributable to PPG as Reported	\$ 269	\$ 1.73	\$ 70	\$0.45	\$ 339	\$ 2.18
Business separation costs	--	--	9	0.06	9	0.06
Adjusted Net Income/(Loss) Attributable to PPG	\$ 269	\$ 1.73	\$ 79	\$0.51	\$ 348	\$ 2.24
Year 2011 (no adjustments)						
Net Income/(Loss) Attributable to PPG as Reported	\$ 223	\$ 1.41	\$ 88	\$0.55	\$ 311	\$ 1.96

Amounts in Millions of USD except EPS

Adjusted EPS Reconciliation

4th Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
Year 2013						
Net Income/(Loss) Attributable to PPG as Reported	\$ 237	\$ 1.66	\$ 17	\$ 0.12	\$ 254	\$ 1.78
Acquisition-related costs	3	0.02	1	0.01	4	0.03
Adjusted Net Income/(Loss) Attributable to PPG	\$ 240	\$ 1.68	\$ 18	\$ 0.13	\$ 258	\$ 1.81
Year 2012						
Net Income/(Loss) Attributable to PPG as Reported	\$ 175	\$ 1.12	\$ 52	\$ 0.34	\$ 227	\$ 1.46
Business separation costs	--	--	8	0.05	8	0.05
Acquisition-related costs	3	0.02	--	--	3	0.02
Adjusted Net Income/(Loss) Attributable to PPG	\$ 178	\$ 1.14	\$ 60	\$ 0.39	\$ 238	\$ 1.53
Year 2011 (no adjustments)						
Net Income/(Loss) Attributable to PPG as Reported	\$ 166	\$ 1.07	\$ 50	\$ 0.32	\$ 216	\$ 1.39

Amounts in Millions of USD except EPS

2013 Quarterly Financial Results by Reportable Segment

Amounts have been recast based on revised reporting segments

PPG INDUSTRIES AND CONSOLIDATED SUBSIDIARIES (Continuing Operations)

BUSINESS SEGMENT INFORMATION (unaudited)

	<u>Q1</u> <u>2013</u>	<u>Q2</u> <u>2013</u>	<u>Q3</u> <u>2013</u>	<u>Q4</u> <u>2013</u>	<u>Full Year</u> <u>2013</u>
Net sales					
Performance Coatings	\$ 1,578	\$ 2,259	\$ 2,190	\$ 1,907	\$ 7,934
Industrial Coatings	1,274	1,355	1,306	1,329	5,264
Glass	<u>256</u>	<u>269</u>	<u>278</u>	<u>264</u>	<u>1,067</u>
TOTAL	\$ 3,108	\$ 3,883	\$ 3,774	\$ 3,500	\$ 14,265
Segment income					
Performance Coatings	\$ 192	\$ 324	\$ 325	\$ 202	\$ 1,043
Industrial Coatings	198	218	206	202	824
Glass	<u>5</u>	<u>8</u>	<u>21</u>	<u>22</u>	<u>56</u>
TOTAL	395	550	552	426	1,923
Items not allocated to segments					
Legacy items	(46)	(11)	(99)	(9)	(165)
Business restructuring costs	-	-	(98)	-	(98)
Acquisition-related costs	(6)	(19)	(6)	(5)	(36)
Interest expense, net of interest income	(43)	(38)	(37)	(35)	(153)
Other corporate expense	<u>(59)</u>	<u>(60)</u>	<u>(65)</u>	<u>(61)</u>	<u>(245)</u>
INCOME BEFORE INCOME TAXES	\$ 241	\$ 422	\$ 247	\$ 316	\$ 1,226

Amounts in Millions of USD



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

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