

PPG – Second Quarter 2018 Financial Results

Michael H. McGarry, Chairman and Chief Executive Officer

Vincent J. Morales, Senior Vice President and Chief Financial Officer

John Bruno, Director, Investor Relations

Information current as of July 19, 2018



Forward Looking Statements

Forward-Looking Statements

Statements continued 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 Industries' operations, as discussed in the company'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 achieve selling price increases, the ability to recover margins, the ability to maintain favorable supplier relationships and arrangements, the timing of realization of anticipated cost savings from restructuring initiatives, the ability to identify additional cost savings opportunities, 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, the unpredictability of existing and possible future litigation, including asbestos litigation, and governmental investigations. Such factors also include risks related to the impact of the restatement disclosed in our amended Annual Report on Form 10-K/A, including the impact on PPG's reputation and commercial contracts, our ability to successfully remediate the material weakness in our internal control over financial reporting disclosed in our amended Annual Report on Form 10-K/A within the time periods and in the manner currently anticipated, the effectiveness of our internal control over financial reporting, including the identification of additional control deficiencies and further expenditures related to our restatement. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in PPG's 2017 Form 10-K/A 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, lower sales or earnings, 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 release speaks only as of July 19, 2018, and any distribution of this release 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 2018 Financial Highlights

Net sales up nearly 9 percent; local currency sales increased about 6 percent

- Sales volumes increased by more than 3 percent year-over-year; growth in both reporting segments
- Selling prices increased more than 2 percent; sequential improvement in both segments
- Favorable foreign currency translation benefited sales by nearly 3 percent, or about \$90 million

Second quarter adjusted earnings per diluted share of \$1.90*

- Adjusted earnings per diluted share of \$1.90, including the unfavorable impact of elevated raw material and logistics cost inflation
- Selling prices increased sequentially for the fifth consecutive quarter; additional selling price increases have been secured for the third quarter 2018
- Initiated new business restructuring program targeting \$85 million of annual savings

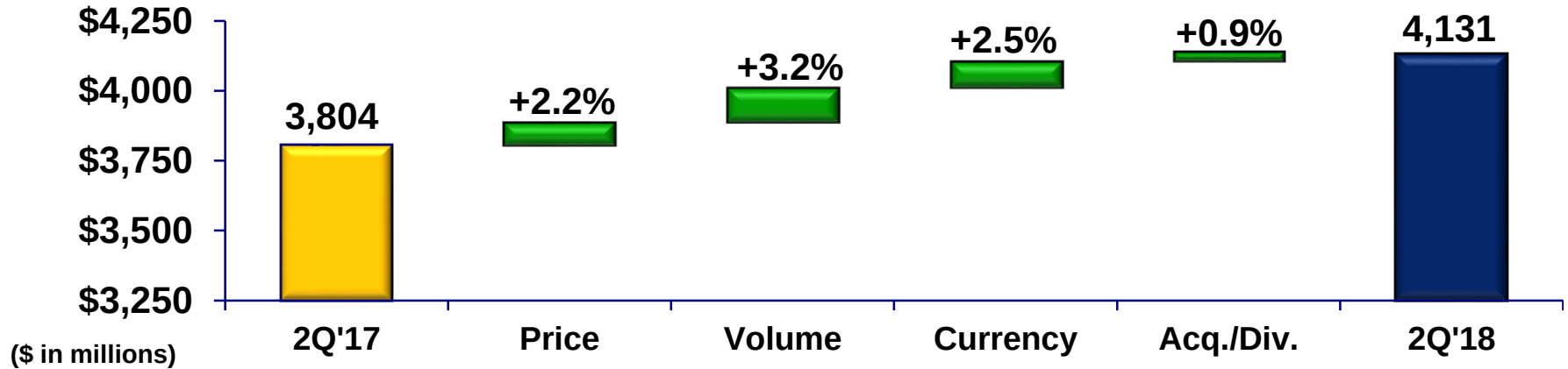
Strong progress on cash deployment; financial flexibility remains

- Stock repurchases in the first half 2018 totaled nearly \$1.1 billion
- Coating's industry acquisition pipeline remains active

