

PPG Industries
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PPG Industries, Inc. – Third Quarter 2015 Financial Results

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Information current as of October 15, 2015



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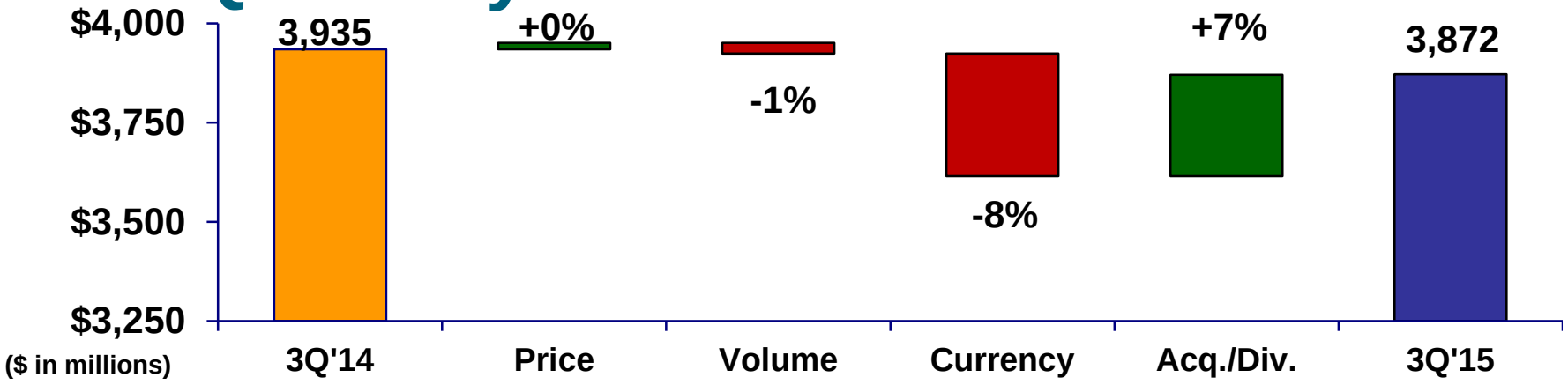
Third Quarter 2015 Financial Highlights

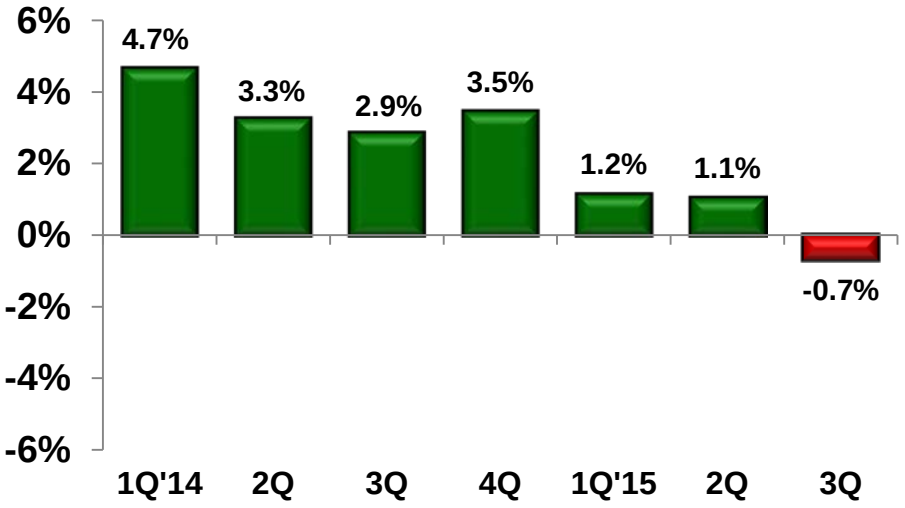
- **Continued, strong earnings growth; cost focus remains**
  - Record third quarter adjusted earnings per diluted share from continuing operations up 14 percent vs. the prior year, more than offsetting $0.12 (~$45 million pre-tax) of unfavorable foreign currency.
  - Segment income improved 12 percent in local currencies.
  - On track to achieve previously announced restructuring savings and acquisition synergies; additional benefits in fourth quarter 2015 and 2016.
- **Sales up 6 percent in local currencies**
  - Aggregate sales volumes declined less than one percent year-over-year (excluding acquisitions and divestitures).
  - Acquisition-related sales (primarily Comex) contributed 7 percent.
  - Foreign currency translation reduced sales by 8 percent (~$310 million).
- **Cash deployment driving results**
  - Consistently strong performance at Comex; sales growth remains excellent.
  - Cash deployment focused on earnings-accretion continues.
    - Closed 3 acquisitions: Cuming Microwave, IVC Industrial Coatings, Chemfil Canada.
    - Closed Le Joint Français acquisition on October 1, 2015.
    - Share repurchases totaled $150 million in the third quarter; $500 million year-to-date.
  - Cash and short-term investments totaled $1.4 billion at quarter-end.

