PPG - Second Quarter 2017 Financial Results

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Information current as of July 20, 2017

Forward Looking Statements

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Second Quarter 2017 Financial Highlights

Note: Current year and prior year financial results have been recast to present PPG's former Glass segment as discontinued operations

Net sales of $3.8 billion, up about 1 percent year-over-year

- Aggregate sales volumes were flat versus the prior year period
- Selling prices improved slightly year-over-year and sequentially in comparison to the previous quarters; additional selling price initiatives are underway for the second half of 2017
- Acquisitions contributed sales growth of about 2 percent versus prior year
- Unfavorable foreign currency translation reduced sales less than 2 percent, or about $65 million

Increased adjusted earnings per diluted share from continuing operations*

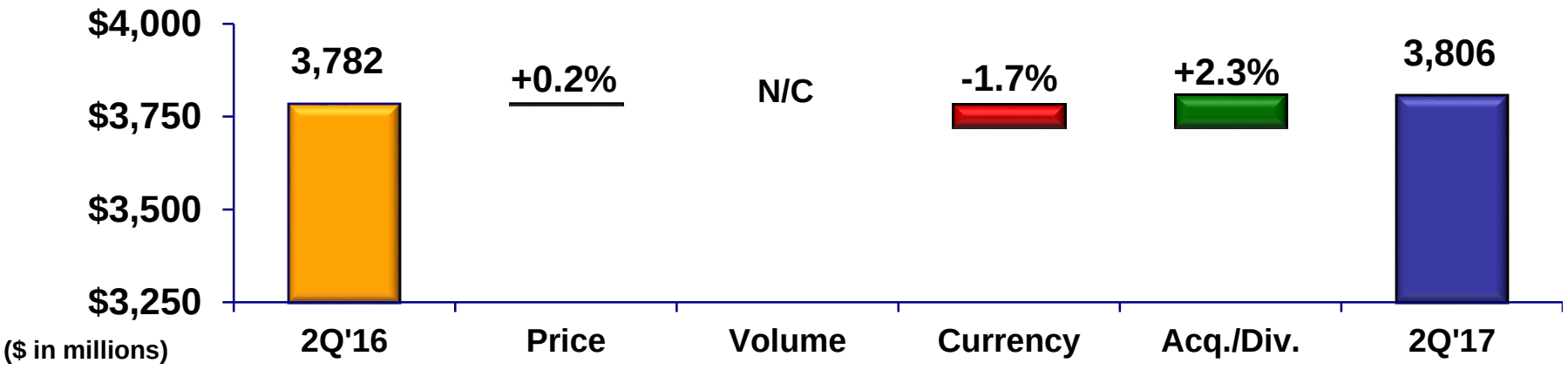
- Second quarter adjusted earnings per diluted share of $1.83; up 6 percent versus prior year
- Unfavorable foreign currency translation and raw material cost inflation were offset by lower manufacturing and overhead costs, including benefits from the 2016 restructuring program; on pace to achieve targeted restructuring savings of $40 -to- $50 million in 2017
- Acquisition-related income also aided year-over-year results (including synergy benefits)

Earnings-accretive cash deployment

- Cash and short-term investments of approximately $1.6 billion at quarter-end
- Expect cash deployment for combined years 2017 and 2018 to be a minimum of $3.5 billion
  - Resuming share repurchases in third quarter