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

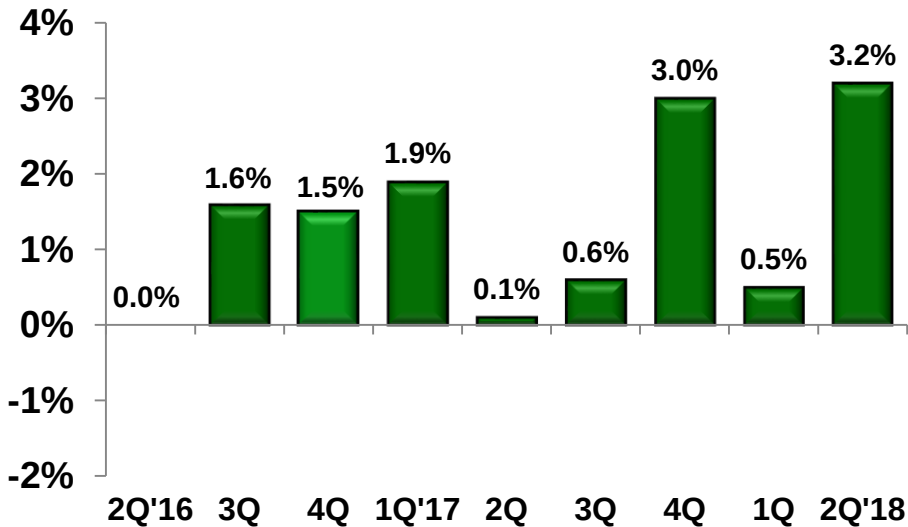


PPG Second Quarter Net Sales*

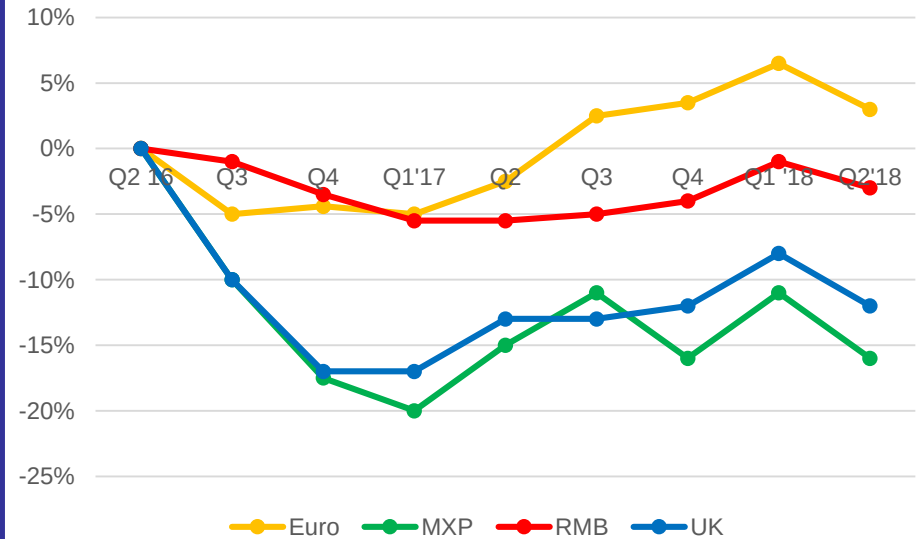


PPG Y-O-Y Volume Trends**

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



Foreign Currency Rate Trends vs. U.S. Dollar (indexed to Q2'16)



2Q'18: solid volume growth – first half 2018 volume growth ~2%

US dollar gains versus key currencies in 2Q'18



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

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

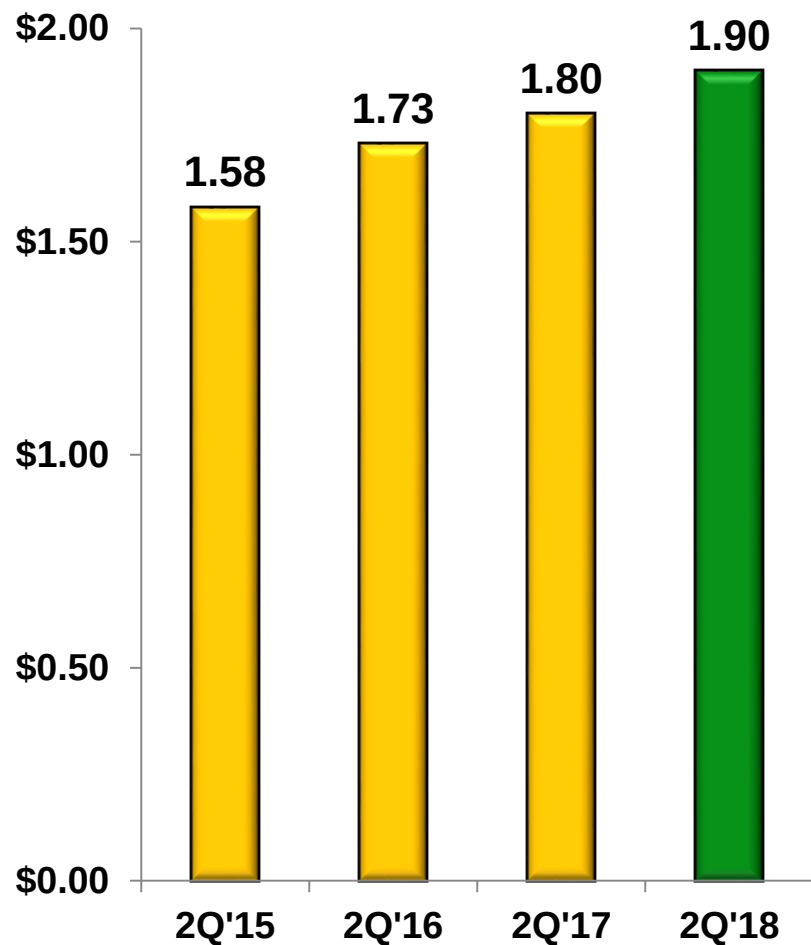
- Above Market
- At Market
- Below Market