PPG Quarterly Net Sales



PPG Y-O-Y Volume Trends

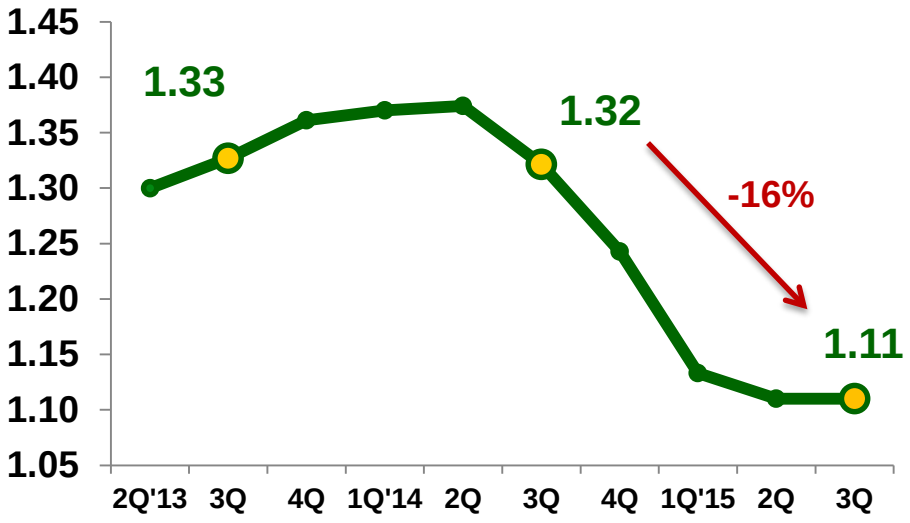
(excludes price, currency and acquisition impacts)