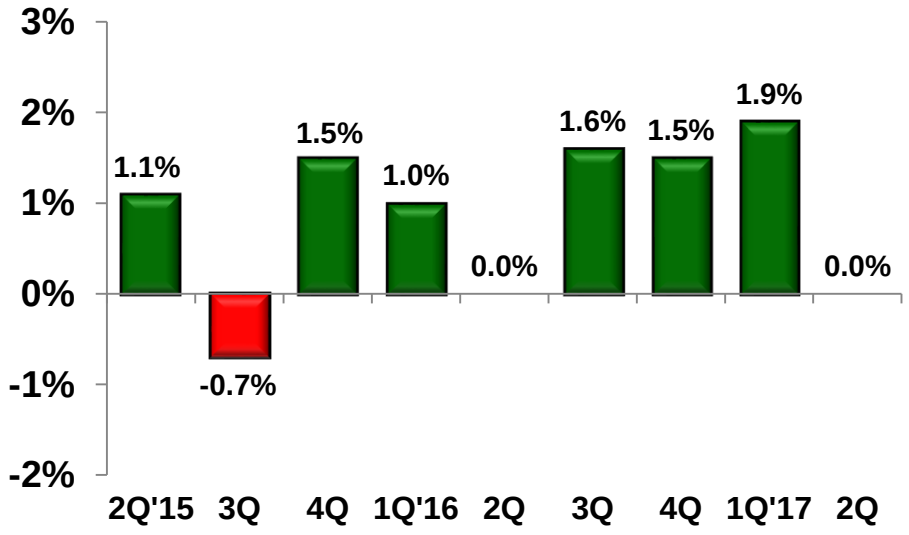
* Adjusted EPS (from continuing operations) – see presentation appendix for reconciliation to reported EPS

PPG Second Quarter Net Sales*



PPG Y-O-Y Volume Trends**

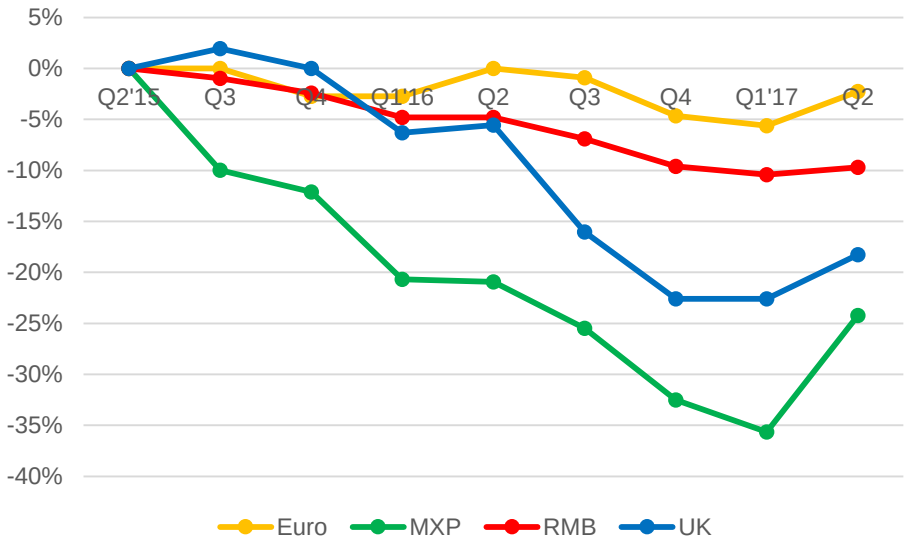
(excl. price, currency and acquisition/divestiture impacts)



Flat volumes YOY in 2Q'17

Foreign Currency Rate Trends vs. U.S. Dollar

(indexed to Q2'15)



Slight weakening of U.S. Dollar in 2Q'17

* Sales from continuing operations

** Volumes as originally reported include the former Glass segment

Second Quarter Net Sales Volumes

PPG volume performance by major coatings vertical vs. prior year and end-use market demand

	U.S. & Canada	Europe / Middle East / Africa	Asia-Pacific	Latin America
Aerospace	At Market	Above Market	At Market	At Market
Automotive Refinish	Above Market	At Market	At Market	At Market
Architectural	Co-Stores Below Market / DIY & Dealer At Market	Above Market	AUS Above Market / CHN Above Mkt	Mexico At Market / BRZ Below Mkt
Protective	At Market	At Market	Below Market	At Market
Marine	At Market	At Market	At Market	N/A
Automotive OEM	Below Market	Above Market	Above Market	Above Market
General Industrial	Above Market	At Market	Above Market	Above Market
Packaging	At Market	At Market	At Market	At Market

1) PPG compared to industry end-use market demand legend:

- Above Market
- At Market
- Below Market

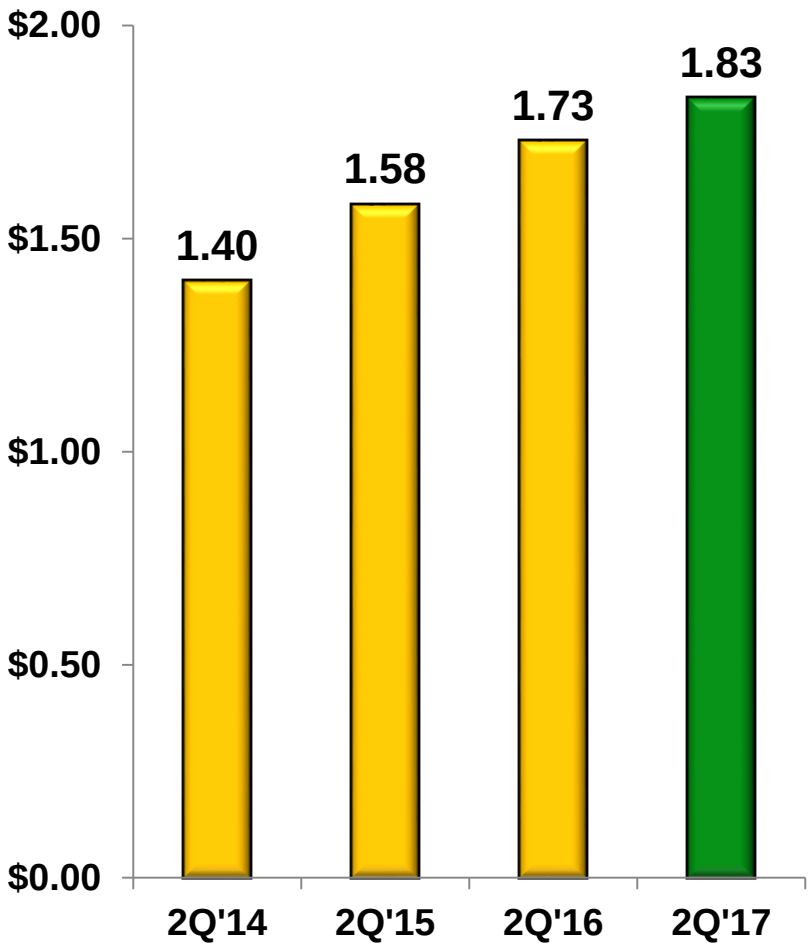
2) Year-over-year PPG volume legend:



Contraction Expansion

Based on PPG estimates

PPG Second Quarter Adjusted Earnings Per Diluted Share*



Second Quarter Comments

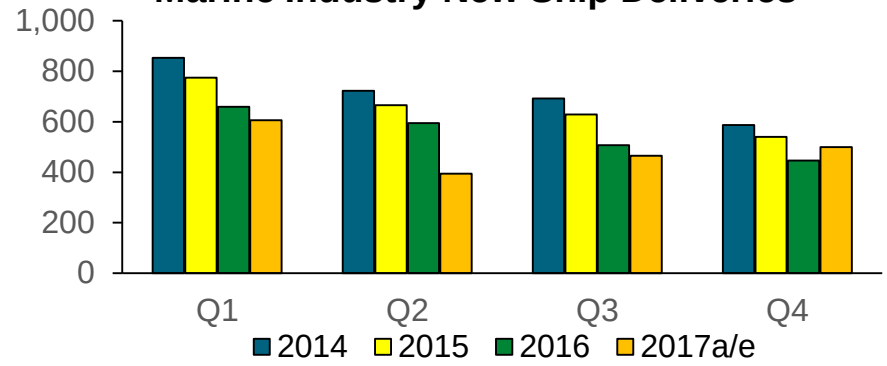
- ✓ Reporting segment updates included on succeeding slides. Aggregate items embedded in segment reviews:
  - Significant raw material cost inflation has not been offset by initial selling price increases
  - Continued, aggressive cost management including restructuring
  - Acquisition-related income including synergies
  - Unfavorable foreign currency translation YOY (~$15MM pre-tax)
- ✓ Average diluted shares outstanding down about 4 percent vs. prior-year quarter
- ✓ Effective income tax rate on adjusted net income:
  - 2Q 2017 = 24.6%
  - 2Q 2016 = 24.8%
- ✓ Financial operating results of the former Glass segment are presented as discontinued operations for all periods