2. Year-over-year PPG volume legend:



Based on PPG estimates

Second Quarter Adjusted Earnings Per Diluted Share*



Second Quarter Comments

- ✓ Reporting segment updates included on the following slides. Aggregate items embedded in segment reviews:
 - Selling prices increased 2.2% Y-O-Y
 - Raw material inflation continued to be elevated at a mid-single-digit percentage level over the second quarter 2017
 - Elevated increase in logistics costs Y-O-Y
 - Favorable foreign currency translation of approximately \$15 million Y-O-Y
- ✓ Average diluted shares outstanding down nearly 5 percent vs. prior-year quarter
- ✓ Effective income tax rate on adjusted net income:
 - 2Q 2018 = 22.0%
 - 2Q 2017 = 24.3%

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



Performance Coatings

\$MM (USD)	2Q17	2Q18	Chg	%
Net Sales	2,299	2,498	+199	+9%
Income	405	428	+23	+6%
Margin %	17.6%	17.1%	-0.5%	--

Select Net Sales Detail	Total	Volume	Currency
2Q Y-O-Y Change	+9%	+4%	+2%

Second Quarter (Y-O-Y):

- ✓ Improved selling prices in all regions
- ✓ One extra shipping day positively impacted sales by approximately 70 basis points
- ✓ Additional spending of \$5 million for growth initiatives
- ✓ Strong global auto refinish coatings organic sales growth
- ✓ Strong aerospace sales volumes driven by U.S. and Asia
- ✓ Architectural coatings EMEA sales volume was slightly lower matching regional end-use market performance
- ✓ Sales volumes were higher in architectural coatings Americas & Asia-Pacific:
 - High-single-digit percentage growth in U.S. & Canada company-owned same store sales; modestly higher DIY sales and lower demand at independent dealers
 - Strong organic sales growth in Mexico (PPG-Comex)
- ✓ Sales volumes increased in protective and marine coatings
- ✓ Favorable Y-O-Y foreign currency; segment sales (~\$55MM) and income (~\$10MM)

PPG Olympic® introduced at The Home Depot®



Third Quarter 2018 Outlook:

- ✓ Modestly lower sequential sales due to normal seasonality
- ✓ Expect raw material inflation to continue with further selling price actions to support margin recovery
- ✓ Modest organic sales growth in automotive refinish; U.S. industry collision claims decreased in first half of 2018
- ✓ Strong aerospace sales expected to continue
- ✓ Similar sales volume performance as compared to the second quarter is expected in architectural coatings EMEA and protective and marine coatings
- ✓ Expect architectural coatings demand in U.S. & Canada company-owned stores to remain strong and lower DIY sales of about 200 to 250 basis points of segment revenue and 120 to 150 basis points of total company revenue
- ✓ Continued growth-related spending up to \$5 million Y-O-Y
- ✓ Expect unfavorable sales impact between \$50 - \$60 million from foreign currency translation based on current rates