Moderation of global demand; transitory inventory management

Dollar/Euro Conversion Rate

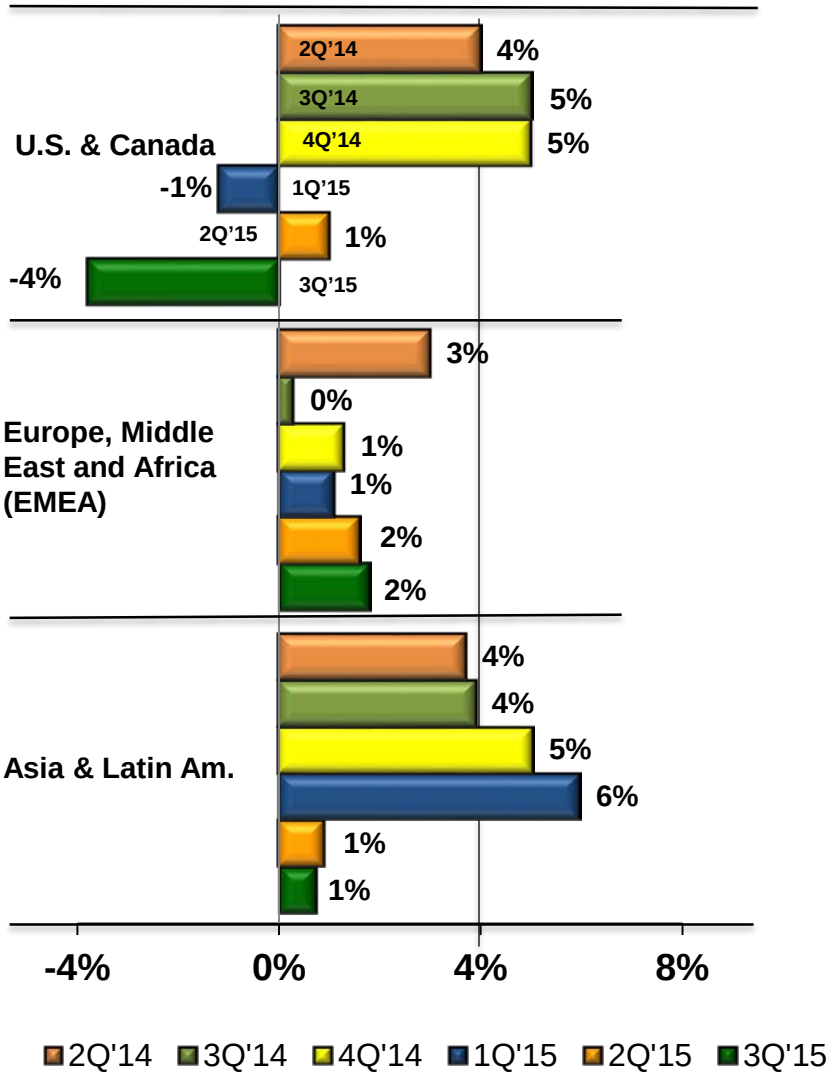
(Quarter rate = 3-month average)



Euro down ~16%, one of many currency declines vs. USD

Net Sales Volume Trends – Coatings Segments

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



3Q 2015 Commentary Y-O-Y (versus 3Q 2014):

U.S. & Canada:

Sales volumes declined versus strengthening prior year quarter.

Year-over-year sales volume results were mixed by business. Growth was led by automotive OEM and packaging coatings. Architectural coatings sales volumes were down due to a weaker Canadian economy and transitory inventory management by most national retailers and independent distributors.

Europe, Middle East & Africa:

Sales volume growth paced slightly ahead of the previous quarter with broader, incremental improvements across the region. Demand trends remain uneven by geography and end-use market.

Business unit growth led by automotive OEM, packaging, automotive refinish, and protective and marine.