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

Performance Coatings

$MM (USD)	2Q16	2Q17	Chg	%
Net Sales	2,338	2,301	-37	-2%
Income	428	413	-15	-4%
Margin %	18.3%	17.9%	--	--

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



Source: Clarkson Research Services and PPG estimates

Second Quarter (Y-O-Y):

- ✓ Improving selling prices in businesses and regions
- ✓ Several businesses impacted by fewer selling days YOY (Easter holiday shift to 2Q vs. prior year in 1Q)
- ✓ Modest automotive refinish coatings organic sales growth
- ✓ Improving aerospace sales volumes (U.S. and Europe)
- ✓ Significantly weak marine new build industry demand; slight improvement in protective coatings sales volumes
- ✓ Slightly lower sales volumes in architectural coatings EMEA – fewer selling days year-over-year
- ✓ Sales volume decline in architectural coatings Americas & Asia-Pacific:
  - Mid-single digit percentage growth in U.S. & Canada company-owned stores; lower volumes across most national accounts (DIY) and independent dealers
  - Modest organic volume growth in emerging regions (Latin America & Asia-Pacific)
- ✓ Acquisition-related sales of ~$20MM; unfavorable foreign currency translation on segment sales (~$40MM) and income (~$10MM)

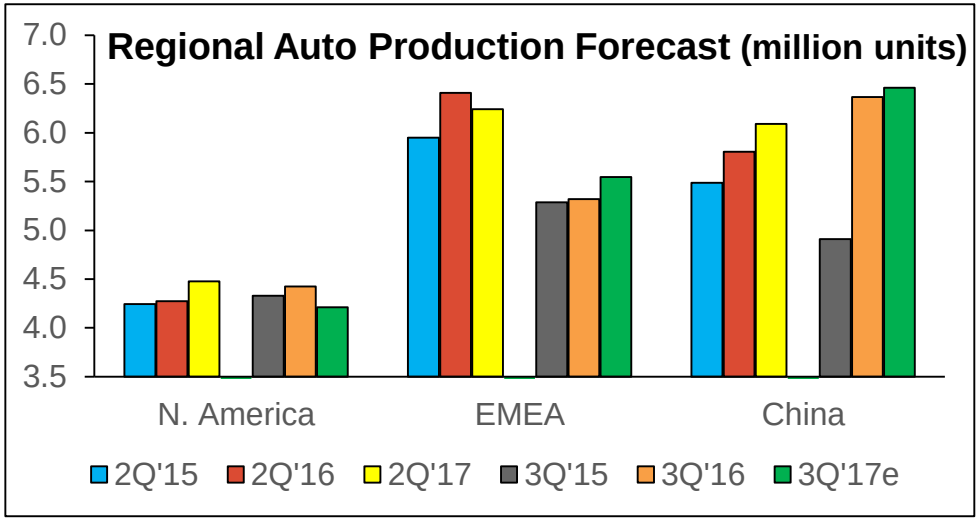
Third Quarter 2017 Outlook:

- ✓ Lower sequential sales in certain businesses due to normal seasonality
- ✓ Additional price actions take effect in the quarter across businesses and regions
- ✓ Moderating YOY impact of lower marine new build demand; continued growth in protective coatings
- ✓ Modest organic sales growth remains in automotive refinish & aerospace
- ✓ Architectural coatings EMEA volume growth in Western and Eastern Europe, mixed by country
- ✓ Architectural coatings demand in U.S. & Canada remains inconsistent by channel; continued PPG company-owned store growth
- ✓ Acquisition-related sales of $20 -to- $25MM
- ✓ Foreign currency translation impacts not significant (recent U.S. dollar weakness)

Industrial Coatings

$MM (USD)	2Q16	2Q17	Chg	%
Net Sales	1,444	1,505	+61	+4%
Income	292	264	-28	-10%
Margin %	20.2%	17.5%	--	--

