PPG – Third Quarter 2017 Financial Results

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Information current as of October 19, 2017

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Many factors could cause actual results to differ materially from the Company's forward-looking statements. Such factors include ongoing impacts of the natural disasters and their length and severity, any currently unanticipated future impacts from the natural disasters, 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 timing of and 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. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and under Item 1A of PPG's 2016 Form 10-K is 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 the results compared with those anticipated in the forward-looking statements could include, among other things, lower sales or earnings, business disruption, operational problems, financial loss, legal liability to third parties, other factors set forth in Item 1A of PPG's 2016 Form 10-K and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

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Third Quarter 2017 Financial Highlights

Net sales of nearly $3.8 billion, up more than 3 percent year-over-year

- July and August sales volume growth was about 1.5% prior to the natural disasters; higher than first half sales volume growth rate
- Selling prices improved slightly year-over-year and sequentially during the quarter; modest sequential price increases have been secured for the fourth quarter and additional price increases expected in the first quarter 2018
- Favorable foreign currency translation benefited sales by nearly 2 percent, or approximately $65 million

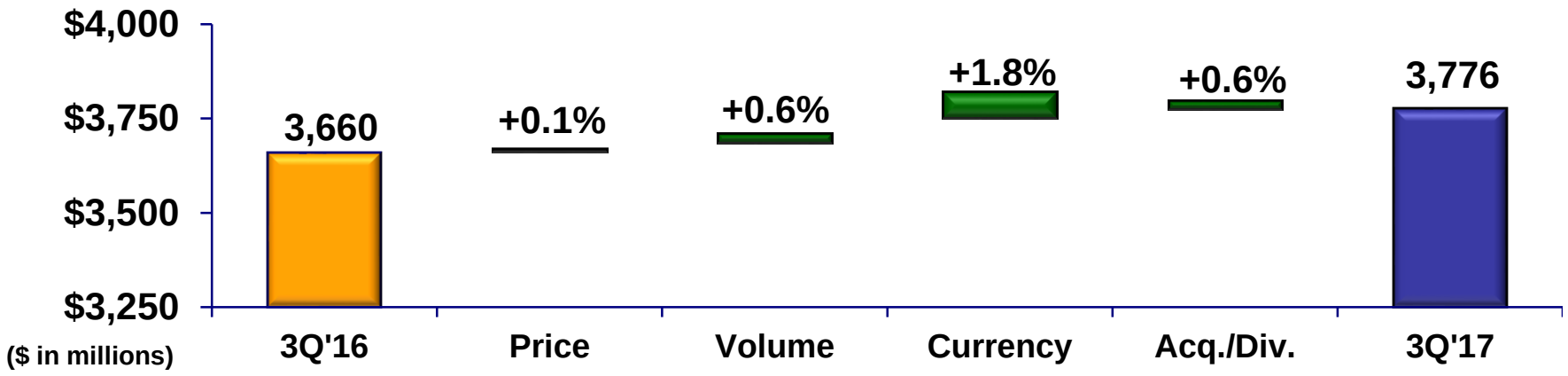
Earnings per diluted share of $1.52

- Third quarter earnings per diluted share of $1.52 included an unfavorable impact of approximately $0.05 related to natural disasters
- Initial margin recovery as selling price initiatives and cost management are partially mitigating persistent raw material cost inflation
- Current year benefits from restructuring actions are expected to be at least $45 million; toward the high-end of the targeted 2017 range