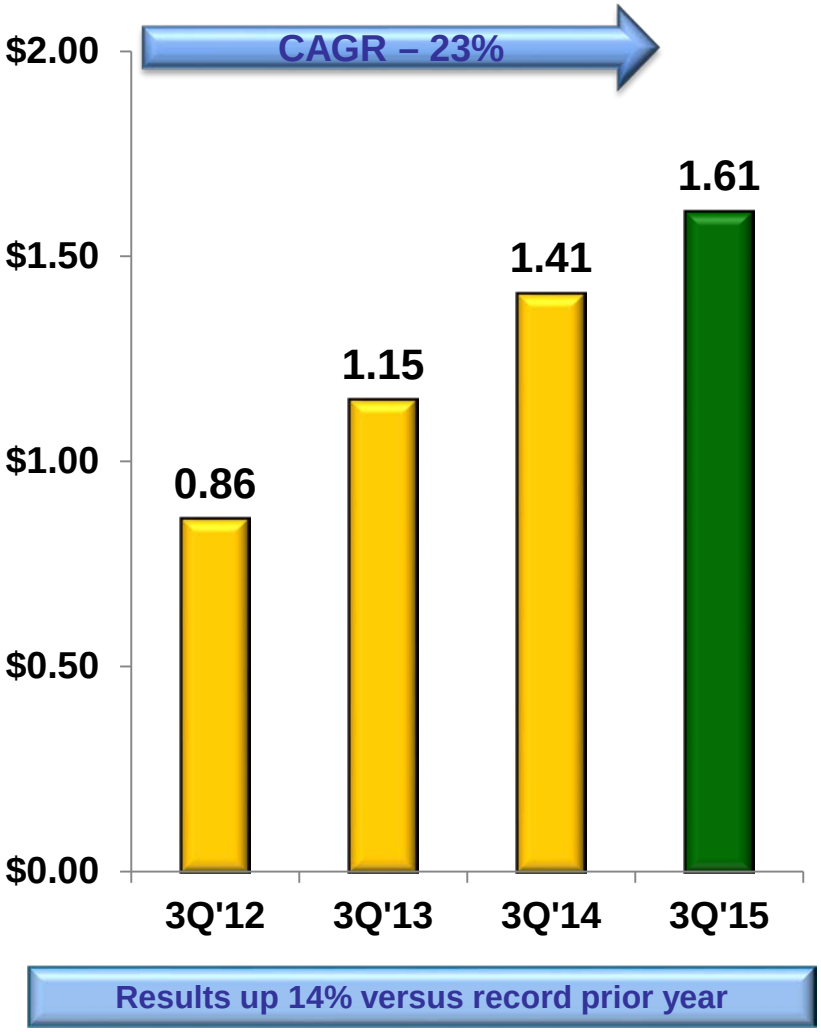
Asia & Latin America (emerging regions):

Sales volume growth was consistent with the prior sequential quarter. Asian and Mexican organic demand increased Y-O-Y; partially offset by South American weakness. Asian volumes improved in the second half of the quarter after initial customer destocking.

Emerging region growth led by automotive OEM, packaging, and aerospace coatings. General industrial sales volumes declined.

PPG Third Quarter Earnings Per Share

Adjusted Earnings Per Diluted Share*



Third Quarter Comments

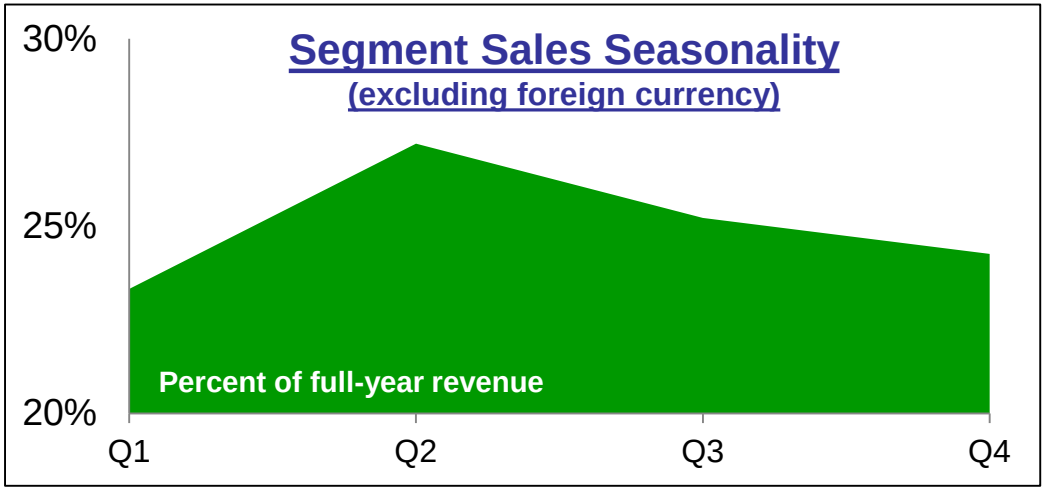
- ✓ Reporting segment updates included on succeeding slides. Aggregate items embedded in segment reviews:
  - ❖ Acquisition-related income benefits
  - ❖ Unfavorable foreign currency Y-O-Y impact (~$45MM pre-tax)
- ✓ Lower corporate net interest cost related to prior 12 month actions:
  - ❖ 3Q'15 net interest total = $21MM
  - ❖ 3Q'14 net interest total = $34MM
- ✓ Higher effective income tax rate on adjusted net income from continuing operations (including Comex income):
  - ❖ 3Q 2015 = 24.5%
  - ❖ 3Q 2014 = 24.0%
- ✓ Average diluted shares outstanding down 2 percent vs. prior-year quarter