Select Net Sales Detail	Total	Volume	Currency
2Q Y-O-Y Change	+4%	+3%	-2%



Source: IHS Global Insights

Second Quarter (Y-O-Y):

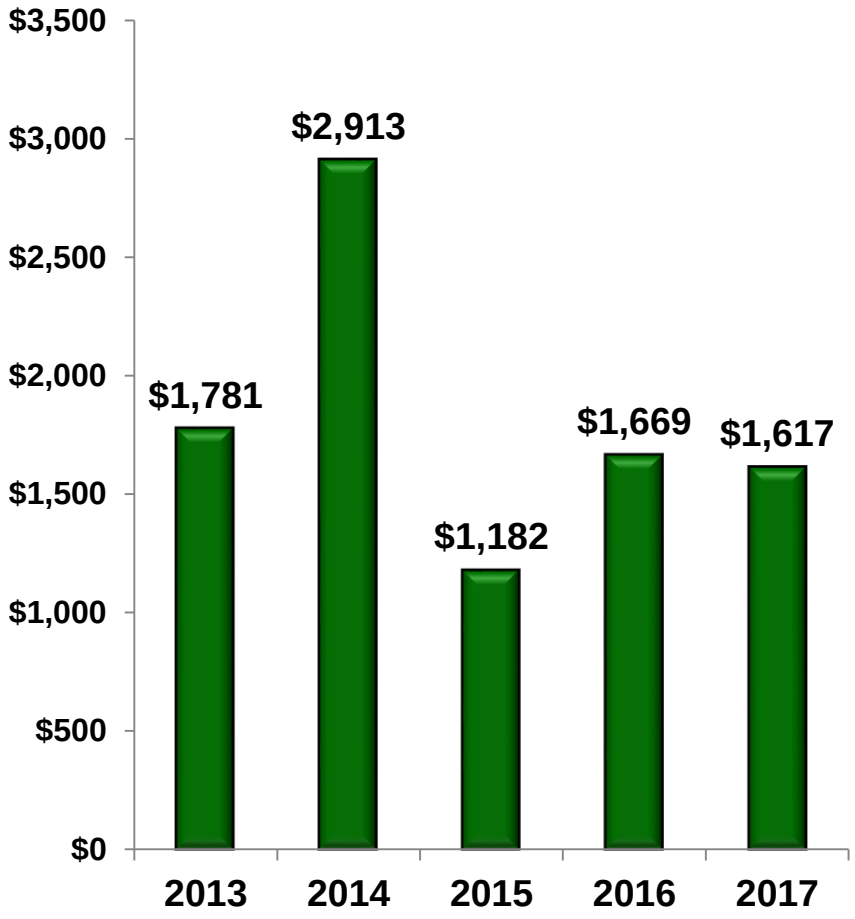
- ✓ Low-single-digit percentage PPG global auto OEM sales volumes growth:
  - PPG volume growth outpaced YOY global industry production, which declined 1 percent
- ✓ Above-market mid-single-digit percentage sales volumes growth in general industrial coatings and specialty coatings and materials
  - Solid volume growth contributions from all regions; outpacing global industrial production growth
- ✓ Consistent YOY packaging coatings sales volumes (strong comparison period with high single-digit percentage growth in prior year)
- ✓ Acquisition-related sales of ~$65M
- ✓ Unfavorable foreign currency translation on segment sales (~$25MM) and income (~$5MM)

Third Quarter 2017 Outlook:

- ✓ Lower sequential sales due to normal seasonal patterns
- ✓ Selling price actions continue to be implemented across various businesses & regions; strong cost management continues
- ✓ Slight acceleration in global auto OEM industry production; PPG sales volumes expected to outpace industry
- ✓ Similar sequential trends expected in overall general industrial demand and PPG-specific outperformance
- ✓ Return to modest packaging coatings sales volume growth despite strong prior year growth comparisons, aided by ongoing industry conversions to new PPG technologies
- ✓ All prior acquisitions have reached one-year anniversary
- ✓ Foreign currency translation impacts not significant (recent U.S. dollar weakness)