Continued cash deployment and finalized sale of remaining glass business

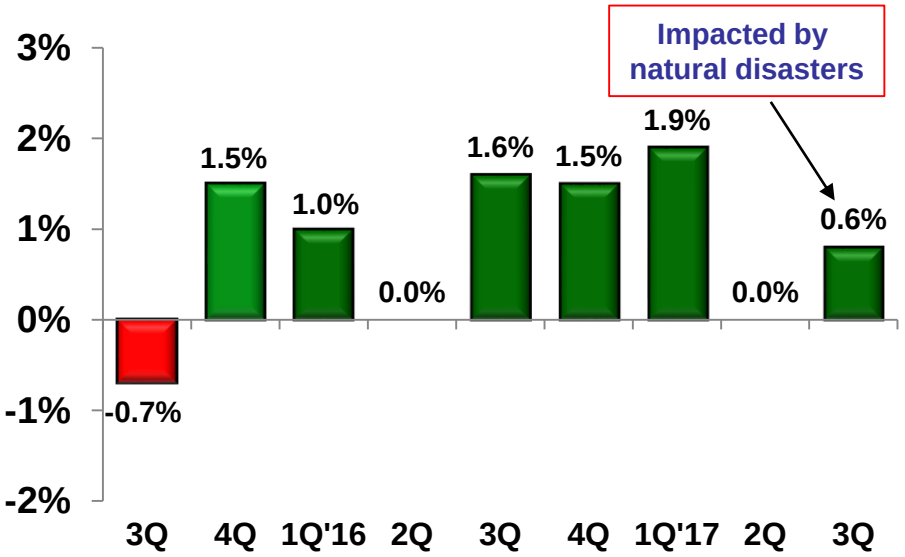
- Cash and short-term investments of $2.3 billion at quarter-end
- Completed sale of N. A. fiber glass business in September; approximately $540 million in gross proceeds
- Year-to-date, more than $700 million has been deployed for acquisitions and share repurchases including the recent acquisition of The Crown Group on Oct. 2
- Additional $2.8 billion of cash to be deployed by the end of 2018

PPG Third Quarter Net Sales*



PPG Y-O-Y Volume Trends**

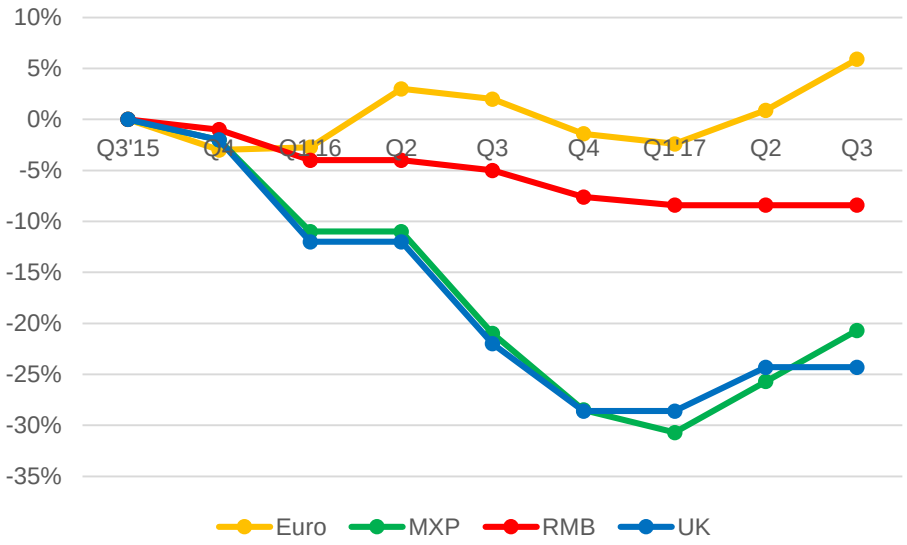
(excl. price, currency and acquisition/divestiture impacts)



Pre-natural disaster sales volumes improved

Foreign Currency Rate Trends vs. U.S. Dollar

(indexed to Q3'15)