*** Adjusted EPS (from continuing operations) – see presentation appendix for reconciliation to reported EPS**

Performance Coatings

$MM (USD)	3Q14	3Q15	Chg	%
Net Sales	2,257	2,240	-17	-1%
Income	345	379	34	10%
Margin %	15.3%	16.9%	--	--

Select Net Sales Detail	Total	Volume	Currency
3Q Y-O-Y Change	-1%	-3%	-8%



Third Quarter (Y-O-Y):

- ✓ Continued automotive refinish and aerospace coatings sales volume growth
- ✓ Protective & marine coatings sales volumes improved slightly
- ✓ Architectural coatings U.S. and Canada sales volumes declined due to a weak Canadian economy and inventory management at most national retail & independent dealers
- ✓ Architectural coatings EMEA sales were flat in local currency and varied by country
- ✓ Acquisition-related sales of ~$210 million (primarily Comex)
- ✓ Foreign currency negatively impacted segment sales (~$190MM) and income (~$25MM)

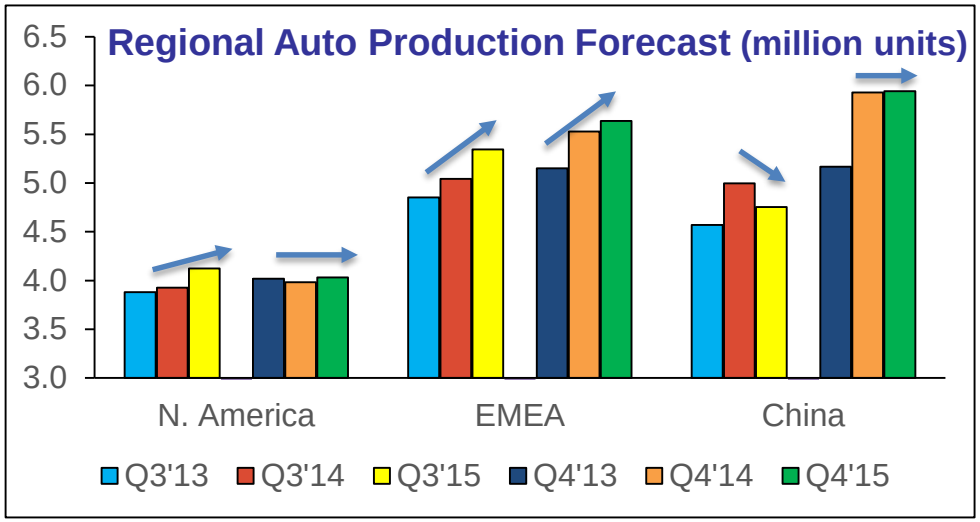
Fourth Quarter 2015 Outlook:

- ✓ Seasonally lower quarter sequentially
- ✓ Organic sales growth Y-O-Y expected for aerospace and automotive refinish coatings
- ✓ Anticipate minimal-to-no carryover from customer inventory destocking in architectural U.S. and Canada; Canadian economy remains weak
- ✓ Modest volume growth in architectural coatings EMEA led by higher demand in certain countries
- ✓ Acquisition-related sales of $100MM-to-$125MM; Comex acquisition anniversary in November
- ✓ Negative Y-O-Y foreign currency translation impact slightly less than third quarter at current rates; Euro less impactful, Mexican peso and Canadian dollar weakened further

Industrial Coatings

$MM (USD)	3Q14	3Q15	Chg	%
Net Sales	1,395	1,354	-41	-3%
Income	240	241	1	--
Margin %	17.2%	17.8%	--	--