Balance Sheet and Cash

Second Quarter Cash and Short Term Investments ($MM)



Cash Deployment

✓ Approximate cash uses ($MM):

	2Q'17	YTD
Capital Spending	$75	$135
Dividends	$102	$205
Acquisitions	$100	$165
Share Repurchases	$0	$165

✓ Share repurchases resuming in the third quarter - $1.7 billion remaining on current authorization

✓ Strong cash position remains; continued focus on earnings-accretive cash deployment

✓ Targeting a minimum of $3.5 billion for acquisitions and share repurchases for 2017 and 2018 combined

- Active acquisition pipeline remains

Additional Materials and Appendix

Thank you for your interest in PPG Industries, Inc.
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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
Second Quarter 2017						
Net Income Attributable to PPG as Reported	$ 504	$ 1.95	$ (3)	$ (0.01)	$ 501	$ 1.94
Transaction-related costs	3	0.01	--	--	3	0.01
Gain from the sale of the Mexican Plaka business	(24)	(0.09)	--	--	(24)	(0.09)
Income from a legal settlement	(11)	(0.04)	--	--	(11)	(0.04)
Adjusted Net Income Attributable to PPG	$ 472	$ 1.83	$ (3)	$ (0.01)	$ 469	$ 1.82
Second Quarter 2016						
Net Income Attributable to PPG as Reported	$ 339	$ 1.25	$ 31	$ 0.12	$ 370	$ 1.37
Transaction-related costs	4	0.02	1	--	5	0.02
Asset write-down	8	0.03	--	--	8	0.03
Gain from the sale of an equity affiliate	(13)	(0.05)	--	--	(13)	(0.05)
Net tax effect of asbestos settlement funding	128	0.48	--	--	128	0.48
Adjusted Net Income Attributable to PPG	$ 466	$ 1.73	$ 32	$ 0.12	$ 498	$ 1.85
Second Quarter 2015						
Net Income Attributable to PPG as Reported	$ 311	$ 1.14	$ 26	$ 0.09	$ 337	$ 1.23
Transaction-related costs	15	0.05	--	--	15	0.05
Business restructuring charge	105	0.39	1	--	106	0.39
Adjusted Net Income Attributable to PPG	$ 431	$ 1.58	$ 27	$ 0.09	$ 458	$ 1.67
Second Quarter 2014						
Net Income Attributable to PPG as Reported	$ 386	$ 1.38	$ --	--	$ 386	$ 1.38
Pension settlement charge	3	0.01	--	--	3	0.01
Transaction-related costs	2	0.01	--	--	2	0.01
Adjusted Net Income Attributable to PPG	$ 391	$ 1.40	$ --	--	$ 391	$ 1.40
Second Quarter 2013						
Net Income Attributable to PPG as Reported	$ 315	$ 1.08	$ 26	$ 0.09	$ 341	$ 1.17
Transaction-related costs	13	0.05	2	0.01	15	0.06
Adjusted Net Income Attributable to PPG	$ 328	$ 1.13	$ 28	$ 0.10	$ 356	$ 1.23

Amounts in Millions of USD except EPS

Regulation G Reconciliation

Three Months Ended June 30, 2017	Income Before Income Taxes	Tax Expense	Effective Tax Rate
Effective tax rate, continuing operations	**$671**	**$162**	**24.1%**
Transaction-related costs	5	2	37.9%
Gain from the sale of Mexican Plaka business	(25)	(1)	3.2%
Income from a legal settlement	(18)	(7)	37.9%
Adjusted effective tax rate, continuing operations	**$633**	**$156**	**24.6%**

Three Months Ended June 30, 2016	Income Before Income Taxes	Tax Expense	Effective Tax Rate
Effective tax rate, continuing operations	**$630**	**$285**	**45.2%**
Transaction-related costs	6	2	37.6%
Gain from the sale of an equity affiliate	(20)	(7)	37.6%
Net tax effect of asbestos settlement funding	-	(128)	N/A
Asset write-down	10	3	25.0%
Adjusted effective tax rate, continuing operations	**$626**	**$155**	**24.8%**