Euro and Peso currency strengthened in 3Q'17

* Sales from continuing operations

** Volumes as originally reported include the former Glass segment

Third 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	Above Market	At Market
Automotive Refinish	Above Market	At Market	At Market	At Market
Architectural	Co. Stores At Market / DIY & Dealer At Market	Below Market	AUS Above Market / CN At Mkt	Mexico At Market / BRZ At Mkt
Protective	At Market	Above Market	At Market	At Market
Marine	At Market	At Market	At Market	N/A
Automotive OEM	Below Market	At Market	Above Market	Above Market
General Industrial	At Market	At Market	Above Market	Above Market
Packaging	At Market	Above Market	At Market	Above Market

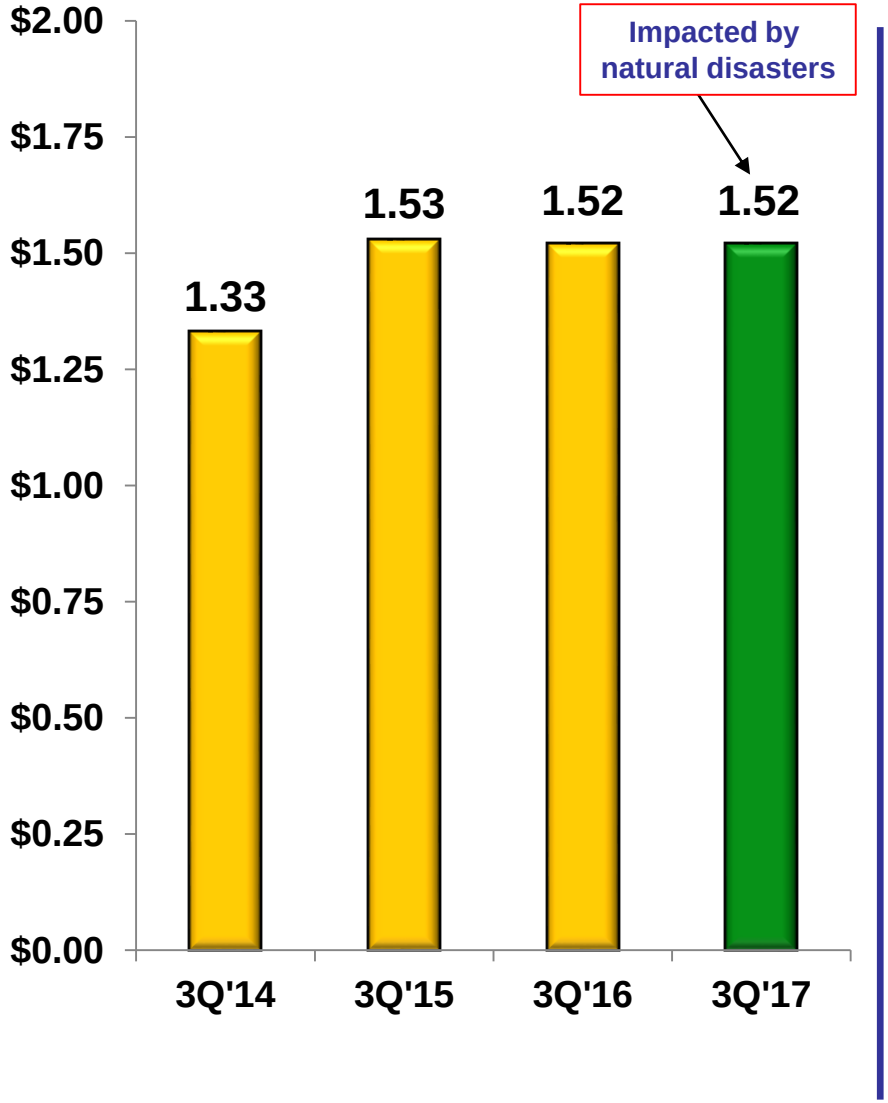
1. PPG compared to industry end-use market demand legend:
   - Above Market
   - At Market
   - Below Market