Select Net Sales Detail	Total	Volume	Currency
3Q Y-O-Y Change	-3%	+2%	-8%



Source: IHS Global Insights

Third Quarter (Y-O-Y):

- ✓ Mid single-digit percentage PPG global automotive OEM coatings volume growth:
  - o PPG growth in all major regions, including Asia
  - o PPG outpaced global industry auto production growth of ~1%
- ✓ Mid-to-high single-digit percentage sales volume growth for global packaging coatings
- ✓ Industrial coatings sales volumes declined by a low single-digit percentage (consistent with 2Q '15); weak global industrial production
- ✓ Acquisition-related sales of ~$50 million
- ✓ Foreign currency negatively impacted segment sales (~$110MM) and income (~$15MM)

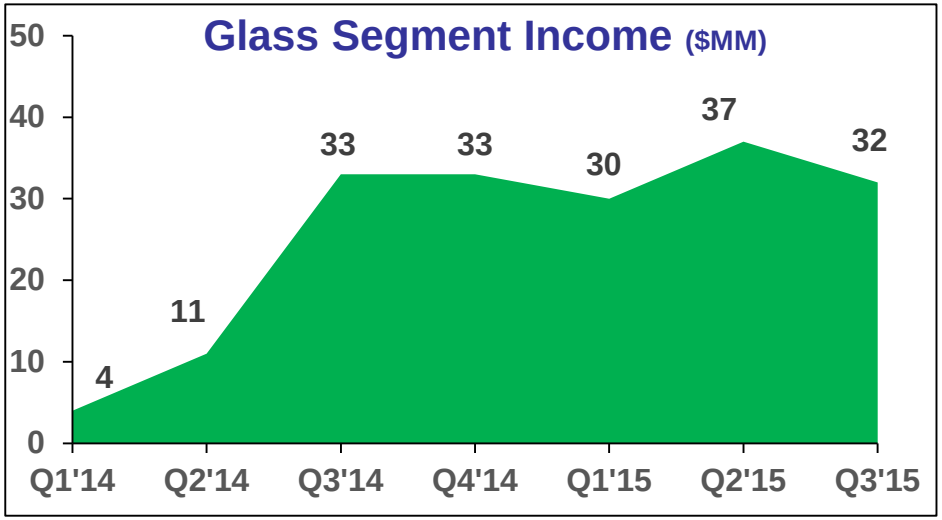
Fourth Quarter 2015 Outlook:

- ✓ Lower sequential segment sales due to business seasonality
- ✓ Global automotive OEM industry production growth Y-O-Y; modest increase in China industry builds vs. strong growth in the prior year
- ✓ Packaging coatings growth is expected to continue; prior year included inventory build for new BPA-NI interior can coating technology
- ✓ General industrial demand expected to remain tepid globally
- ✓ Increased acquisition-related sales growth due to recent acquisition activity ($80MM-to-$90MM)
- ✓ Negative Y-O-Y foreign currency translation impact somewhat less than third quarter at current rates

Glass

$MM (USD)	3Q14	3Q15	Chg	%
Net Sales	283	278	-5	-2%
Income	33	32	-1	-1%
Margin %	11.7%	11.5%	--	--

Select Net Sales Detail	Total	Volume	Currency
3Q Y-O-Y Change	-2%	+3%	-3%



Third Quarter (Y-O-Y):