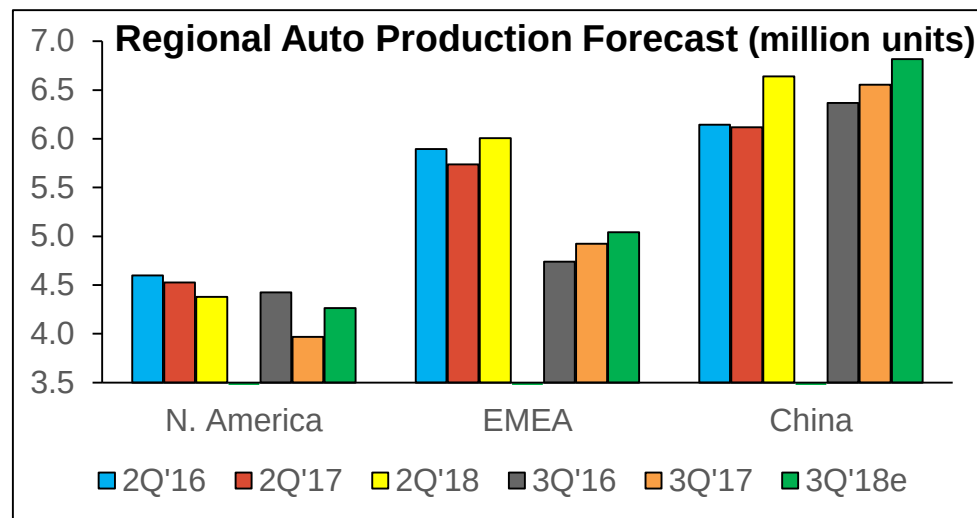
Industrial Coatings

\$MM (USD)	2Q17	2Q18	Chg	%
Net Sales	1,505	1,633	+128	+9%
Income	264	223	-41	-16%
Margin %	17.5%	13.7%	-3.8%	--

Select Net Sales Detail	Total	Volume	Currency
2Q Y-O-Y Change	+9%	+3%	+3%

Second Quarter (Y-O-Y):

- ✓ Elevated raw material and logistics cost inflation
- ✓ Selling prices improved by over 1 percent Y-O-Y
- ✓ Automotive OEM coatings sales volumes at low-single-digit percentage in-line with global builds
- ✓ General industrial coatings sales volumes grew and outpaced the market in Europe and Latin America
- ✓ Mid-single-digit percentage sales volume growth in packaging coatings driven by strong growth in the U.S., Europe and Latin America
- ✓ Acquisition-related sales of ~\$30 million
- ✓ Favorable foreign currency translation on segment sales (~\$35MM) and income (~\$5MM)



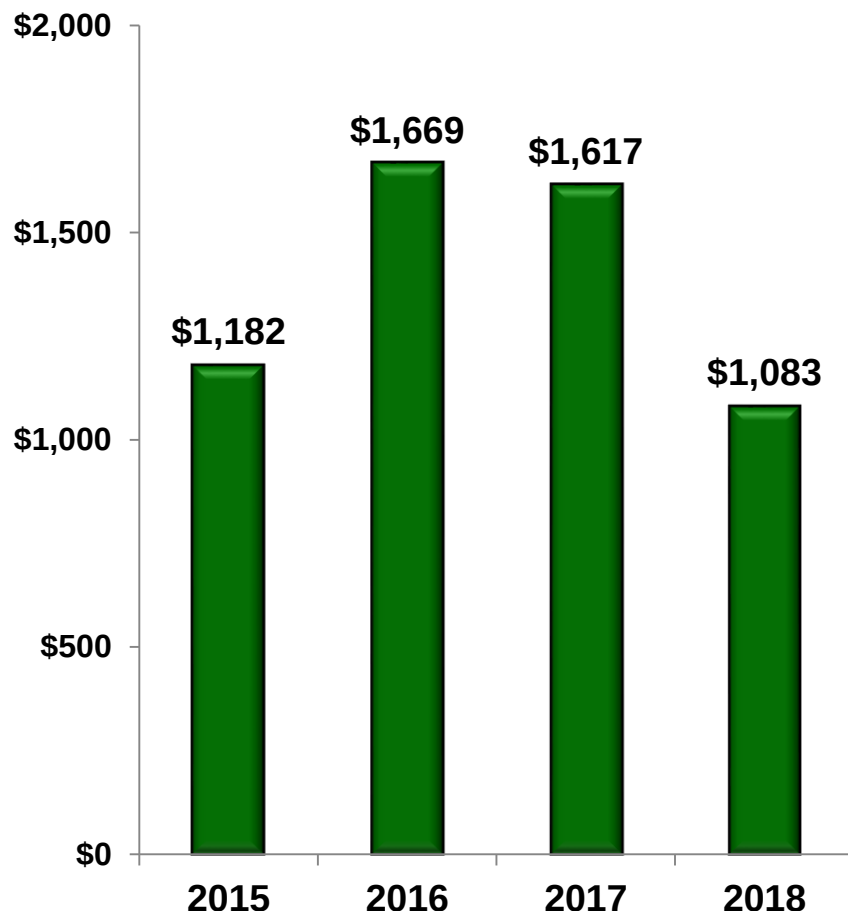
Third Quarter 2018 Outlook:

- ✓ Modestly lower sequential sales from normal seasonal patterns
- ✓ Greater risk of industrial demand being uneven by region and end-market due to the implementation of recent tariffs
- ✓ Expect raw material and logistics cost inflation to continue
- ✓ Selling price actions continue to be implemented across various businesses & regions; strong cost management continues
- ✓ Global automotive OEM sales volume growth expected to be consistent with industry; expect higher U.S. automotive OEM industry production growth
- ✓ Expect general industrial and packaging coatings Y-O-Y sales volume growth rate to be comparable to the first half 2018
- ✓ Acquisition-related sales growth of approximately \$30MM, currently below segment margins
- ✓ Expect unfavorable sales impact between \$20 - \$30 million from foreign currency translation based on current foreign exchange rates



Balance Sheet and Cash

Second Quarter Cash and Short Term Investments (\$MM)



Cash Deployment

- ✓ Approximate cash uses (\$MM):

	<u>2Q'18</u>	<u>YTD</u>
Capital Spending	\$45	\$120
Dividends	\$110	\$220
Share Repurchases	\$460	\$1,060

- ✓ Strong cash position remains; continued focus on cash deployment for earnings accretion
- ✓ Committed to deploy \$2.4 billion on acquisitions and share repurchases in 2018
- ✓ Net debt* increased from the second quarter 2017 by about \$1 billion year-over-year to \$4.0 billion



*Total debt less cash and short term investments

Additional Materials and Appendix

Thank you for your interest in PPG Industries, Inc.

Contact Information:

Investors:

John Bruno

phone: +1.412.434.3466

email: jbruno@ppg.com

Media:

Mark Silvey

phone: +1.412.434.3046

email: silvey@ppg.com



Adjusted EPS Reconciliation

2nd Quarter Reporting Period

\$ in millions, except EPS

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
Second Quarter 2018						
Net Income Attributable to PPG as Reported	\$ 371	\$ 1.51	\$ --	--	\$ 371	\$ 1.51
Costs related to a customer assortment change	8	0.03	--	--	8	0.03
Business restructuring charge	63	0.25	--	--	63	0.25
Accelerated depreciation from restructuring actions	4	0.02	--	--	4	0.02
Accounting investigation costs	7	0.03	--	--	7	0.03
Impairment of non-manufacturing asset	7	0.03	--	--	7	0.03
Legacy legal settlement	8	0.03	--	--	8	0.03
Adjusted Net Income Attributable to PPG	\$ 468	\$ 1.90	\$ --	--	\$ 468	\$ 1.90
Second Quarter 2017						
Net Income Attributable to PPG as Reported	\$ 497	\$ 1.92	\$ (1)	--	\$ 496	\$ 1.92
Transaction-related costs	3	0.01	--	--	3	0.01
Gain on sale of the Plaka business	(24)	(0.09)	--	--	(24)	(0.09)
Legacy legal settlement	(11)	(0.04)	--	--	(11)	(0.04)
Adjusted Net Income Attributable to PPG	\$ 465	\$ 1.80	\$ (1)	--	\$ 464	\$ 1.80
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-downs	8	0.03	--	--	8	0.03
Gain on sale of 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

Regulation G Reconciliation

Three Months Ended June 30, 2018	Income Before Income Taxes	Tax Expense	Effective Tax Rate
Effective tax rate, continuing operations	\$479	\$104	21.7%
Costs related to a customer assortment change	10	2	24.3%
Business restructuring charge	83	20	24.2%
Accelerated depreciation from restructuring actions	5	1	23.8%
Accounting investigation costs	9	2	24.3%
Impairment of non-manufacturing asset	9	2	24.3%
Legacy legal settlement	10	2	24.3%
Adjusted effective tax rate, continuing operations	\$605	\$133	22.0%

Three Months Ended June 30, 2017	Income Before Income Taxes	Tax Expense	Effective Tax Rate
Effective tax rate, continuing operations	\$659	\$157	23.8%
Transaction-related costs	5	2	37.9%
Gain on sale of the Plaka business	(25)	(1)	3.2%
Legacy legal settlement	(18)	(7)	37.9%
Adjusted effective tax rate, continuing operations	\$621	\$151	24.3%

Amounts in Millions of USD