2. Year-over-year PPG volume legend:



Based on PPG estimates

PPG Third Quarter Adjusted Earnings Per Diluted Share*



Third Quarter 2017 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
  - Unfavorable impact from natural disasters of $0.05
  - Continued, aggressive cost management including business restructuring actions
  - Favorable foreign currency translation YOY (~$10 million pre-tax)
- ✓ Average diluted shares outstanding down about 3 percent vs. prior-year
- ✓ 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)	3Q16	3Q17	Chg	%
Net Sales	2,223	2,290	+67	+3%
Income	368	365	-3	-1%
Margin %	16.6%	15.9%	--	--

Select Net Sales Detail	Total	Volume	Currency
3Q Y-O-Y Change	+3%	-1%	+2%

Third Quarter (Y-O-Y):

- ✓ Selling prices improving across all businesses and regions
- ✓ Natural disasters unfavorably impacted sales volumes and margins, particularly U.S. architectural and protective coatings
- ✓ Aerospace coatings sales volumes grew at a low-single-digit percentage supported by growth in Europe
- ✓ Modest organic sales growth in automotive refinish U.S. and Canada; growth in line with market in all other regions
- ✓ Flat volumes in architectural coatings Americas & Asia-Pacific:
  - Mid-single-digit percentage growth in U.S. & Canada company-owned stores; lower sales volumes in national retail (DIY) customers and independent dealers
- ✓ Lower sales volumes in arch. coatings – EMEA; sluggish demand in certain countries & turning down certain lower margin business. UK is still performing well.
- ✓ Flat sales volumes in protective and marine coatings; mid-single-digit percentage volume growth in Europe.
  - Marine coatings sales contraction is abating; ship builders' order books in China and Korea are improving



PPG Timeless® introduced at The Home Depot®

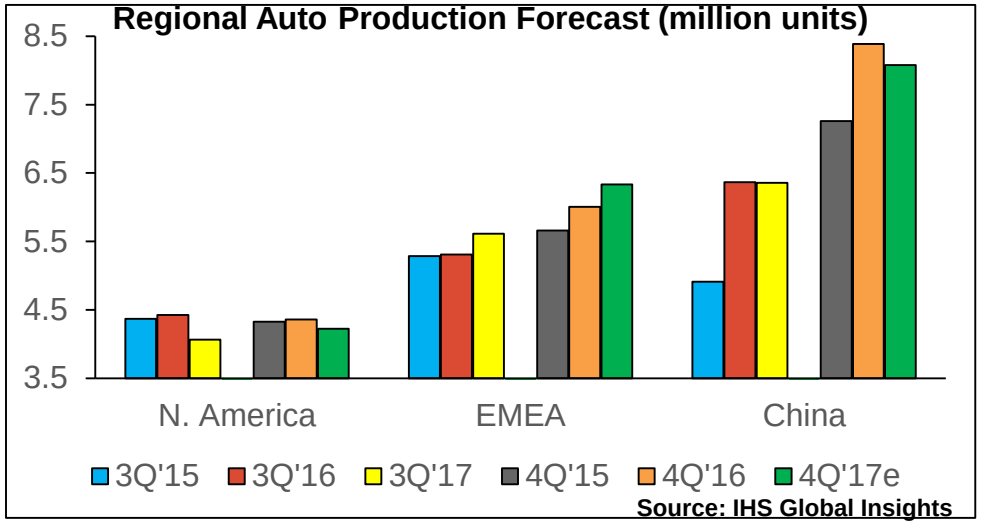
Fourth Quarter 2017 Outlook:

- ✓ Lower sequential sales due to normal seasonality patterns
- ✓ Natural disasters / supply-related factors: modest unfavorable impacts continue
  - Transitory raw material cost inflation is expected to continue through the fourth quarter
  - Lower demand expected in Mexico and Puerto Rico
- ✓ Expect to further offset margin pressures; additional price actions in Mexico, U.S., Canada, and Europe
- ✓ Consistent industry demand trends in automotive refinish and aerospace coatings
- ✓ Architectural coatings EMEA sales volume growth is expected to remain mixed by country
- ✓ Architectural coatings demand in U.S. & Canada is expected to remain inconsistent by channel
- ✓ Expect about $10 million of incremental growth-related costs year-over-year
- ✓ Expect no meaningful year-over-year acquisition-related sales benefit