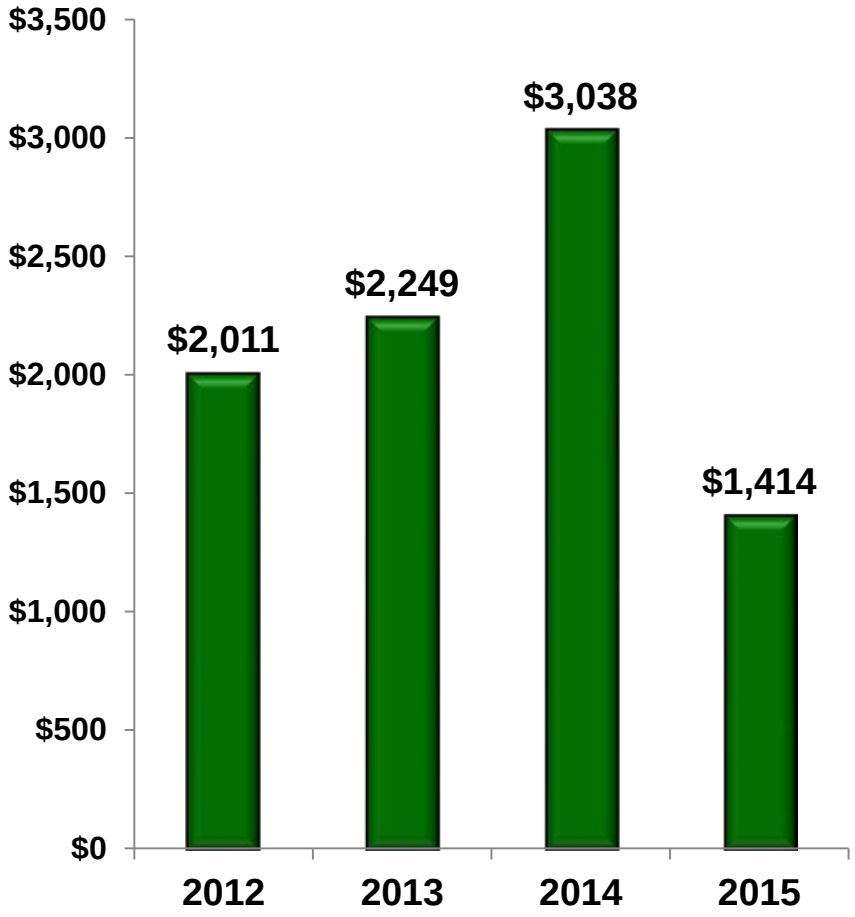
- ✓ Improved pricing aided by higher end-use market demand in both businesses
- ✓ Improved Y-O-Y flat glass results are related to more favorable product mix and higher capacity utilization (2014 facility sale – also resulted in 5 percent divested sales)
- ✓ Fiber glass sales volume growth was driven by higher U.S. demand
- ✓ Higher expenses due to planned maintenance and unplanned outage at a flat glass facility (force majeure declared)
- ✓ Foreign currency negatively impacted segment sales (~$10MM) and income (~$5MM)

Fourth Quarter 2015 Outlook:

- ✓ Consistent market demand trends expected in both businesses; decrease in segment sales due to business seasonality
- ✓ Capacity utilization remains consistent in flat glass, improving in fiber glass
- ✓ Sustained favorable flat glass product mix
- ✓ No carryover impact from facility outages
- ✓ Continued strong focus on operational cost management
- ✓ Negative Y-O-Y currency translation impact somewhat less than third quarter at current rates

Balance Sheet and Cash

Third Quarter Cash and Short Term Investments ($MM)



Third Quarter 2015 and Year-to-Date Activity

- ✓ 3Q 2015 and YTD approximate cash uses:
  - ❖ Capital Spending $105MM; YTD $265MM
    - ❖ Lower full-year capital spending projection now 3% of sales
  - ❖ Dividends $100MM; YTD $290MM
  - ❖ Share Repurchases $150MM; YTD $500MM
- ✓ Strong cash position remains; continued focus on timely, disciplined cash deployment for earnings accretion
  - ❖ Completed acquisitions of Cuming Microwave, IVC Industrial Coatings, and Chemfil Canada
  - ❖ Le Joint Français acquisition closed Oct. 1
  - ❖ Share repurchases remain an integral part of cash deployment
- ✓ Cash deployment target adjusted to $2.0 -to- $2.5 billion for acquisitions and share repurchases for 2015 and 2016 combined