Industrial Coatings

$MM (USD)	3Q16	3Q17	Chg	%
Net Sales	1,437	1,486	+49	+3%
Income	249	223	-26	-10%
Margin %	17.3%	15.0%	--	--

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



Third Quarter (Y-O-Y):

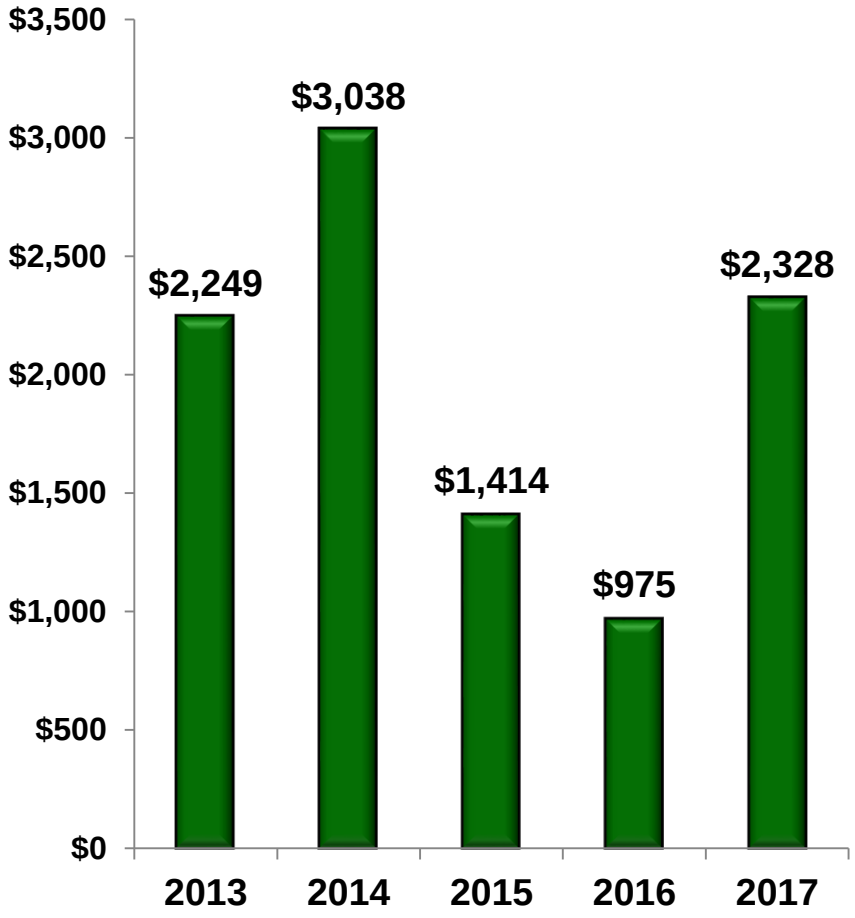
- ✓ Selling prices modestly lower year-over-year but improved sequentially versus the second quarter
- ✓ Raw material cost inflation higher than expected: natural disasters and supply-related impacts
- ✓ Continued above-market mid-single-digit percentage sales volumes growth in general industrial coatings and specialty coatings and materials
  - Outpaced regional industrial production growth led by high-single-digit percentage growth in Asia-Pacific and Latin America
- ✓ Low-single-digit percentage PPG sales volume growth for global automotive OEM consistent with the market
  - Above-market volume growth continued in Asia-Pacific and Latin America
- ✓ Packaging coatings sales volumes grew at a mid-single-digit percentage; above-market in most regions

Fourth Quarter 2017 Outlook:

- ✓ Lower sequential sales due to normal seasonal patterns
- ✓ Raw material cost inflation is expected to continue both from natural disasters and supply-related factors in Europe and China
- ✓ Selling price actions continue to be implemented across various businesses and regions; strong cost management continues
- ✓ Global PPG automotive OEM coatings sales volumes anticipated to increase modestly & outperform the global market
  - China automotive OEM: difficult comparison due to strong prior year growth; tax subsidy slated to expire in December
- ✓ Continued overall general industrial demand growth; expect to outperform despite strong prior year comparison
- ✓ Continued above market packaging coatings sales volume growth, aided by industry conversions to new PPG technologies
- ✓ The Crown Group acquisition-related sales of $20-$25 million; margins expected to be dilutive to segment prior to synergy capture

Balance Sheet and Cash

Third Quarter Cash and Short Term Investments ($MM)



Cash Deployment

✓ Approximate cash uses ($MM):

	3Q'17	YTD
Capital Spending	$75	$210
Dividends	$115	$320
Acquisitions	$5	$170
Share Repurchases	$250	$415

✓ 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

- The Crown Group closed Oct. 2
- Acquisition pipeline remains active
- Share repurchases continue in 4Q'17
- Additional $2.8 billion of cash deployment by the end of 2018

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
Third Quarter 2017						
Net Income Attributable to PPG as Reported	$ 392	$ 1.52	$ 217	$ 0.84	$ 609	$ 2.36
Third Quarter 2016						
Net (Loss)/Income Attributable to PPG as Reported	$ (211)	$ (0.79)	$ 27	$ 0.10	$ (184)	$ (0.69)
Pension settlement charges	616	2.31	--	--	616	2.31
Adjusted Net Income Attributable to PPG	$ 405	$ 1.52	$ 27	$ 0.10	$ 432	$ 1.62
Third Quarter 2015						
Net Income Attributable to PPG as Reported	$ 410	$ 1.51	$ 23	$ 0.08	$ 433	$ 1.59
Transaction-related costs	1	--	--	--	1	--
Pension settlement charge	5	0.02	--	--	5	0.02
Adjusted Net Income Attributable to PPG	$ 416	$ 1.53	$ 23	$ 0.08	$ 439	$ 1.61
Third Quarter 2014						
Net Income Attributable to PPG as Reported	$ 340	$ 1.22	$ 31	$ 0.11	$ 371	$ 1.33
Transaction-related costs	2	0.01	--	--	2	0.01
Pension settlement charge	2	0.01	--	--	2	0.01
Legacy environmental reserves	86	0.30	--	--	86	0.30
Gain on asset sales	(59)	(0.21)	(14)	(0.05)	(73)	(0.26)
Adjusted Net Income Attributable to PPG	$ 371	$ 1.33	$ 17	$ 0.06	$ 388	$ 1.39
Third Quarter 2013						
Net Income Attributable to PPG as Reported	$ 188	$ 0.65	$ 38	$ 0.13	$ 226	$ 0.78
Transaction-related costs	3	0.01	1	--	4	0.01
Legacy environmental reserves	56	0.19	--	--	56	0.19
Business restructuring	70	0.24	3	0.01	73	0.25
Adjusted Net Income Attributable to PPG	$ 317	$ 1.09	$ 42	$ 0.14	$ 359	$ 1.23

Amounts in Millions of USD except EPS

Regulation G Reconciliation

Three Months Ended September 30, 2017	Income Before Income Taxes	Tax Expense	Effective Tax Rate
Effective tax rate, continuing operations	**$521**	**$123**	**23.6%**

Three Months Ended September 30, 2016	(Loss) Income Before Income Taxes	Tax (Benefit) Expense	Effective Tax Rate
Effective tax rate, continuing operations	**$(426)**	**$(220)**	**51.6%**
Pension settlement charges	968	352	36.4%
Adjusted effective tax rate, continuing operations	**$542**	**$132**	**24.4%**