Third Quarter Summary

- ✓ **Record third quarter financial performance**
  - Adjusted third quarter record earnings per diluted share up 14 percent despite unfavorable foreign currency impacts.
  - Record coatings segment earnings show benefit from operational and cost focus.
  - Sales up 6 percent in local currencies, including acquisitions.
  - Cash deployment contributed to the financial results.
- ✓ **Ongoing shareholder focus and balance sheet flexibility**
  - Active acquisition pipeline; ~$400 million of acquisitions closed year-to-date.
  - Share repurchases of $150 million in quarter; ~$500 million year-to-date.
  - Cash and short-term investments totaled $1.4 billion at quarter-end.
- ✓ **Earnings drivers going forward**
  - Anticipated resumption of PPG organic volume growth
  - Completion of announced restructuring actions
  - Achievement of remaining acquisition-related sales and cost synergies
  - Sales and earnings benefits from recent acquisitions
  - Continued cash deployment actions

PPG Path Forward

✓ Customer-Focused

- Continue to invest in customer-driven coatings innovation/technology – Extend innovation leadership during coatings technology shifts.
- Increase customer intimacy and service capabilities to build long-lasting and mutually beneficial relationships aimed at delivering higher organic growth.

✓ Operationally Excellent

- Maintain dynamic and aggressive cost management – Rapidly adjust cost structures to regional and end-use market demand.
- Further “variablize” PPG’s cost structure given our global scale.

✓ Strategically Sound

- Optimize transformed business portfolio – Achieve true full-scale advantages of global coatings platform (i.e., global customer intimacy, supply chain breadth).
- Maintain rigor on our business portfolio to ensure continued shareholder value creation.

✓ Fiscally Prudent / Shareholder Friendly

- Maintain investment grade balance sheet with continued financial flexibility that provides for disciplined/shareholder value creating acquisitions.
- Reward our shareholders with sustainable dividend increases and return excess cash to shareholders via share repurchases.



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Additional Materials and Appendix

Thank you for your interest in PPG Industries, Inc.
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Adjusted EPS Reconciliation

3rd Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
Year 2015						
Net Income Attributable to PPG as Reported	$ 433	$ 1.59	--	--	$ 433	$ 1.59
Transaction-related costs	1	--	--	--	1	--
Pension windup charges	5	0.02	--	--	5	0.02
Adjusted Net Income Attributable to PPG	$ 439	$ 1.61	--	--	$ 439	$ 1.61
Year 2014						
Net Income Attributable to PPG as Reported	$ 377	$ 1.35	$ (6)	$ (0.02)	$ 371	$ 1.33
Transaction-related costs	2	0.01	--	--	2	0.01
Pension windup charges	2	0.01	--	--	2	0.01
Legacy environmental reserves	86	0.30	--	--	86	0.30
Gain on asset sales	(73)	(0.26)	--	--	(73)	(0.26)
Adjusted Net Income Attributable to PPG	$ 394	$ 1.41	$ (6)	$ (0.02)	$ 388	$ 1.39
Year 2013						
Net Income Attributable to PPG as Reported	$ 204	$ 0.70	$ 22	$ 0.08	$ 226	$ 0.78
Transaction-related costs	3	0.01	1	--	4	0.01
Legacy environmental reserves	56	0.19	--	--	56	0.19
Business restructuring	73	0.25	--	--	73	0.25
Adjusted Net Income Attributable to PPG	$ 336	$ 1.15	$ 23	$ 0.08	$ 359	$ 1.23
Year 2012						
Net Income Attributable to PPG as Reported	$ 269	$ 0.86	$ 70	$ 0.23	$ 339	$ 1.09
Business separation costs	--	--	9	0.03	9	0.03
Adjusted Net Income Attributable to PPG	$ 269	$ 0.86	$ 79	$ 0.26	$ 348	$ 1.12

Amounts in Millions of USD except EPS